

MINUTE ITEM

8/26/76
WGH

W 9525

21. ELLWOOD OIL AND GAS PIER - PRC 428.1

During consideration of Calendar Item 21, attached, Mr. William F. Northrop, Executive Officer, explained briefly about the item. He stated that the County of Santa Barbara had indicated interest in using this pier as a recreational boating pier. He also stated some oil companies had indicated that it may be used for a docking area for offshore operations. However, under the terms of the lease, it is time to remove the pier, which this item would authorize. The County of Santa Barbara had a meeting, and they sent the Commission a telegram saying that they have now decided to do a study. Mr. N. Gregory Taylor, Assistant Attorney General, stated that the debate on whether to tear out the pier or rehabilitate it had been going on for three years, and there had been several changes in position on whether or not to go ahead and remove the pier. He indicated it would be very expensive to remove the pier. He stated his main concern was that Animoil is proceeding diligently to have the matter resolved pursuant to the terms of the Agreement. Mr. Taylor then requested that the request from Animoil and the telegram from the County of Santa Barbara be made a part of the record so that it is clear that this request is being made by a party having the duty to remove the pier.

Upon motion duly made and carried the resolution as presented in Calendar Item 21, was approved by a vote of 2-0.

Attachments: Calendar Item 21 (2 pages)

CALENDAR ITEM

8/76
PRC 428.1
WGH
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21.

ELLWOOD OIL AND GAS PIER

On April 22, 1929, the Division of State Lands issued oil and gas prospecting permit No. 98 to William L. Appleford. On July 13, 1929, Appleford entered into a drilling and operating agreement with the Robert Bowles Oil Co., which agreement was assigned to Signal Oil and Gas on September 21, 1929, subject to the terms and conditions of oil and gas prospecting permit No. 98.

On July 29, 1930, Appleford's prospecting permit was converted into State Oil and Gas Lease No. 98, subject to the following terms and conditions:

"(m) To deliver up the premises leased with all permanent improvements thereon in good order and condition upon the termination or forfeiture of this lease, subject to the provisions contained in subparagraph (n) herein."

"(n) To remove, at the option of the State all derricks, buildings, machinery, fixtures and such other things as may have been put thereon by the Lessee, at the end of this term or sooner termination thereof, including any extension which may be granted to lessee under the provisions granted herein; such removal costs to be borne by lessee and at no expense to the State."

Subsequent thereto, Signal Oil and Gas Company constructed a pier approximately 2400 feet in length to conduct drilling and production operations. The Appleford lease was renewed and extended on July 29, 1950, as PRC 428.1, and extended again on June 23, 1960.

Production on PRC 428.1 ceased in May 1969, and abandonment of the wells was completed by Signal in October 1973.

In 1972, Signal, the County of Santa Barbara and the Wildlife Conservation Board entered into negotiations whereby approval would be sought from the State Lands Commission to issue a joint lease to the County of Santa Barbara and the Wildlife Conservation Board to operate Ellwood Pier as a fishing and recreation facility. Original studies indicated the cost of rehabilitation of the pier to be \$845,250, the purchase of the upland parcels to cost \$122,400 and onshore improvements to run \$150,535, or a total project cost of \$1,118,185. Of this total project cost, the participants allocated their respective contributions as follows: Signal (who as June 1, 1974 became Hurmah Oil and Gas), \$277,000; Wildlife Conservation Board \$211,312; matching federal funds from the Land and Water Conservation Fund \$483,825; and Santa Barbara County oil subvention revenues \$146,800.

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CALENDAR ITEM NO. 21. (CONTD)

In February 1976, it was determined that the initial cost studies had been inadequate and that a new engineering study, costing approximately \$20,000, would be undertaken by the County to determine the feasibility of rehabilitating the pier and the projected costs thereof. However, on August 9, 1976, the Santa Barbara County Board of Supervisors voted 2-2 not to fund such engineering study, the dissenting supervisors expressing concern that the results of such study would either deem the pier restoration unfeasible or would amount to a cost not capable of being totally funded by the financial participants to the project.

Accordingly, under the terms of its lease, the Commission now has the option of either requiring Aminoil U.S.A., Inc. (formerly Burmah Oil and Gas Company, effective July 1, 1976), to (1) deliver up the pier in good order and condition, or (2) remove the pier upon the Commission's issuance of 60 days written notice. Therefore, unless a prospective applicant can provide adequate financing to restore and maintain the pier in good order and condition, the staff would recommend that the Commission elect the latter option of requiring Aminoil to remove the pier, which costs are presently estimated to be \$650,000.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE ISSUANCE OF A DEMAND NOTICE UPON AMINOIL U.S.A., INC., TO REMOVE THE EXISTING ELLWOOD PIER, PURSUANT TO THE TERMS AND CONDITIONS OF STATE OIL AND GAS LEASE PRC 428.1, PROVIDED, HOWEVER, PURSUANT TO THE REQUEST OF AMINOIL USA, INC., THIS ACTION SHALL NOT BECOME EFFECTIVE FOR SIX MONTHS FROM THE DATE OF THIS MEETING IN ORDER THAT AMINOIL, THE COUNTY OF SANTA BARBARA, AND OTHER PRODUCERS OF OIL AND GAS IN THE SANTA BARBARA CHANNEL MAY HAVE TIME TO PREPARE AND PRESENT ALTERNATIVE PLANS TO THE COMMISSION FOR THE REHABILITATION AND CONTINUED USE OF SAID PIER. IF NO FURTHER ACTION IS TAKEN ON THIS MATTER BY THE COMMISSION PRIOR TO THE END OF SAID SIX MONTH PERIOD, SAID DEMAND SHALL BE ISSUED AND AMINOIL USA, INC. SHALL IMMEDIATELY COMMENCE THE REMOVAL OF SAID PIER WITHOUT FURTHER ACTION OF THE STATE LANDS COMMISSION.