

MINUTE ITEM
This Calendar Item No. 67
was submitted for information
only, no action thereon
being necessary.

MINUTE ITEM
67

08/17/04
W 40896
J. Planck
M. LeClair

CALIFORNIA STATE LANDS COMMISSION
(INFORMATIONAL)

Regular Calendar Item 67: Staff presented report to Commission on oilfield facilities remaining on non-producing offshore leases off Southern California. This was an informational item only; no vote was taken.

**INFORMATIONAL
CALENDAR ITEM
67**

A)
)Statewide
S)

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**REPORT ON OILFIELD FACILITIES REMAINING ON NON-PRODUCING
OFFSHORE LEASES, OFFSHORE LOS ANGELES, ORANGE,
SANTA BARBARA, AND VENTURA COUNTIES**

OVERVIEW

At its meeting on June 7, 2004, in conjunction with its consideration of Calendar Item 62, which addressed the disposition of "Bird Island," a remnant pier from previous oil and gas operations, the Commission received comments regarding the removal of comparable facilities from other inactive oil and gas leases. The Commission subsequently directed staff to report on what additional oilfield facilities, or facility remnants, have yet to be removed from non-producing state offshore oil and gas leases. This report is in response to that request.

BACKGROUND

Over the span of the last 18 years, Commission staff has overseen the removal of six platforms (offshore Santa Barbara), one island (Orange/LA County), and three piers (Ventura County). In 1998, the "SWARS" Project (Subsea Well Abandonment and Rig Sharing), developed and coordinated by Commission staff, saw the abandonment of 18 subsea wells and 53 attendant subsea flowlines throughout the Santa Barbara Channel. Portions of the flowlines were removed through the intertidal zone and the remainder were abandoned in place following the completion, adoption and recommendations of an Environmental Impact Report and pursuant to State regulations. The SWARS Project also included cleanup of numerous "debris targets" from prior oilfield operations. Also during that time, three other subsea wells and three flowlines were abandoned on another State lease offshore Santa Barbara. After SWARS, staff developed and coordinated a follow-on "seafloor debris cleanup" project with all of the same operators to clean up other known sites that were of concern to the fishing industry, but not specifically associated with any of the SWARS wells. That project was based on surveys, and a "target" matrix, developed from a 1989-1991 study in coordination with, and financed by, the Local Marine Fisheries

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Impact Program (LMFIP). The study was done to address impacts on California's commercial fishing industry, mainly the trawl netters, whose nets may have been hanging up on the debris. With the cooperation of the operators, 41 of 44 sites were cleared of debris, mostly oilfield related, although some were of unknown origin. Three of the sites that were not cleared in that project, all in the "Molino" area, are discussed below.

CURRENT STATUS OF KNOWN SITES ON NON-PRODUCING OFFSHORE LEASES (OIL & GAS, RIGHT OF WAY, AND INDUSTRIAL) IN SOUTHERN CALIFORNIA

There are only a few sites remaining on non-producing and quitclaimed State Oil and Gas leases that require further action. Working from Pt. Conception south, the following Oil and Gas leases (O&G), Industrial, and Right-Of-Way (ROW) leases are known to have oilfield facilities or remnants that need to be abandoned or removed.

PT. CONCEPTION/COJO (PRC 4849 – Industrial Lease)

This lease is the site of Unocal's former marine terminal at Cojo Bay, near Point Conception, in Santa Barbara County. The marine terminal was officially placed in caretaker status in 1992. All of the facilities were removed except for one offshore loading line, which was flushed with seawater to remove residual oil. At the time, Unocal had contemplated the possibility of reactivating the terminal some time in the future. The lease expired on December 31, 1993, and was placed in holdover status. In 2002, the Commission authorized the removal of the offshore loading line and acceptance of a quitclaim deed following completion of the removal project. The loading line is scheduled for removal in August 2004. The underlying O&G lease (PRC 2879) facilities were abandoned and debris cleared during the SWARS project. The oil and gas lease was quitclaimed earlier this year.

MOLINO AREA (PRC 2198, PRC 2920 – O&G Leases)

These leases are near Gaviota, offshore Santa Barbara County. All of the subsea wells and flowlines on these leases were abandoned by the operators, either during the normal course of business in the years they operated the lease, or during the SWARS Project. As noted above, there were three "debris targets" which were not cleared during the follow-on seafloor clean up project, and which are currently being addressed by staff.

There are two "targets" associated with "core holes" drilled before the offshore leases were issued (geologic explorations to determine hydrocarbon potential

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prior to bidding on the lease). One was drilled on PRC 2920 by Pauley Petroleum (Pauley), which is no longer in business and has no corporate identity today. The other was drilled by Shell Oil and Chevron as partners on PRC 2198 (quitclaimed in 1966). Both core holes were plugged and abandoned after drilling, and neither ever produced. To the best of staff's knowledge, the "debris" appears to be the "landing pads" for the wells (concrete slabs used to guide and tie in the subsea equipment while drilling), which have been upended. Staff is currently working with Shell to address the latter well.

The State will be responsible for addressing the Pauley well. This subsea well was also identified for removal in the Santa Barbara Channel Hazards Removal Program, for which the Commission adopted a Mitigated Negative Declaration in 2002. No State funds should be necessary, as sufficient funds may remain from the operator-funded SWARS Project to cover the projected costs.

There is a third "target" on PRC 2920, the nature of which is presently unknown, but it appears to be a "casing stub" that is a remnant of oil well casing which was cut off during the abandonment process of Shell Oil's subsea Well 2920 #6. If so, it may be that the "stub" is higher than the surrounding sea floor and may be the cause of "snagged" nets. Although the well was drilled originally by Shell Oil, Shell assigned the lease to our current lessee, Harvest Resources. Shell and Harvest are currently discussing the mechanism for funding the investigation and remedy of this "target."

Staff anticipates these remnants to be removed (or mitigated in the case of PRC 2920 Well #6) in late summer or fall of this year, depending on the ongoing discussions and equipment availability.

CARPINTERIA OFFSHORE (PRC 1824 and PRC 3150 – O&G Leases)

These leases were the sites of four platforms (two on each lease) used by Chevron to develop these two O&G leases, as well as O&G leases PRC 4000 and Exxon's PRC 3133. The four platforms were removed in the mid-1990s. The Commission is aware that "Shell Mounds", which resulted from the authorized discharge of drilling muds and cuttings and periodic cleaning (scraping) of crustacean build-up on the legs of the platforms, remain on the leases. The cleaning was required for safety and to maintain the strength of the platforms. Although the Commission and other agencies allowed the mounds to remain in place after the platforms were removed, the decision was conditioned on trawlers being able to again fish in the area. Subsequent trawl tests were unsuccessful and staff began to explore alternatives for the final disposition of the shell

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mounds. A Draft Programmatic Environmental Impact Report (December 2003) was prepared and circulated for public comment. Staff is evaluating the comments received during the comment period and is working with staff of the California Coastal Commission and ChevronTexaco to develop ChevronTexaco's proposed project for consideration by the Commission.

RINCON (PRC 427 and PRC 429– O&G Leases; PRC 3125 and PRC 5968, – Industrial and ROW Leases)

These leases were the site of the oil piers belonging to Mobil Oil Company and Rincon Island Limited Partnership. Those piers were removed in 1998, following the Commission's adoption of a Mitigated Negative Declaration and an approved removal plan. During the removal process it was not possible to remove all of the pier and well caissons and further use of explosives required additional evaluation. Therefore, some of the materials from the concrete caissons remain in two areas of the site. Biological surveys of the site in 1999 and 2002 revealed that both kelp and other marine life have colonized the concrete caisson remnants, providing equivalent habitat to the natural hard bottom features in the area. The California Department of Fish and Game has recommended that the area not be disturbed by further removal activities. Mobil has submitted a revised application that proposes that the Commission's approved abandonment plan be modified to allow such remnants to be abandoned in place. Staff has been working on an amended Mitigated Negative Declaration to address the remnant concrete caissons. Staff is also in discussions with CalTrans regarding the long-term management of the onshore portion of the leases, which support State Highway 101. Staff's recommendation as to the disposition of the remnant concrete caissons will be developed after discussions with CalTrans and completion of the CEQA process.

HUNTINGTON BEACH (PRC 1639 –Industrial Lease)

This is the marine terminal site of the 1990 American Trader oil spill that led to the enactment of the Lempert, Keene, Seastrand Oil Spill Prevention and Response Act and creation of the Office of Spill Prevention and Response and the Commission's Marine Facilities Division. The terminal and loading line have not been used since that spill. The lease was originally issued to Wilshire Oil Company in 1956, which was acquired by Gulf Oil Corporation in 1965, and which was subsequently assigned to Golden West Refining Company (Golden West). In March 1997, portions of the marine terminal facilities were removed and the terminal was put in "caretaker" status. Two offshore pipelines remain. CENCO Refining Company (CENCO) acquired certain assets of Golden West in May 1998, including the two existing pipelines that served the marine terminal,

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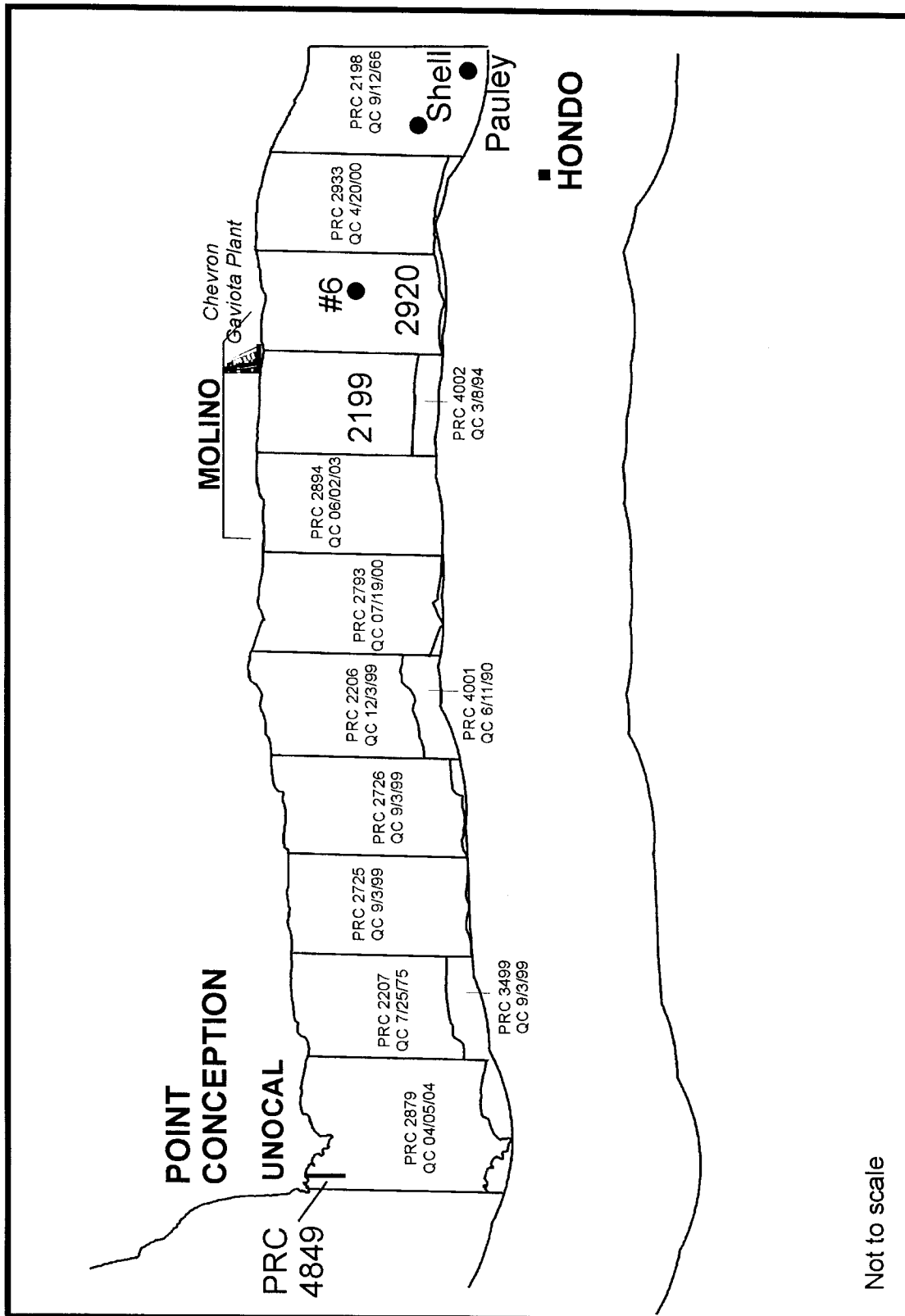
with the intention of resuming terminal operations. CENCO subsequently abandoned those efforts. To date, neither CENCO nor Golden West has requested approval of the asset transfer from the Commission and the lease is still held in the name of Golden West Refining Company. Staff has had several communications with representatives of CENCO in an effort to secure an application for termination of the lease and disposition of the remaining pipelines.

In April of this year, a letter was sent to Golden West setting forth staff's position that Golden West remains obligated under the lease and requesting that it submit an application to terminate the lease. No response has been received to date, and staff is evaluating the next course of action to resolve this matter.

EXHIBITS:

- A. Location Map I: Cojo and Molino Area
- B. Location Map II: Elwood Area
- C. Location Map III: Carpinteria and Rincon Area
- D. Location Map IV: Los Angeles/Orange County Area

LOCATION MAP I - COJO AND MOLINO AREA



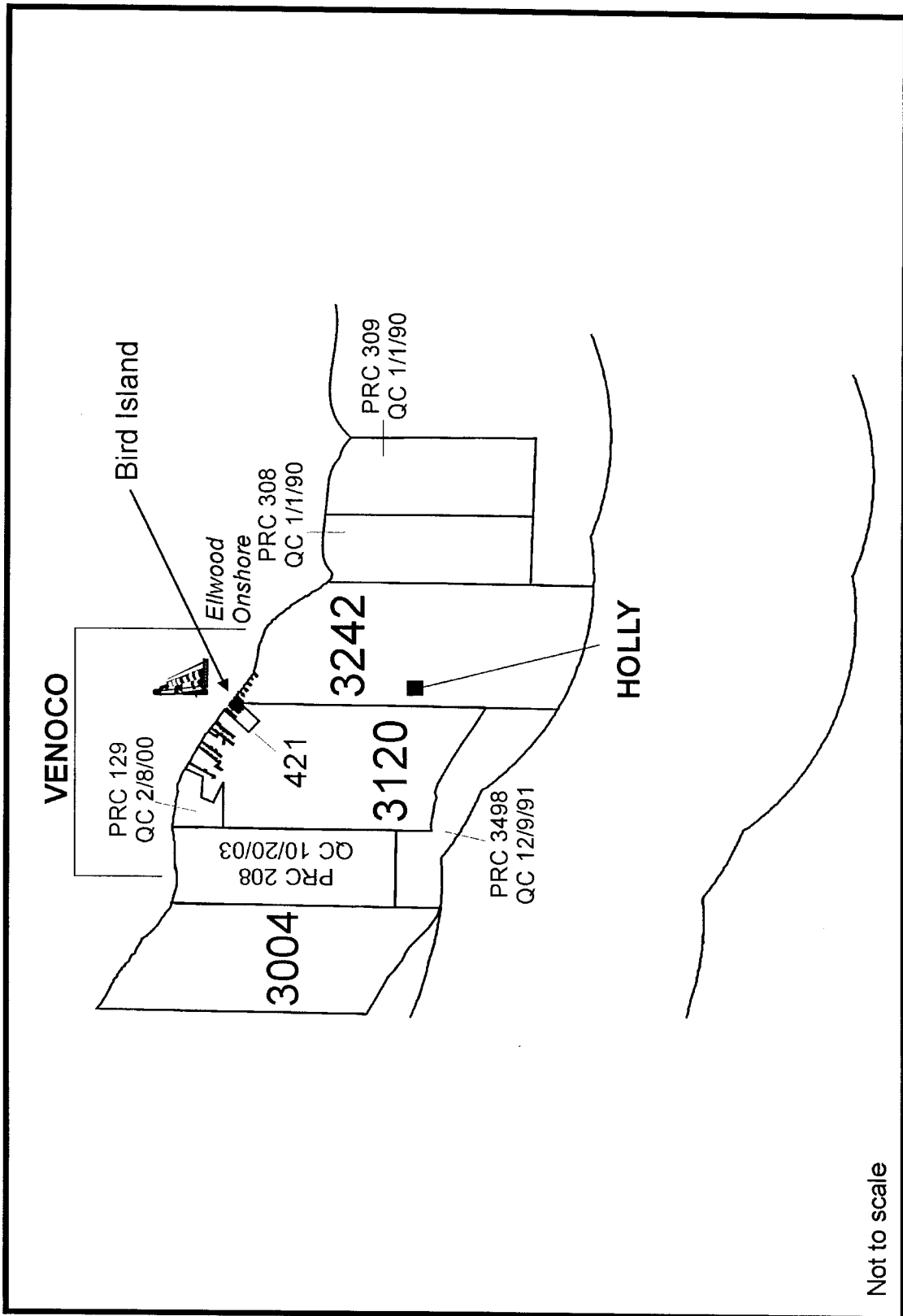
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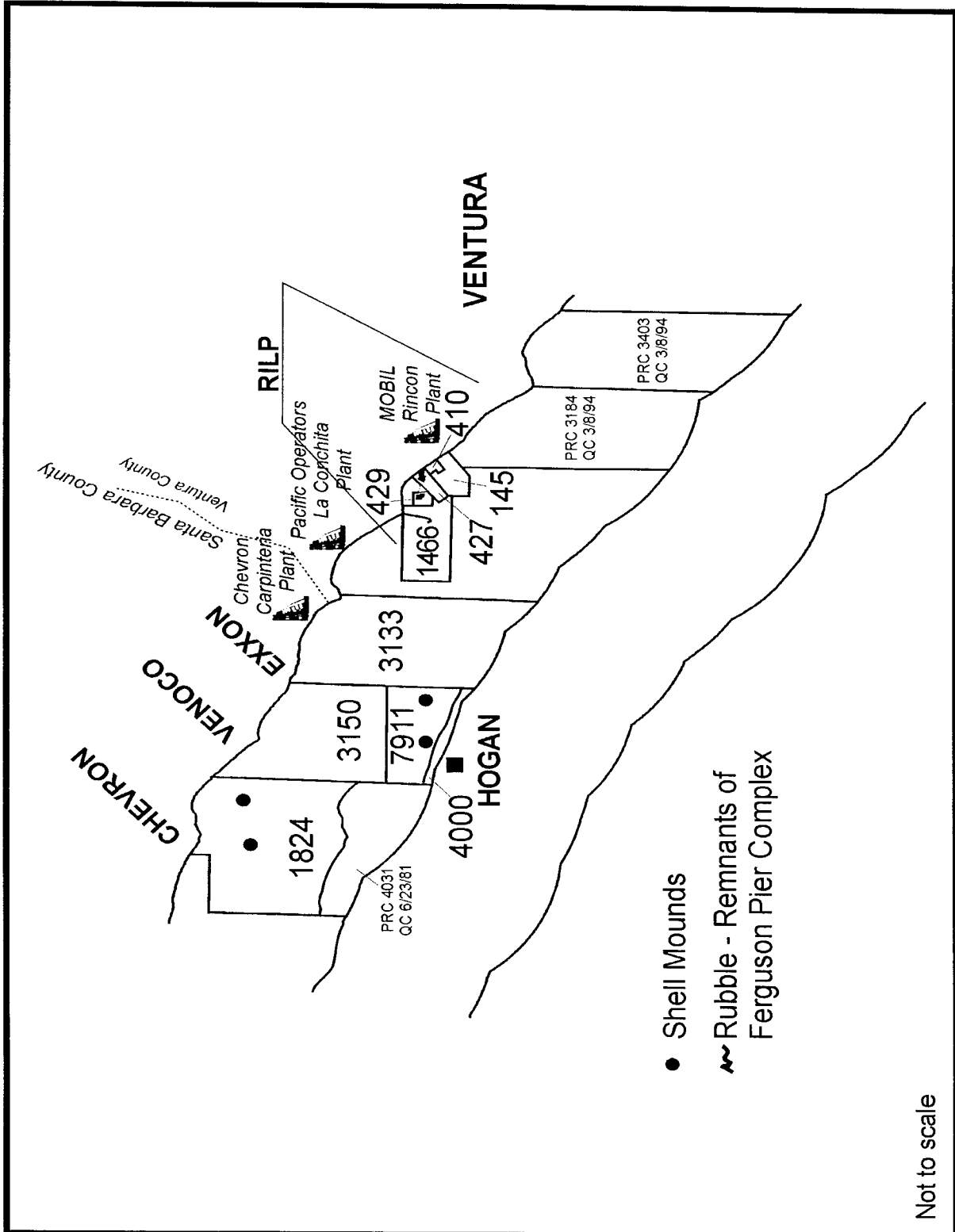
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LOCATION MAP II - ELWOOD AREA



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LOCATION MAP III – CARPINTERIA AND RINCON AREA



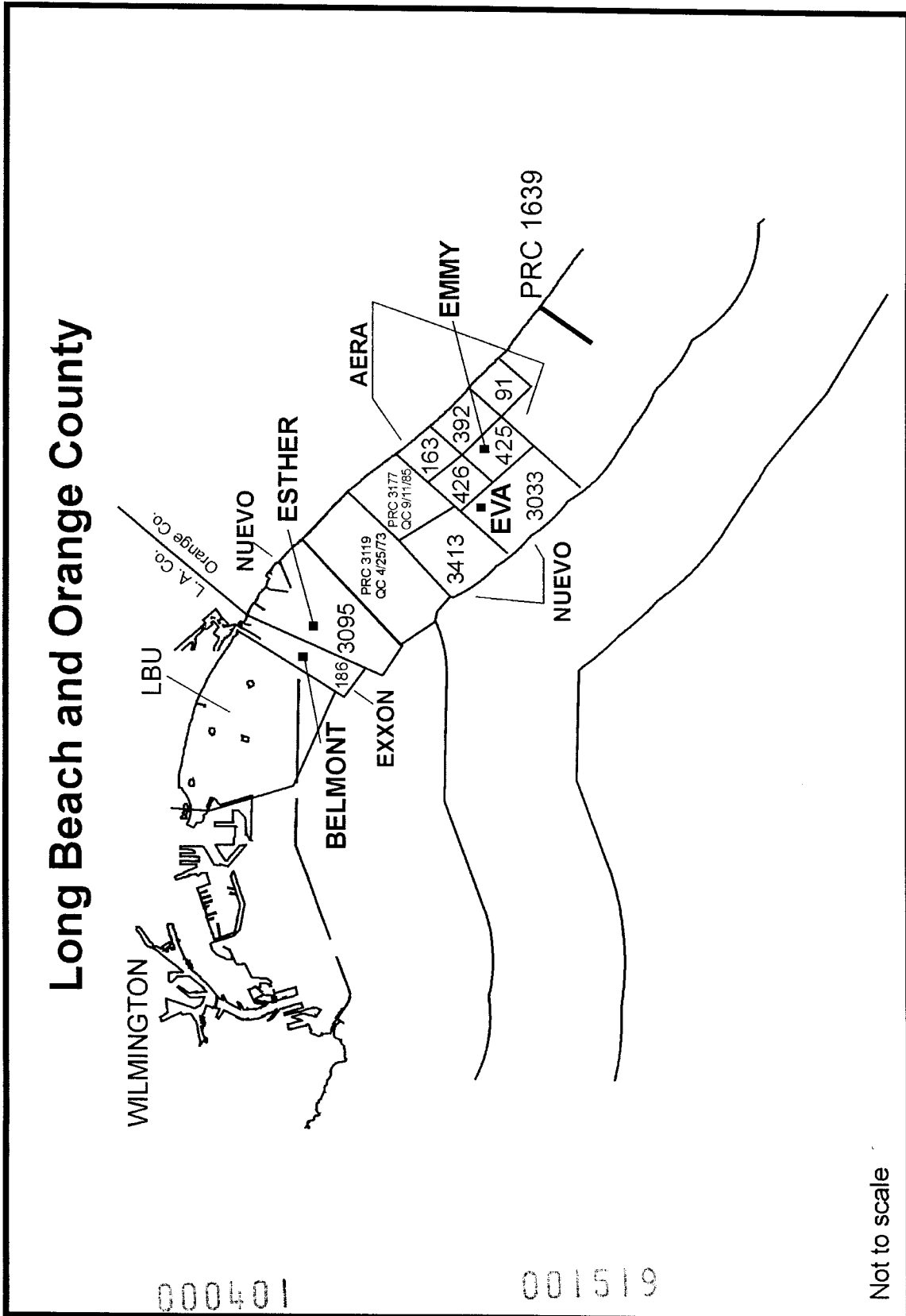
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LOCATION MAP IV – LOS ANGELES/ORANGE COUNTY AREA



Long Beach and Orange County

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