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SPECIAL MEETING  
STATE LANDS COMMISSION  
STATE OF CALIFORNIA

ORIGINAL

STATE CAPITOL  
ROOM 444  
SACRAMENTO, CALIFORNIA

WEDNESDAY, MAY 27, 1987  
10:00 A.M.

Nadine J. Parks  
Shorthand Reporter

MEMBERS PRESENT

1  
2  
3 Leo T. McCarthy, Lieutenant Governor, Chairman  
4 Gray Davis, State Controller, Commissioner  
5 Nancy Ordway, representing Jesse R. Huff, Director  
6 of Finance, Commissioner  
7  
8

STAFF PRESENT

9  
10 Claire Dedrick, Executive Officer  
11 J. F. Trout, Assistant Executive Officer  
12 R. C. Hight, Chief Counsel  
13 Jan Stevens, Deputy Attorney General  
14 Lorna Burks, Executive Secretary  
15  
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P R O C E E D I N G S

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1  
2  
3 CHAIRMAN MC CARTHY: The State Lands Commission  
4 meeting will begin. The matter before us is the ARCO  
5 application at Coal Oil Point.

6 Do you have any opening staff comments you want  
7 to make before I call on Assemblyman O'Connell?

8 EXECUTIVE OFFICER DEDRICK: Yes, Mr. Chairman.  
9 As you know, the Commission held three hearings -- two in  
10 January on the 13th and the 28th, and one March 10th in  
11 Santa Barbara. Staff held a hearing on May 21st in  
12 Santa Barbara. And I would like to be sure that the  
13 public understands that the records of those hearings are  
14 incorporated in the record of the entire case.

15 Also, we have received from Santa Barbara County  
16 a tape of the hearing held on the 18th of May. And we have  
17 received a great deal of correspondence. All of those  
18 things are included in the record and all of those things  
19 have been considered by the Commission.

20 CHAIRMAN MC CARTHY: All right. They're all  
21 part of the record.

22 EXECUTIVE OFFICER DEDRICK: In addition to that,  
23 after Assemblyman O'Connell's testimony, perhaps you would  
24 like to have Chief Counsel Robert Hight, who conducted the  
25 hearing on the 21st, report to you on that hearing, as that

1 was the genesis for at least one of the amendments to the  
2 staff report.

3 CHAIRMAN MC CARTHY: Mr. Hight.

4 COMMISSIONER ORDWAY: I would just like to --

5 CHAIRMAN MC CARTHY: Commissioner Ordway.

6 COMMISSIONER ORDWAY: -- add: I have received  
7 correspondence and I'm not sure if you have. And what I'd  
8 like to do is give to staff anything that has not been  
9 included in the record already. I would very much like it  
10 to be included in the record.

11 CHAIRMAN MC CARTHY: Thank you.

12 EXECUTIVE OFFICER DEDRICK: Thank you,  
13 Commissioner.

14 CHAIRMAN MC CARTHY: Mr. Hight?

15 MR. HIGHT: Mr. Chairman, on the 21st of May,  
16 staff held a hearing in Santa Barbara and had 19 speakers.  
17 They were basically broken into three components: the  
18 University, pro, and against. New evidence that was  
19 brought to bear from that hearing is as follows:

20 The University stated unequivocally that the  
21 proposed project could cause damage to the hardbottom  
22 area and to their potential marine research.

23 In addition, they emphasized the point that the  
24 Coal Oil Point Reserve had not been mentioned in the  
25 past and an oil spill in the vicinity could enter that

1 reserve.

2 In addition, they indicated the types of  
3 research that they were doing and the benefits that that  
4 research had -- specifically, it benefits drug research  
5 and other kinds of environmental research. They, in  
6 addition, asked for a comprehensive study.

7 The public testified. And just summarizing a  
8 few of the witnesses, Mr. Finney, a member of the Isla  
9 Vista Association, thought that -- supported the staff's  
10 position, but felt that there wasn't enough concern with  
11 gases.

12 The Sierra Club supported the staff's position.  
13 We had several speakers who opposed the staff's position  
14 and felt that if hearings had been held in other parts of  
15 the State other than Santa Barbara, we would have received  
16 different comments.

17 The full transcript of that hearing will be -- is  
18 a part of this record.

19 CHAIRMAN MC CARTHY: All right. Thank you.  
20 I'd like to call upon Assemblyman Jack O'Connell. You're  
21 very welcome, Mr. O'Connell, who represents this area  
22 with distinction in the State Assembly. Welcome,  
23 Mr. O'Connell.

24 ASSEMBLYMAN O'CONNELL: Thank you very much.  
25 Lieutenant Governor. It's a pleasure to be here. Thank

1 you for accommodating my schedule to be down in the Ways  
2 and Means Committee to work with Miss Ordway's staff today  
3 on our budget.

4 I want to say just briefly that the State Lands  
5 Commission has undergone a very thorough, a very thoughtful  
6 review process of the ARCO project. I know it's been a  
7 long and tedious task. I know you have conducted three  
8 very extensive, well-attended public hearings in  
9 Santa Barbara. I certainly appreciate it. The community  
10 appreciates your efforts. I know that each of the  
11 Commissioners has attended the meetings, and the  
12 conclusions, which I believe have been presented to you  
13 for your final conclusions today, are -- I believe  
14 very well founded and very well thought out.

15 I appear before you today to express my sincere  
16 appreciation of the process that you have undergone and  
17 my strong support for that staff recommendation to deny  
18 a permit to ARCO at this time.

19 As I stated previously in my testimony earlier  
20 this year, approval of the ARCO project as initially  
21 proposed would have significant irreversible impacts on that  
22 area. While the State Lands Commission has jurisdiction  
23 only over the first three miles from shore, it must  
24 certainly acknowledge the reality of the entire oil and  
25 gas development picture in the Santa Barbara Channel and

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1 make its decision, I believe, in that overall context.

2 As noted in your staff report, this project  
3 represents the introduction of a major industrial use  
4 adjacent to a densely populated residential area, the Isla  
5 Vista area, and a major educational research institution,  
6 the University of California at Santa Barbara.

7 Furthermore, the installation of the platforms  
8 will severely impact commercial fishing in the area, a  
9 preexisting long term and important use of that area in  
10 our community.

11 An oil spill in such close proximity to shore  
12 would have devastating environmental impacts on marine  
13 resources and on our coastline, resulting in major  
14 economic impacts to UCSB, commercial fishing, and to the  
15 important tourist industry in our area.

16 These impacts, while related to all the platforms,  
17 are most pronounced at Platform Heron. I therefore want  
18 to expressly reiterate my opposition to the approval of  
19 that one particular platform.

20 I am encouraged by the staff's recommendation for  
21 a comprehensive study of the overall effects of oil and  
22 gas development off California's coast. To date, government  
23 has really only considered oil and gas development on a  
24 piecemeal basis. And this new approach, which I fully  
25 support, is long overdue. I also want to emphasize the

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1 importance of involving local government and the community  
2 in such a study.

3 The last few months have seen a significant  
4 increase in cooperation between the Commission, the County  
5 of Santa Barbara, and the University. I'm very pleased  
6 that so many individuals from our community have made a  
7 long trip this morning to be here today.

8 In addition to providing valuable information,  
9 this study will also create another opportunity to  
10 strengthen that working relationship between the Commission  
11 and the community.

12 Thank you for your time and consideration and  
13 for accommodating me this morning.

14 CHAIRMAN MC CARTHY: Thank you, Mr. Assemblyman.

15 ASSEMBLYMAN O'CONNELL: Thank you, Governor.

16 CHAIRMAN MC CARTHY: Any questions from  
17 Commissioner Ordway, Commissioner Davis?

18 Thank you.

19 ASSEMBLYMAN O'CONNELL: Thank you very much.

20 CHAIRMAN MC CARTHY: I'd like to start off the  
21 testimony of the proponents now. Mr. Ranger, would you  
22 advise us of what order you would like to proceed?

23 MR. RANGER: Thank you, Governor McCarthy,  
24 Controller Davis, Ms. Ordway. I do not plan on reading  
25 this entire book. I have a prepared statement to make on

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1 behalf of ARCO Oil and Gas Company, following which I  
2 would like to introduce Mr. Ed Renwick, who will offer  
3 additional comments on behalf of ARCO Oil and Gas Company's  
4 application.

5 In addition, should members of the Commission,  
6 during the course of my testimony, have particular  
7 questions concerning some of the arguments we make -- be  
8 they technical, environmental, or related to engineering --  
9 we do have staff available to respond to some of the  
10 specifics of such questions.

11 ARCO finds itself in an anomalous situation  
12 today. We are called upon to present evidence at a hearing  
13 where the outcome may have already been decided, if we  
14 are to believe various newspaper accounts.

15 We are nevertheless proceeding on the assumption  
16 that the Commissioners will proceed with open minds.

17 We argue first that you go beyond your  
18 Commission's authority if you select the no-project  
19 alternative. ARCO legal counsel will later explain our  
20 legal position in this regard.

21 Second, we contend that in fact you should  
22 approve ARCO's plan for development of the Coal Oil Point  
23 project. It is a plan which will allow the people of the  
24 State of California to obtain the substantial benefit of an  
25 energy resource they own and have leased to ARCO, and is a

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1 plan which provides for technically safe and environmentally  
2 responsible development of that resource in a manner  
3 appropriate to the sensitivity of the environment in which  
4 that resource is found.

5 For your Commission to decide otherwise will be  
6 poor stewardship of the interests of this State that you  
7 are charged to administer.

8 ARCO has previously testified that the Coal Oil  
9 Point project area is an area that has experienced a  
10 history of oil and gas development -- onshore, nearshore,  
11 and offshore -- for a period of more than 60 years,  
12 including more than 20 years' operation of ARCO's Platform  
13 Holly on Lease 3242.

14 Our discussion of history today focuses on the  
15 origins of the Coal Oil Point project itself, a history  
16 which involves the State Lands Commission as intimately  
17 as it involves ARCO.

18 Through the late sixties and early seventies,  
19 while production activities took place on the Coal Oil  
20 Point leases, ARCO's evaluation of the additional  
21 potential of the Coal Oil Point leases continued in  
22 accordance with prudent industry practices and with both  
23 encouragement and direction from the State Lands  
24 Commission.

25 Negotiations between ARCO and State Lands

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1 concerning the postmoratorium resumption of drilling on  
2 leases 308 and 309 began in 1977. Exploratory drilling  
3 commenced in 1982, following preparation of an EIR,  
4 adoption of new State Lands Commission regulations, and  
5 approvals from State Lands and the Coastal Commission.

6 In 1982, ARCO, Mobil, and Aminoil installed the  
7 seep containment project on lease 3242, at a cost of \$8  
8 million, with the express purpose of providing emission  
9 credits for both exploratory drilling and future  
10 development in the Coal Oil Point area. This project was  
11 approved by the State Lands Commission.

12 ARCO's well 309-8, drilled in 1982, established  
13 substantial oil reserves in the Monterey formation. The  
14 record of correspondence and reports from meetings from  
15 that time forward involving ARCO, the State Lands  
16 Commission, and others establishes a critical fact: From  
17 the inception of such discussions, State Lands and ARCO  
18 have proceeded on the assumption that the State Lands  
19 Commission scope of review of the Coal Oil Point project  
20 was to identify the most appropriate plan of development.  
21 The scope of review did not include deciding whether the  
22 Coal Oil Point Field should be developed.

23 In our written submittal, we have provided an  
24 exhaustive history of our dialogue with your agency  
25 concerning the Coal Oil Point project. Time permits only

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1 highlights of this history, but these highlights and  
2 their implications are important for you to consider.

3 First, the preliminary development plan  
4 originally submitted for the project was the result of  
5 extensive discussion with your staff, and ARCO many times  
6 modified its plan because of such discussions.

7 Our plan for efficient production of the Coal Oil  
8 Point reserves required consensus among our engineers and  
9 those of your Extractive Division in Long Beach. In  
10 addition, ARCO had to meet the requirements of your staff  
11 that Coal Oil Point project facilities be designed to  
12 allow segregation of crude oil production by lease. In  
13 fact, ARCO funded a study directed by State Lands, which  
14 reviewed the merits of several alternatives to allow  
15 accurate allocation of lease royalty oil.

16 ARCO even submitted design information for an  
17 offshore crude oil processing alternative -- less desirable  
18 from the point of view of both economics and permitting --  
19 at the express request of your staff, because it was the  
20 alternative seen as most appropriate for segregated crude  
21 oil processing.

22 When ARCO withdrew this original PDP for the Coal  
23 Oil Point project in March, 1985, we did so because your  
24 staff advised us that your Commission would deny our  
25 application if we did not expand it to include plans for

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1 development of the western portion of the project area.

2           The Coal Oil Point Field under leases 308 and  
3 309 had been the site of our discoveries and our primary  
4 development objective. As the Commission is aware, it  
5 remains so still.

6           Results from drilling our 208-102 Embarcadero  
7 well in early 1985 were encouraging, but not definitive.  
8 They were sufficient, however, for your staff to require  
9 that we revise our project description to include  
10 development of the Embarcadero field, where reserves  
11 remain potential, but unconfirmed.

12           In fact, our management was advised at that  
13 time that if ARCO did not withdraw its PDP and submit a  
14 revised PDP as requested, your staff threatened not only  
15 denial of ARCO's Coal Oil Point project application, but  
16 denial of ARCO's pending request for drilling deferment  
17 on leases 308 and 309.

18           These were the discovery leases on which ARCO  
19 had then spent \$2 million in support of predevelopment  
20 environmental and technical review required by your  
21 agency. Your staff also requested that ARCO commit to  
22 resubmitting a revised PDP within 60 to 90 days. We  
23 agreed to these requests and withdrew our PDP to revise it  
24 for resubmittal. We were led to believe that prompt  
25 determination of completeness and expedited supplemental

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1 environmental review would follow.

2 Our critical look at the development of the Coal  
3 Oil Point leases continued even after submittal of the  
4 revised PDP in August, 1985, and your staff's determination  
5 of its completeness in December of that year.

6 Rather than indicate that ARCO is unsure of its  
7 purpose, as University testimony has suggested -- among  
8 its other misrepresentations of fact about our project  
9 during the course of these hearings -- our ongoing  
10 evaluation of the development plan for these State leases  
11 was a product of inquiry from ARCO's engineering, geological  
12 and environmental staff, and response to State Lands'  
13 staff, staffs of other agencies, the EIR contractor, the  
14 University of California at Santa Barbara, and public  
15 comment.

16 The Coal Oil Point project evolved toward its  
17 present form much the same way as would a University  
18 research program. This evolution has led to a project  
19 which, with modifications previously submitted to the State  
20 Lands Commission, mitigates the impacts predicted by the  
21 EIR to the maximum extent feasible.

22 The staff report cites a number of alternatives  
23 for the Coal Oil Point project. However, with the  
24 exception of Alternatives 8 and 13, all are infeasible.

25 We have given detailed explanations for this

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1 assertion in our written testimony and will not discuss  
2 them at this time. However, I would like to speak about  
3 two of the more popular alternatives and explain why they  
4 are infeasible. The two I speak of are subsea completions  
5 and slant or high-angle conventional drilling.

6 ARCO has previously studied and considered subsea  
7 completion development of the Coal Oil Point field. For  
8 the following reasons, we believe that subsea completions  
9 are infeasible.

10 Total development with subsea completions would  
11 significantly increase the risks of leaks due to the  
12 numerous below-water components -- trees, manifolds,  
13 template-valved piping, and pipelines. Air quality impacts  
14 would be greater from the diesel-engine powered mobile  
15 drilling rigs required to drill and complete the wells,  
16 and to install and to maintain the subsea systems.

17 Subsea drilling and production operations are  
18 inherently more hazardous than surface operations due to  
19 their remote control nature. The risk and statistical  
20 probability of accidents, damage, and failures will be  
21 much greater for the type of multi-well development needed  
22 for the Coal Oil Point project.

23 Risks to personnel safety, especially  
24 considering the divers required, would be greater than for  
25 a conventional platform development. Well workovers and

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1 subsea equipment and maintenance would require a mobile  
2 drill rig. Each time the rig moves in, sets up, and  
3 runs a riser increases the likelihood of damaging the  
4 subsea equipment or pipelines.

5 A subsea development of the scope required for the  
6 Coil Oil Point project of 100 or more wells has never been  
7 done and none are currently planned. Many technological  
8 advancements in areas such as control systems, chokes,  
9 templates, flowlines would be required. ARCO's design  
10 philosophy for the Coil Oil Point project has been to only  
11 use field-proven systems and methods, not first-time  
12 technology.

13 Further, the high viscosity, low gravity, and  
14 relatively low reservoir pressure of Monterey production  
15 is not compatible with flowing several miles to onshore  
16 facilities or a remote platform.

17 The cost of full subsea development and operation  
18 would be substantially higher than conventional platform  
19 development. Ultimate recoverable reserves would also be  
20 less because of fewer wells, reduced recompletion  
21 capacity, minimal secondary recovery options, and increased  
22 downtime and operating costs.

23 It should be noted that in 1985, the University  
24 of California at Santa Barbara commissioned Battelle  
25 Petroleum Research to conduct an independent preliminary

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1 assessment of development alternatives for the Coal Oil  
2 Point project. I believe a copy of that study is contained  
3 in this booklet.

4 Subsea development was one of the alternatives  
5 studied, but it was not recommended due to higher risk,  
6 spill and pollution hazard, and the formidable technical  
7 advancements required.

8 Development of the leases from onshore or from  
9 federal waters, in addition to other limitations, would  
10 require the use of slant or high-angle conventional  
11 drilling techniques. Drilling of every well with a hole  
12 angle of at least 80 degrees and displacements of 10,000  
13 feet or greater in only 4,000 feet of true vertical depth  
14 is essentially impossible.

15 Several onshore facility installations and  
16 pipeline systems would be needed to gather the production  
17 to a central processing site. Development costs are  
18 almost unquantifiable, but certainly extremely high, due  
19 to attempting the world record drilling departures needed  
20 for each well.

21 Ultimate recoverable reserves would be  
22 substantially less than with conventional platform  
23 development.

24 The previously referenced Battelle Petroleum  
25 Research report also studied this alternative. It

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1 concluded that onshore directional drilling would be an  
2 extremely risky technical proposition. Attempting to  
3 develop the leases from federal waters would present the  
4 same problems, but would be even more difficult, because the  
5 wells' kick-off point would be at least 400 feet deeper  
6 than onshore.

7 The other alternatives discussed in the staff  
8 report are also flawed, with the noted exceptions, which  
9 should lead you to conclude, as we do, that our proposal  
10 is the preferred alternative.

11 Turning to some of the impact areas addressed  
12 in the staff report, beginning with that of visual impact  
13 or aesthetics.

14 From the analysis of the issue of aesthetics  
15 in the staff report, it is possible to conclude that the  
16 history of the Coal Oil Point project has been one of  
17 years of dialogue, engineering design, and environmental  
18 review to enable you to reach the decision that offshore  
19 production platforms are unattractive.

20 There are references to the fears expressed by  
21 local residents that their property values would decline;  
22 that communities would likely suffer significant adverse,  
23 economic, and social effects, and that the University  
24 may not be able to attract the quality of faculty and  
25 students desired because of the deterioration of the scenic

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1 quality of the area.

2 All of these assertions fail as convincing  
3 arguments, because they are not supported by the facts.  
4 There is no evidence presented to show that property  
5 values will decline. And the experience of communities  
6 along the South Coast with comparable views of platforms  
7 shows no evidence that either property values or the  
8 quality of life are affected by such views.

9 There is no reason to believe that property values  
10 in Isla Vista will behave differently, especially since  
11 most vistas along the Isla Vista coastline now contain  
12 a view of ARCO's Platform Holly.

13 The Santa Barbara Channel has had a long history  
14 of coastal and offshore oil and gas development, and  
15 there is no evidence that the existence of platforms on  
16 the channel horizon has had an adverse impact on the  
17 desirability of the Santa Barbara South Coast to those  
18 who live there, or to those who desire to live there, or  
19 to come and enjoy its amenities.

20 The yearly number of people who choose to visit  
21 this area continues to increase, and there is no reason  
22 given to expect that this trend will be affected in any  
23 way by the addition of the Coil Oil Point project  
24 platforms. Claims of social or economic harm to coastal  
25 communities from offshore development are simply without

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1 merit.

2           There's no evidence that the University would  
3 fail to attract the quality of faculty and students they  
4 seek if Platform Heron was visible from the campus. The  
5 merits of this argument are refuted by the University's  
6 own experience. Platform Holly is now visible from coastal  
7 portions of the campus. And inland, the campus is bounded  
8 by industrial development in West Goleta and around the  
9 Santa Barbara Airport.

10           The competitiveness and desirability of UCSB  
11 to prospective students and faculty appear to grow each  
12 year, a factor which must be due at least as much to the  
13 quality of the academic experience the campus offers as  
14 it is to its setting.

15           ARCO has responded to the concerns expressed  
16 about aesthetic impacts, however, by agreeing with those  
17 who judged offshore crude oil processing to be  
18 inappropriate for the area of this project. ARCO went  
19 further, and announced its intention to withdraw its  
20 previous proposal to install platform complexes which  
21 would have best served offshore processing. The platforms  
22 now proposed are closer in size and scale to Platform  
23 Holly.

24           A Commission decision to withhold approval of  
25 ARCO's development plans with emphasis on visual and

1 aesthetic impacts, real or perceived, will have  
2 implications beyond this project. Any platform set in  
3 State waters will be within three miles from shore, and  
4 its visual impact greater than if it were set in federal  
5 waters.

6 Do you infer from your staff's analysis of the  
7 question that it is desirable to deny approval -- were that  
8 within your power -- for projects off the coasts of  
9 settled areas like Isla Vista, but permissible to approve  
10 platforms where they will be seen by fewer people?

11 Residents of sparsely populated coastal areas  
12 may be troubled by the indication that visual impacts are  
13 measured by head count. Those who hold State tidelands  
14 leases issued by the State of California, and maintained  
15 in compliance with the regulations of your Commission,  
16 are profoundly troubled by the implication that their  
17 rights to develop those leases are subject to so  
18 capricious a decision.

19 Turning next to the issue of oil spills, the  
20 staff report concludes that oil spills are, quote,  
21 ". . . among the greatest environmental impacts from the  
22 project," end quote.

23 The staff report admits that the impacts are  
24 described, quote, ". . . without reference to likelihood,"  
25 end quote. Likelihood of oil spill size and frequency is

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1 critical to any discussion of oil spill impacts for two  
2 main reasons.

3 First, assuming the worst case for oil spills is  
4 analogous to assuming that every airplane in the sky will  
5 crash.

6 Second, oil is spilled every day in the Coal Oil  
7 Point project area from the thousands of natural oil seeps.  
8 The marine biota, tourism, and fishing all coexist with  
9 natural oil seepage. To simply state that oil spills would  
10 cause great damage or impacts is erroneous.

11 Specifically, the staff analysis states that a  
12 large oil spill would contaminate ocean water, beaches,  
13 and sediment -- as a minimum -- to injuring benthic  
14 habitat, adult marine organisms, eggs, and larvae, sea  
15 birds, harbor seals, and other marine mammals.

16 This broad statement is contradicted by the  
17 conclusions of serious investigations into broad impacts  
18 of oil spills. For example, the United Nations  
19 Environmental Programme states, quote, "No long-term  
20 damage to open-sea ecosystems has been detected," end  
21 quote.

22 Studies of oil impacts to harbor seals, sea  
23 lions, and other marine mammals during the 1969 Santa  
24 Barbara oil spill showed no long-term effects. This  
25 conclusion was based on studies performed by many

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1 investigators, including University of California faculty.

2           The staff analysis states that several of the  
3 at-risk bird and marine mammal species are classified as  
4 rare, threatened, or endangered, yet the U.S. Fish and  
5 Wildlife Service has formally stated that endangered  
6 species in the affected area are not in jeopardy from the  
7 Coal Oil Point project, including oil spills resulting  
8 from the project.

9           The staff report states that UCSB research may  
10 suffer irreparable injury as a result of an oil spill.  
11 This statement ignores the fact that important UCSB  
12 research is at present being carried on by the University  
13 in an area world famous for natural oil seeps.

14           Estimates of natural oil seepage at Coal Oil  
15 Point range from 50 to 70 barrels a day. The fact that  
16 UCSB already conducts research in an area of chronic  
17 crude oil input to the sea contradicts staff's comment  
18 that the University may suffer irreparable damage.

19           The staff report concludes that the elimination  
20 of Platform Heron would provide the fullest protection for  
21 both onshore and offshore University research, including  
22 laboratory research served by the seawater intake system.  
23 This analysis fails to note that spilled oil rises to and  
24 stays on the surface of the water. Oil spilled at Platform  
25 Heron would not sink 35 to 45 feet to enter the intake

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1 system.

2 In addition, it fails to note that seawater  
3 currently entering the UCSB seawater system already contains  
4 small amounts of soluble hydrocarbons, such as zylene and  
5 tuolene. Documentation of these soluble hydrocarbons  
6 is presented in a 1986 paper by Dr. Richard Zimmer-Faust  
7 of the UCSB faculty. The source could be natural seeps  
8 located several hundred yards away or the Goleta sewage  
9 effluent line located a thousand yards away in 90 feet of  
10 water.

11 The staff report describes potential impacts to  
12 offshore research areas from an oil spill at Platform  
13 Holly and Platform Haven, concluding that the Naples  
14 Reef research area would be threatened by an oil spill from  
15 either of these platforms.

16 Again, the staff analysis fails to note that  
17 spilled oil rises to and stays on the surface of the water.  
18 Oil spilled at Platforms Holly and Haven would not sink to  
19 depths of 25 feet and greater to impact the Naples Reef.  
20 If this were true, the Naples Reef would already be  
21 impacted by the 50 to 70 barrels of natural seep oil  
22 released each day from the immediate upcurrent area.

23 In discussing the proposed location for Platform  
24 Heron, the staff report concludes, quote, "Heron poses a  
25 threat to the hardbottom benthic habitat simply by its

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1 presence," end quote.

2 This conclusion ignores the fact that Heron would  
3 occupy a small area on the seafloor of 170 by 210 feet,  
4 nor does it explain how the mere presence of a platform  
5 threatens a benthic habitat.

6 This reasoning fails to consider that offshore  
7 oil platforms act as artificial reefs and actually enrich  
8 both surrounding water column biota and the benthic  
9 biota.

10 Fish are attracted to a platform for the same  
11 reasons they are attracted to a sunken ship or any natural  
12 or man-made artificial reef.

13 Further, it overlooks the fact that existing  
14 Platform Holly is already a location of key UCSB research.  
15 Additional platforms would result perhaps in additional  
16 research locations. At present, the site proposed for  
17 Platform Heron is not a location of key UCSB research.

18 The report describes potential adverse impacts  
19 to the benthic habitat as a result of the placement and  
20 presence of offshore pipelines. This description is  
21 incorrect. Pipeline placement impacts to hardbottom and  
22 softbottom areas can be mitigated by using special  
23 placement techniques. ARCO has already identified several  
24 of these at a prior hearing and in discussions with your  
25 staff. The placement of a pipeline on the ocean floor does

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1 not in itself cause harm to a benthic habitat.

2 Turning to the issue of air quality, while  
3 not specifically addressed in the staff report made  
4 available to ARCO, air-quality issues raised by the  
5 project remain of concern to the public and to other  
6 agencies.

7 ARCO has committed to meet the criteria  
8 established by law for the issuance of an Authority to  
9 Construct, the main air-quality permit required for  
10 construction of the Coal Oil Point project, and a Permit  
11 to Operate the facilities that are constructed.

12 The first criterion is to minimize emissions  
13 through implementation of best available control  
14 technologies. ARCO also recognizes Santa Barbara County's  
15 interim control strategies document and has implemented  
16 those strategies as applicable; thus, the actual project  
17 emission values will be significantly less than the emission  
18 values stated in the environmental impact report.

19 The second criterion for an air permit is that  
20 the national ambient air quality standards will not be  
21 exceeded. An air quality impact analysis will be performed  
22 during ATC, or authority to construct, review process, using  
23 modeling methodology approved by the Environmental Protection  
24 Agency. The entire area, which could potentially impacted  
25 to an EPA significance level, will be analyzed.

1           Maximum monitored, baseline pollutant values  
2 will be added to the maximum predicted project-caused  
3 concentrations. That composite pollutant value must not  
4 exceed the established air-quality standard for the  
5 particular pollutant. With the mitigated emission levels  
6 in the authority to construct application, this second  
7 criterion can be met.

8           The third criterion is the requirement to  
9 provide enough offsets for the project emissions to  
10 guarantee a net air-quality benefit. The southern  
11 portion of Santa Barbara County is presently designated a  
12 nonattainment area for ozone. ARCO will be required to  
13 offset both nitrogen oxides, or NO<sub>x</sub>, and reactive hydro-  
14 carbons, referred to as RHC, because these are ozone  
15 precursors.

16           Under the Santa Barbara Air Pollution Control  
17 District's new source review rule, ARCO must offset  
18 Coal Oil Point project NO<sub>x</sub> and RHC emissions by a ratio  
19 of at least 1.2 to 1. In other words, ARCO must remove  
20 120 tons per year of existing emissions for every 100 tons  
21 per year our project emissions add.

22           The EIR identified potential sources of emission  
23 offsets for the Coal Oil Point project, including shutdown  
24 of the Ellwood Marine Terminal, removal of gas processing  
25 from ARCO's Ellwood facility, and the seep containment

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1 project. ARCO has identified several other potential  
2 sources in the Coal Oil Point application for an authority  
3 to construct. The offset amounts identified exceed the  
4 project emissions as required.

5 Again, offsets do not represent an equivalency,  
6 but a genuine improvement of the existing air quality.  
7 Permitting of the Coal Oil Point project must, by law,  
8 result in a reduction of emissions and a positive effect  
9 on air quality.

10 This evidence will support a finding by the  
11 Commission that the project, as described by ARCO in its  
12 application for an authority to construct from the  
13 Santa Barbara County Air Pollution Control District, will  
14 mitigate air quality impacts identified in the EIR to  
15 insignificance during both construction and operations  
16 phases.

17 With respect to the issues of noise and lighting,  
18 the staff report points out that, quote, "Considerable  
19 public concern has been expressed about the effects of  
20 noise from the platforms," end quote.

21 What the report fails to point out, however, is  
22 the commitments ARCO has made to the State Lands  
23 Commission mitigate these impacts. For example, ARCO has  
24 committed to install sound baffling on the shoreward sides  
25 of the Platform Heron drilling floor, to drive only four out

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1 12 proposed piles to set the jacket from the surface,  
2 to comply with all relevant federal and state regulations,  
3 to comply with all relevant Santa Barbara County  
4 regulations, to schedule pile driving during daylight  
5 hours, to comply with federal, state, and county  
6 regulations which fully mitigate the platform noise  
7 impacts identified in the EIR and the State Lands  
8 Commission staff report.

9 ARCO will develop a comprehensive noise abatement  
10 plan which incorporates the commitments already made and  
11 which specifies the methods by which full mitigation is  
12 achieved.

13 Concerns have also been raised by residents of  
14 Isla Vista and the University during draft EIR hearings  
15 about night lighting from the platforms and their effect  
16 on the area. Although ARCO has made several commitments  
17 in discussions with your staff which would mitigate the  
18 effects of lighting, they were omitted from the report.  
19 The Commission must consider the fact that we have  
20 committed to, first, use design criteria based on lighting  
21 levels recommended by the American Petroleum Institute  
22 recommended practice and standards developed by the  
23 Illumination Engineering Society, and to reduce direct  
24 glare and lighting visible from shore by shielding all  
25 perimeter lighting, minimizing -- and by minimizing the

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1 use of continuous floodlighting on the north side of the  
2 platform.

3 ARCO also recognized that platform flaring  
4 could cause glare and effect on onshore residents. As a  
5 result, ARCO has committed to flare gas only during  
6 emergencies and has designed the processing facility  
7 and production facility so as to minimize flaring. There  
8 will be no routine flaring of gas.

9 Did you have a question?

10 The staff report suggests that further study may  
11 reveal a more appropriate means for exploring resources  
12 underlying the leases. This conclusion ignores the fact  
13 that exhaustive study has already taken place over the  
14 past four years.

15 All feasible methods for exploiting the resources  
16 under the leases have been identified. And of these, ARCO  
17 has proposed the most reasonable and the most environ-  
18 mentally and technically sound. Further study will only  
19 serve to increase the cost of the Coal Oil Point project  
20 and delay the Coal Oil Point project unreasonably.

21 The staff report's invitation to ARCO to reapply  
22 for the Coal Oil Point project serves no useful purpose.  
23 ARCO has previously withdrawn and resubmitted the  
24 application twice at the request of the State Lands  
25 Commission and was faced with a delay as long as 18 months

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1 until further action after such resubmittals, only to be  
2 faced now with the staff report's last-minute proposal  
3 to adopt the no-project alternative.

4 With regard to the list of items to be included  
5 in a reapplication on page 23 of the staff report, ARCO  
6 has already proposed each of these items as a modification  
7 to its original development plan, with the possible  
8 exception of onshore disposal of produced water, which  
9 your staff have never requested.

10 However, the onshore disposal plant could also  
11 be developed as a part of the project conditions for the  
12 project now before the Commission.

13 The staff report recommends a comprehensive  
14 study of the overall effects of all proposed oil and gas  
15 development in both federal and state waters off the  
16 California coast. It is not clear from the staff report  
17 how study of the environmental impacts of oil and gas  
18 development along the entire coast is relevant to the  
19 decision before the Commission today on ARCO's application  
20 for development of the Coal Oil Point project leases,  
21 especially when the project EIR has studied impacts from  
22 lease and regional development in detail.

23 We also argue that it is particularly onerous  
24 that ARCO's project should be held hostage to such a study  
25 since the staff report proposes studying the study for six

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1 months before the Commission decides whether such a study  
2 will even be conducted.

3 ARCO suggests that the Commission deal with such  
4 a study on its own merits, independent of the ARCO  
5 application, and not sanction delay of the Coal Oil Point  
6 project for purposes of studying whether or not to conduct  
7 such a comprehensive review.

8 Finally, with regard to the loss of the petroleum  
9 resource, it may be literally correct that the resource  
10 would not be lost by delaying development. However, the  
11 people of California would lose the value of the present  
12 income from the resource, and ARCO would be severely  
13 damaged by the delay.

14 ARCO submits that denial of the Coal Oil Point  
15 project based on the grounds set forth in the State Lands  
16 Commission staff report would be tantamount to taking  
17 ARCO's property without just compensation, regardless of  
18 the staff report's attempt to characterize the taking as  
19 merely a temporary suspension of operations or delay of  
20 development.

21 For all of the above reasons, ARCO requests  
22 the Commission to approve the ARCO Coal Oil Point project  
23 with reasonable conditions, as proposed by ARCO, and allow  
24 the development of the leases with appropriate environmental  
25 safeguards, so that the resources of the tidelands area may

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1 be developed concurrently with other public uses of the  
2 tidelands and without injury to them.

3 That concludes my statement. I'd like to turn  
4 to Mr. Ed Renwick, who will offer a few additional  
5 comments.

6 CHAIRMAN MC CARTHY: Mr. Renwick.

7 MR. RENWICK: I'm going to ask Mr. Ranger if he  
8 would trade places with me. I find sitting in this  
9 short chair, the length from my paper to my tired eyes  
10 doesn't match up with the glasses. It's a very nice,  
11 comfortable chair to sit in, though. It took me by  
12 surprise when I sat down in it, but --

13 (Laughter.)

14 EXECUTIVE OFFICER DEDRICK: That's a tall  
15 person's chair, Mr. Renwick.

16 MR. RENWICK: Yeah, that's right. Thank you.

17 My name is Edward Renwick. I'm an attorney  
18 with the law firm of Hannah and Morton in Los Angeles.  
19 I'm representing ARCO in this matter.

20 And I'm just going to very briefly state our  
21 legal position, so there isn't any doubt as to what it is.

22 That is -- it's really a very simple, straight-  
23 forward proposition. The issue, of course, is whether the  
24 Commission has authority to -- to impose what amounts to  
25 an open-ended suspension of ARCO's right to develop. And

1 our answer to that legal issue that, no, the Commission  
2 does not have that legal authority.

3 The reason is that that would amount to a  
4 cancellation of the leases. The proposition -- the legal  
5 proposition that an open-ended suspension of development  
6 is a cancellation or tantamount to a cancellation was  
7 spelled out fairly recently -- well, if you call 1975  
8 recently -- was spelled out in the case of Union Oil  
9 Company vs. Morton. It involved an offshore platform,  
10 offshore California. And the 9th Circuit Court of  
11 Appeals said that the denial of a right to erect an  
12 offshore platform on the lease amounted to a cancellation.

13 That case is reported at 512 Fed. 2d, page 743.  
14 And that is precisely the situation that is presented  
15 here in the staff recommendation.

16 Now, obviously, implicit in what I just said  
17 is the proposition that the State Lands Commission does  
18 not have the power to cancel leases, assuming, of course,  
19 that the lessee is complying with the terms and conditions  
20 of the lease. And here there's no doubt that ARCO is  
21 complying with all the terms and conditions of the lease,  
22 trying indeed to proceed ahead diligently.

23 Now, let me change direction just a little bit  
24 and say what the situation is if one assumes, for sake  
25 of argument, that the Legislature had given this

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1 Commission the power to cancel leases at its pleasure.  
2 In that event, constitutionally, the State Lands  
3 Commission would have to pay ARCO a just compensation  
4 for either the total or partial taking, because it would  
5 amount to a taking.

6 So for all of these foregoing reasons, we say  
7 very simply this Commission lacks the power, the legal  
8 power--the legal authorization perhaps is a better word--  
9 to do what the staff report recommends.

10 Oh, let me just make sure that something is in  
11 the record.

12 You have been given four copies of a fairly  
13 extensive document entitled, "Coal Oil Point Project,  
14 State Lands Commission Hearing Brief," May 27, 1987. It's  
15 in a three-ring binder. I see there's four of them over  
16 there on the side. I want to make sure that those are  
17 entered as part of the record.

18 EXECUTIVE OFFICER DEDRICK: Yes, we'll enter  
19 it.

20 MR. KENWICK: Thank you.

21 CHAIRMAN MC CARTHY: Does that conclude ARCO's  
22 presentation?

23 MR. RANGER: Yes, sir. We'll answer any  
24 questions.

25 CHAIRMAN MC CARTHY: Do either of the

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1 Commissioners have questions of either of the two  
2 gentlemen from whom we just heard?

3 COMMISSIONER ORDWAY: Not at this time.

4 CHAIRMAN MC CARTHY: Do our attorneys wish to  
5 respond to any points made by Mr. Renwick on behalf of  
6 ARCO?

7 MR. STEVENS: Only, Governor, that we believe  
8 the record does support the findings which are proposed  
9 by the staff; that there's an inherent condition in the  
10 lease of ARCO that a proposed plan for development be  
11 consistent with Commission's public trust responsibilities  
12 and with public interest. And I believe that the Union  
13 Oil Company case, which was discussed by Mr. Renwick, does  
14 mention the permissibility of calling halt on a  
15 temporary basis when it appears that there are  
16 unmitigatable consequences and that further study and  
17 technology may solve those things, inasmuch as the  
18 proposed findings of the staff permit a reapplication  
19 when such circumstances exist. And in light of a study  
20 which has been proposed also in these recommendations, we  
21 believe the Commission would be within its discretion to  
22 make the findings set forth therein.

23 CHAIRMAN MC CARTHY: Thank you, Mr. Stevens.

24 MR. RENWICK: I trust that my -- Edward Renwick.

25 CHAIRMAN MC CARTHY: Mr. Renwick.

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1 MR. RENWICK: I know Mr. Stevens to be a very  
2 fine lawyer. He and I attended an institution of higher  
3 learning up in the Bay Area a number of years ago, too  
4 many years to recount unfortunately.

5 I don't want my silence to be considered,  
6 however, as any form of agreement, because in this  
7 instance, I think Mr. Stevens is wrong.

8 CHAIRMAN MC CARTHY: I think we might assume  
9 that that's the case.

10 (Laughter.)

11 MR. STEVENS: We rarely disagree, but  
12 occasionally that will happen.

13 CHAIRMAN MC CARTHY: Any questions by either  
14 of the Commissioners?

15 Thank you very much.

16 Mr. Jack Sloan, the International vice-president  
17 of the Boilermaker's Union. And then after that, we'll  
18 ask Mr. Kevin Reidy, the president of Fabricated Products  
19 Group, Kaiser Steel, to please address us.

20 Mr. Sloan, welcome.

21 MR. SLOAN: Good morning, Commissioners. Thank  
22 you.

23 Honorable Commissioners, on behalf of the  
24 thousands of dedicated boilermakers in the State of  
25 California, I request your help in preserving an

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1 endangered species, the California industrial worker.  
2 Your approval of ARCO's application to develop Coal Oil  
3 Point will create thousands of jobs for California  
4 workers and lead to millions of dollars in economic  
5 benefit to the State.

6 We will be observing your commitment to keeping  
7 Californian's at work when you vote on the application for  
8 this project.

9 The construction of a typical offshore rig can  
10 provide up to 1300 jobs and a shot in the arm of more than  
11 two million in California's economy. The world economic  
12 situation is turning around and our government finally is  
13 getting tough on foreign competitors subsidized by their  
14 own governments.

15 So, it is very possible the work on ARCO's  
16 Coal Point project will go to American contractors likely  
17 to be in California. Our California workers are highly  
18 skilled and will do a topnotch job because they live here  
19 and share a concern about protecting the environment.

20 As you know, our country depends on a large  
21 degree on foreign, Alaskan crude oil to satisfy its  
22 energy needs. But reliance on foreign sources poses a  
23 risk to our national security, and the available Alaskan  
24 crude is running out.

25 Californians use one billion gallons of gasoline

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1 each month. Last year, gasoline consumption was at an  
2 all-time high of 12.2 billion gallons. We are lucky to  
3 have a crude oil supply in our own back yard -- offshore  
4 Santa Barbara -- to help meet our energy needs.

5 The development of offshore energy resources  
6 is critical in substaining (sic) the California economy.  
7 Without access to this resource, our economic development  
8 will grind to a halt.

9 As a review of the Coal Oil Point proposal  
10 indicates, the project is environmentally sound. We do  
11 not understand or accept the Commission's staff  
12 recommendation that the project be denied primarily  
13 for aesthetic reasons. The sight of offshore oil  
14 operations should reassure the people of California that  
15 we have a secure supply of energy to power our State.

16 The International Brotherhood of Boilermakers  
17 is a labor organization representing West Coast workers  
18 engaged in resource and energy-related projects.  
19 Headquartered in Kansas City, Kansas, the International  
20 Brotherhood of Boilermakers has 110,000 members in the  
21 United States; 16,000 of those members are on the West  
22 Coast. They're experiencing high unemployment in  
23 California, and estimate the unemployment rates range  
24 from 20 percent to 40 percent at various West Coast locals.

25 We thank you for your consideration on our

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1 concerns and we respectfully request you vote  
2 affirmatively to issue the desired permit to ARCO.

3 CHAIRMAN MC CARTHY: Thank you, Mr. Sloan. Any  
4 questions from either of the Commissioners?

5 Thank you very much. Kevin Reidy. Welcome,  
6 Mr. Reidy.

7 MR. REIDY: Thank you. Good morning. My name  
8 is Kevin Reidy, and I'm the president of Kaiser Steel's  
9 Fabricated Products Group.

10 I come before you this morning representing  
11 Kaiser Steel Corporation, its employees, and their  
12 families. Honorable Commissioners, the men and women  
13 who live and work throughout California are the big  
14 losers if ARCO's Coal Oil Point project is denied.

15 However, we all win if the project moves  
16 forward. The Commission's approval of ARCO's pending  
17 permit application will place the following Californians  
18 in the win column: the millions of Californians who  
19 depend on automobiles and buses for transportation, the  
20 thousands of California workers in the energy field, the  
21 State of California, which will receive approximately  
22 \$1 million in royalties every day when at peak performance  
23 peak production, excuse me, and the scores of communities  
24 up and down the coast that will experience substantial  
25 economic benefits as a result of the project.

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1           And you will get credit for the win by having  
2 taken a strong leadership position in support of a  
3 properly planned, environmentally sound project that  
4 benefits the entire State of California.

5           On the other hand, without this project,  
6 thousands of California workers will be sitting it out on  
7 the sidelines. The fact is that if the project  
8 proceeds, many California contractors, including Kaiser  
9 Steel, and their employees will have an opportunity to  
10 participate in this work.

11           With respect to just one aspect of the project,  
12 that being the fabrication and assembly of the required  
13 offshore platforms, it is our plan to propose that the  
14 work be done right here in California. We urge you to  
15 support our California companies and their workers who will  
16 see needed jobs and economic benefits evaporate if the  
17 ARCO project is denied permitting.

18           Without this and other responsible energy  
19 projects, California -- along with the rest of the  
20 nation -- will be continually vulnerable to the disruption  
21 in the supply of oil needed to produce gasoline and other  
22 fuels. The need for refined products is increasing at a  
23 time when domestic oil production is falling off. And,  
24 of course, the result is our overreliance on imported oil,  
25 primarily from the Persian Gulf, which then places us at

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1 the mercy of the uncertain political situation in the  
2 Middle East.

3 I certainly hope that the gas lines of the  
4 1970s haven't been forgotten. The ARCO project will  
5 help put us back on the right track by bringing about a  
6 secure energy source.

7 Assessments of the Coal Oil Point project  
8 underscore our position that the plan is not only a  
9 substantial economic benefit to our State, but is also  
10 environmentally sound. In fact, ARCO has already provided  
11 an environmental plus in the Coal Oil Point area. For  
12 years people have been complaining about the tar balls and  
13 the stench of petroleum odors that show up in areas  
14 around Santa Barbara.

15 Some of the folks think that the tar and the  
16 odors are the result of offshore drilling, when in fact,  
17 it has been proven that they are due to seepage from the  
18 natural vents on the ocean floor.

19 The ARCO project has already helped the  
20 environment by the installation of seep containment  
21 structures performed by ARCO in anticipation of this Coal  
22 Oil Point project. These structures built by Kaiser Steel,  
23 and not sitting on the ocean floor, are reducing the  
24 occurrences of tar balls and are gathering in approximately  
25 nine tons of reactive hydrocarbons every day, thus

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1 enhancing the quality of the environment in the Santa  
2 Barbara area.

3 In conclusion, I request that you do not adopt  
4 a wait-and-see attitude about energy development in State  
5 waters. We need the ARCO project and we need it now.  
6 Help make all Californians winners -- winners on the  
7 economic, environmental, and energy fronts by approving  
8 ARCO's permit application today.

9 Thank you very much.

10 CHAIRMAN MC CARTHY: Thank you, Mr. Reidy.  
11 Any questions of Mr. Reidy?

12 Thank you, sir. Would our staff kindly notify  
13 Senator Gary Hart that he can come up at his convenience.

14 EXECUTIVE OFFICER DEDRICK: I believe we have.

15 UNIDENTIFIED VOICE: He's on his way.

16 CHAIRMAN MC CARTHY: All right. Mr. Newell  
17 Little, president of Little --

18 COMMISSIONER ORDWAY: Before Mr. Reidy leaves,  
19 may I ask him one question?

20 CHAIRMAN MC CARTHY: Certainly.

21 COMMISSIONER ORDWAY: How many jobs are involved  
22 in the fabrication of an oil platform?

23 MR. REIDY: With respect to the question about  
24 the number of jobs that are involved in the fabrication  
25 of a platform, it does depend on the size of the

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1 structure, but for the jacket, decks, and piling for one  
2 structure for Coal Oil Point, the direct employment would  
3 be on the order of a thousand jobs, and the indirect  
4 employment would be a substantial multiple of that number.

5 COMMISSIONER ORDWAY: Thank you very much.

6 MR. REIDY: Thank you.

7 CHAIRMAN MC CARTHY: Mr. Little? The Little  
8 Oil Company.

9 MR. LITTLE: Thank you very much.

10 Mr. Chairman, members of the Commission, my name  
11 is Newell Little.

12 CHAIRMAN MC CARTHY: Mr. Little, we would  
13 appreciate -- there's a fairly long list of witnesses left--  
14 so, if you could sort of follow the precedent set by  
15 the previous speakers, and try to --

16 MR. LITTLE: I will, Governor. I've got about  
17 seven minutes, if that's all right.

18 CHAIRMAN MC CARTHY: Fine.

19 MR. LITTLE: My name is Newell Little. I live  
20 in Lancaster, California. I'm the owner of Little Oil  
21 Company, a gasoline distributor in the Antelope Valley.

22 I've been in the gasoline business for 35  
23 years, 25 of those years in Lancaster. It's my own  
24 business. I have two sons and one daughter involved in the  
25 business with me. We employ over 50 employees for our

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1 company.

2 We've been both a major oil company distributor  
3 and an independent distributor during that time. We serve  
4 farm and ranch accounts, small commercial businesses,  
5 mom and pop service stations considered too small to  
6 service by the major oil companies.

7 Atlantic Richfield Company has applied to the  
8 State Lands Commission for a permit to develop the Coal  
9 Oil Point project in Santa Barbara. Your Commission  
10 staff has recommended denial.

11 I'm not here today to speak for or against the  
12 recommendation, but to bring your attention, the  
13 Commission, another factor that enters into the picture  
14 with regard to the possibility -- responsibility this  
15 Commission has to the small businessman throughout the  
16 State of California in rendering their decision concerning  
17 millions of gallons of oil lying off the coast of  
18 California.

19 The Commission has been delegated authority to  
20 administer State lands as trustee of the public trust.  
21 Because ARCO's leases are subject to that public trust,  
22 its right to develop its leases are subject to the  
23 Commission's continuing duty to supervise these uses and  
24 its right to modify or prohibit them from -- when they  
25 threaten substantial interference with public trust

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1 purposes.

2           The public trust is the interest held by the  
3 State of California for the benefit of all its people.  
4 It is an interest which burdens all of the State's  
5 sovereign lands, including all tide and submerged lands.  
6 Under the public trust doctrine, trust lands must be  
7 used for the trust purposes.

8           Such purposes have traditionally been held to  
9 include navigation, fisheries, and commerce. I'm here  
10 today to emphasize the concerns I have about this public  
11 trust as it relates to commerce.

12           California courts have held that offshore oil  
13 exploration and development are also proper uses of the  
14 public trust, contributing as they do to commerce.  
15 However, the courts have also held that such exploration  
16 and development may be abated if they are found to  
17 interfere substantially with other public trust uses.

18           California has an active program to support and  
19 advance small businesses. Governmental agencies on the  
20 federal, state, and local levels are unanimous in the view  
21 that small business contributes more jobs to the general  
22 economy than any other form of commercial enterprise. It  
23 is the interest of the small petroleum wholesaler that has  
24 been addressed (sic) by the State Lands Commission when  
25 acting upon the application of a major oil company to

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1 explore State lands.

2 In ARCO's case, it presently has 22 ARCO  
3 branded distributors in the State of California. This  
4 number represents a reduction from approximately 95  
5 wholesalers, which were doing business in the State of  
6 California in the late seventies and early eighties.  
7 ARCO's California branded distributors are selling only  
8 approximately 160 million gallons of gasoline annually at  
9 the present time, compared to ARCO's company sales of  
10 approximately 2.8 billion gallons annually.

11 There are no State or federal laws presently  
12 requiring ARCO or any other major oil company to share  
13 any oil obtained by the exploration of leases from public  
14 State lands with gasoline wholesalers doing business in  
15 the State of California.

16 It is respectfully submitted that the Commission  
17 require ARCO to submit with each application hereinafter  
18 that they file a plan to assure that at least 30 percent  
19 of all oil extracted from State lands be reserved for sale  
20 to California's petroleum wholesalers. This requirement  
21 will assure that 30 percent of oil extracted from the  
22 State trust land will promote the interests of  
23 California's small gasoline wholesalers.

24 This 30 percent figure represents only one-half  
25 of what the wholesale class of trade in the late seventies

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1 and early eighties did, and we feel it is a fair and  
2 modest allocation.

3 Mr. George Babikian, executive vice-president  
4 of ARCO Petroleum Products Company, said in an interview  
5 with National Petroleum News in May of 1987 -- and I  
6 quote -- "We're oversold, and have been, so we could keep  
7 that (throughput) volume going up, but there isn't any  
8 sense because we don't have the gasoline to do it. Our  
9 own stations in Los Angeles did 175,000 gallons a month  
10 in December (sic). That's plenty of volume for us in  
11 our stations as an average. We're very happy with that,"  
12 close quotes.

13 ARCO's shortage of petroleum products results  
14 in its continued favoritism to its direct operations over  
15 the interest in promoting a viable gasoline wholesaler  
16 class of trade in the State of California. Mr. Babikian  
17 has demonstrated that ARCO has no interest -- and I repeat--  
18 no interest in voluntarily making available petroleum  
19 products to small gasoline wholesalers doing business in  
20 California.

21 The small businessman and wholesaler must turn  
22 to our elected leaders to provide some measure of  
23 protection for our source of supply or face the  
24 inevitability of being squeezed out of business like 2400  
25 ARCO distributors have been nationally in the past years.

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1           ARCO's record of termination of its wholesale  
2 class of trade -- currently there are 42 distributors in  
3 five western states, down from 2648 nationally --  
4 demonstrates the absence of the State Lands Commission (sic)  
5 requirement that ARCO dedicate 30 percent of all oil  
6 exploration from trust lands, ARCO will continue to  
7 promote its interest at the expense of the wholesale class  
8 of trade, which is the small distributor operating to serve  
9 the farmers, the ranchers, the mom and pop service  
10 stations, who are traditionally served by the small  
11 distributor within the State in their local area.

12           There's a real threat to the supply of product  
13 for independent gasoline marketers on the West Coast,  
14 because of a deal between Tosco refining and ARCO that is  
15 currently in negotiation. Beginning this year, Tosco is  
16 processing 50,000 barrels a day of ARCO Alaskan crude at  
17 its 126 (sic) barrel a day refinery in Avon, California  
18 in San Francisco (sic).

19           Since Tosco is by far the main supplier of  
20 independent gasoline marketers on the West Coast, and  
21 since the deal turns over 40 percent of the refinery to  
22 ARCO, small independents have protested strongly, arguing  
23 that the deal is clearly anticompetitive and violates  
24 antitrust laws.

25           The Federal Trade Commission and the Attorney

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1 Generals of California, Oregon, and Washington have had  
2 talks with Tosco and ARCO, but nothing has been done  
3 to stop the deal. And it isn't known whether or not  
4 these agencies plan to interfere.

5 This raises very serious questions about how  
6 dependable Tosco might be for supply in the -- as a supply  
7 in the future. A senior vice-president of marketing for  
8 Beacon Oil Company, a California independent, said in the  
9 May, 1987 National Petroleum News, and I quote him:

10 "Tosco is on the verge of becoming extinct,  
11 courtesy of ARCO, and they are a big supplier."

12 Small businessmen in the State of Nevada are  
13 currently experiencing ARCO's threat to their livelihood,  
14 and state legislators there have taken up initial steps  
15 to enact a law protecting the independent gasoline dealers  
16 by divorcing major oil companies from the operation of gas  
17 stations.

18 But the Nevada State Assembly first had to issue  
19 a contempt citation to ARCO -- the first time in its  
20 history -- to force the oil company to produce records  
21 the Assembly Subcommittee on Commerce felt they need in  
22 order to provide -- to prove whether or not ARCO committed  
23 antitrust (sic) and engaged in price fixing.

24 The protective legislation was enacted in  
25 response to the Nevada Gasoline Retailers Association, who

1 contend oil companies have been buying gasoline stations  
2 and selling their own gas at such cheaper prices in order  
3 to force independent owners out of business and gain  
4 monopolistic control over the gasoline market.

5 Nevada State Assembly Spaker Joe Dini said --  
6 I quote -- "We think ARCO's market plan does say that they  
7 want to run all the independents out of business."

8 On May 22nd, Democrat-controlled Nevada Assembly,  
9 through its Commerce Committee (sic), passed a Bill of  
10 Divorcement 33 to 7. And the measure is now in the  
11 State Senate Commerce Committee awaiting their action.

12 There's a great deal more to this story, but  
13 once again shows ARCO's typical disregard for the small  
14 businessman, and why we seek the protection of the  
15 California State Lands Commission in reserving 30 percent  
16 of the extracted oil from the public trust lands as our  
17 future source of supply.

18 We, the small wholesalers, must have a source  
19 of supply in order to remain in business in California  
20 in the future. And this Commission has the power, if not  
21 the legal and moral obligation to the small businessman,  
22 (sic) to take steps to assure that this supply isn't  
23 gobbled up by ARCO, thereby forcing more small operations  
24 out of business and further threatening California  
25 commerce.

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1 I thank you for allowing me to take this time  
2 to present this to you. If there are any questions, I'll  
3 be happy to answer them.

4 CHAIRMAN MC CARTHY: Thank you, Mr. Little.  
5 Are there any questions from either of the Commissioners?

6 COMMISSIONER ORDWAY: I have one question.

7 MR. LITTLE: Yes, ma'am.

8 COMMISSIONER ORDWAY: Am I to take it then that  
9 you are opposed to the ARCO project at this time?

10 MR. LITTLE: No, ma'am. I'm not opposed. I'm  
11 not for it or against it. I feel that -- that this is up  
12 to the Commission and the evidence that you already have.

13 I came here only on behalf of a lot of ARCO  
14 distributors and other commission -- and jobbers throughout  
15 the State of California trying to protect our rights as  
16 small businessmen if you're going to grant this.

17 COMMISSIONER ORDWAY: Because if the staff  
18 report is followed, there won't be any oil coming out.

19 MR. LITTLE: I understand that. Yes, ma'am.

20 COMMISSIONER ORDWAY: I was just a bit confused.  
21 Thank you.

22 CHAIRMAN MC CARTHY: I think the witness is  
23 suggesting that should the Commission on this occasion or  
24 future occasions grant lease rights or pursuant to existing  
25 lease rights, to somehow we -- I'm not sure we have the

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1 legal power to do this. That would take a good, clear  
2 answer from the Attorney General's Office. That would  
3 take some form of action to increase the opportunity for  
4 competition --

5 MR. LITTLE: Yes, sir.

6 CHAIRMAN MC CARTHY: -- as he has described.

7 MR. LITTLE: If I could just make one last  
8 remark, Governor. During the energy crisis when we all  
9 had problems, very serious problems, the State of  
10 California had a State set-aside, which saved a lot of  
11 small farmers and ranchers and commercial businesses that  
12 were priority-type businesses around the country.

13 Example: If a farmer or a rancher had moved  
14 his farm somewhere else, to get an allocation of gasoline  
15 or diesel fuel during those days, it took an act of  
16 Congress.

17 But through the State, you had a setup through the  
18 State here that we could call and get that customer  
19 product immediately. It was very helpful to a lot of  
20 people. Thank you very much.

21 CHAIRMAN MC CARTHY: Thank you very much,  
22 Mr. Little. I saw Senator Gary Hart come in a little while  
23 ago. Senator Hart? Senator Hart, we were just going to  
24 call on the opponents of the ARCO application who are  
25 testifying. You are the first witness, and very welcome.

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1           SENATOR HART: Thank you very much, Mr. Chairman.  
2 I appreciate your willingness to accommodate my schedule  
3 today.

4           I'd like to begin by first commending the  
5 Commission and thanking the Commission on behalf of my  
6 constituents for your willingness to not only hear  
7 testimony and review the record here in Sacramento, but  
8 to travel to Santa Barbara and to hear from people who  
9 would be directly affected by this project. That's,  
10 unfortunately, not very common. We've had recent  
11 decisions by the Coastal Commission and other State  
12 agencies that now no longer engage in these kinds of  
13 public hearings in the communities that are affected.

14           And I would just like to go on the record to just  
15 thank you and the other members of the Commission for  
16 your willingness to take time out of your busy schedules  
17 to hear testimony and hear from my constituents of Santa  
18 Barbara County.

19           I appreciate the opportunity to express my  
20 support, Mr. Chairman and members, for your staff's  
21 recommendation to deny the Coal Oil Point development  
22 project at this time and to proceed with an assessment  
23 of the long-term costs and benefits of oil development off  
24 the coast of California.

25           As your EIR points out, there are a number of

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1 serious problems with the ARCO project. Air quality will  
2 be adversely affected. The risk of oil spills will increase,  
3 and the addition of up to three new platforms and support  
4 facilities will dramatically increase the industrialization  
5 of the coast of Santa Barbara County.

6 In addition, damage to marine habitat and  
7 conflicts with marine research at UCSB make this project  
8 highly undesirable. Permitting the ARCO project would  
9 create a bad precedent at this time. Numerous other  
10 leases along the Santa Barbara coast are presently held  
11 by oil companies. The Federal Government plans a massive  
12 expansion of oil development in the OCS which may require  
13 further onshore support facilities.

14 Reviewing these projects on an individual basis  
15 could allow the gradual erosion of the environmental  
16 quality upon which much of Santa Barbara's economy is  
17 based. For this reason, I applaud the conclusion of your  
18 staff that oil development in this area should be  
19 preceded by an assessment of the cumulative impacts of oil  
20 production and the development of a comprehensive plan  
21 to protect our coastal environment.

22 As the Chairman of the Senate Education  
23 Committee, I'm well aware of the importance of oil  
24 royalties to public education and other areas of State  
25 Government. And you are faced with the difficult task of

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1 balancing the State's need for oil revenues with your  
2 responsibility to protect the environment.

3 I urge you to keep in mind that while increased  
4 oil revenues would be useful now, they would be no less  
5 useful in the future. In this sense, a delay in permitting  
6 oil development does not cost the State any money; while  
7 poorly planned oil development that damages the economic  
8 foundation of our coastal economy, can be very expensive.

9 One final point that I'd like to make,  
10 Mr. Chairman, one of the reasons cited to justify expanding  
11 offshore oil development at this time is to reduce our  
12 nation's dependence on foreign oil. This argument might  
13 have some validity if we had a rational energy policy  
14 at the Federal level, but we don't. The Reagan  
15 Administration has been responsible for reducing the  
16 Federal Government's commitment to energy conservation  
17 and alternative energy development. At the same time,  
18 they have pursued an aggressive expanded offshore oil  
19 development.

20 This unnecessarily increases the demand for oil  
21 and thus provides a convenient rationale for expanding  
22 oil development in environmentally sensitive areas. I  
23 believe that California should pursue a more thoughtful  
24 approach. We should insist that expanded offshore oil  
25 development be approved only in the context of an energy

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1 policy which makes the best use of this limited natural  
2 resource. Oil extraction at a high environmental and  
3 economic cost to our coastal communities should not be  
4 used to subsidize a wasteful and counterproductive energy  
5 policy.

6 Thank you very much, Mr. Chairman.

7 CHAIRMAN MC CARTHY: Any questions from the  
8 Commission members of Senator Hart?

9 Thank you very much.

10 Supervisor Bill Wallace, the Chairman of the  
11 Board of Supervisors, Santa Clara County.

12 COMMISSIONER ORDWAY: Santa Barbara.

13 CHAIRMAN MC CARTHY: What did I say?

14 COMMISSIONER ORDWAY: Santa Clara.

15 CHAIRMAN MC CARTHY: I just moved you,  
16 Supervisor Wallace.

17 MR. WALLACE: Running is tough enough in  
18 Santa Barbara County.

19 Good morning. My name is Bill Wallace, and I am  
20 Chairman of the Board of Santa Barbara County Board of  
21 Supervisors.

22 And we have reviewed the calendar item and the  
23 staff report. Our Board did take a unanimous position  
24 yesterday in support of your staff's position. We have  
25 submitted additional written material, and I won't go into

1 that today. And there's been a tremendous amount of  
2 written material and verbal going back and forth, and I,  
3 too, would echo Senator Hart and Assemblyman O'Connell's  
4 comments about your attendance in Santa Barbara County. It  
5 was very beneficial, I think, for the community.

6 It's difficult to go back and forth between  
7 Sacramento (sic) as you found out, and you did receive a  
8 tremendous amount of community input.

9 And we have submitted a lot of legal,  
10 environmental, technical, and aesthetic information, too.  
11 So, our statement today will be fairly short.

12 We do concur with the recommendation for a  
13 comprehensive State and Federal oil development study. And  
14 we do not object to the deferral of development of the  
15 entire ARCO project until the numerous significant  
16 problems identified in the EIR process can be abated or  
17 resolved.

18 We don't agree with ARCO's legal position, and  
19 we have submitted information to your staff and to the  
20 Commissioners also. And we feel that as administrators  
21 of the public trust lands, the State Lands Commission  
22 plays a crucial role in regulating the tidelands adjacent  
23 to Santa Barbara County and the coast of California.

24 We concur with the conclusions of the staff  
25 report that the UCSB-Coal Oil Point area is an asset to the

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1 entire State. The tidelands in this area contain  
2 significant benthic habitat, fisheries, and research  
3 operations which must be protected. Oil and gas  
4 development at a scale much smaller than the proposed  
5 Coal Oil Point project is already present and has presented  
6 occasional conflicts with other uses of the area.

7 The University of California has developed a  
8 major campus at this location with extensive investments  
9 in marine research programs.

10 In addition to research in the area, the scenic  
11 quality of the campus environment is a major factor in  
12 recruiting top faculty and students who are collectively  
13 responsible for the outstanding academic reputation of the  
14 Santa Barbara campus.

15 Sensitive environmental areas, including the  
16 Coal Oil Point Reserve and Naples Reef, are also within  
17 the proposed development areas and could be affected  
18 significantly.

19 A competing use of the public trust lands is  
20 commerce. The State has granted ARCO Oil and Gas  
21 Company five leases in the area. The State would receive  
22 revenue if these leases were to be developed. However,  
23 development of these leases under today's technology  
24 would post significant conflicts with other legitimate  
25 uses of public trust lands, which is also your

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1 responsibility, and we feel it is not appropriate at  
2 this time.

3 In your visit to Santa Barbara County, you  
4 heard overwhelming opposition, specifically to Platform  
5 Heron -- and I believe Mr. Ranger commented about  
6 Platform Holly is already there. It's a much, much  
7 smaller platform and at a much bigger angle from the  
8 very dense populated areas of the campus and Isla Vista.

9 It must be clear to you that alternatives to  
10 platform development of leases 308 and 309 are really  
11 essential. Not one group in Santa Barbara County has  
12 supported the development of Platform Heron as you heard  
13 again.

14 The groups now that are talking from industry  
15 were not present in Santa Barbara County like they are  
16 at most oil hearings, because of the immediate presence  
17 of this immediate presence of this ARCO project to the  
18 urban areas, which is a major tourist area of Santa Barbara  
19 County. It was just too overwhelming for them to even  
20 publicly support it. And at yesterday's hearing, even  
21 the Chamber of Commerce refused to take a stand in  
22 supporting this.

23 We've heard now about the need of jobs again  
24 from the rest of the State. We were subjected to a great  
25 deal of testimony from Humboldt County during the Exxon

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1 hearings because of the needs for jobs, and they were  
2 going to build the platforms in Humboldt County.

3 Well, as you all know, they're building them  
4 in Korea. There are no commitments at this point. We've  
5 done socio-economic studies to show where the workers are  
6 coming from. And not a majority, but a good 30 percent  
7 of the oil workers are being imported from other states  
8 to work on these offshore platforms and develop these  
9 plants.

10 And, when the jobs are done, they may stay and  
11 they may inherit unemployment from the State of California.  
12 It is not necessarily local jobs. In fact, most of them  
13 are not coming from Santa Barbara County. And we're not  
14 provincial, that jobs are jobs, and this nation also needs  
15 jobs. But the argument that this will save California  
16 and State of California workers is specious. It will  
17 show up in our findings, and we will share these studies  
18 with you.

19 Hopefully, the oil companies will become more  
20 responsive when some of these studies become public.

21 Going back to Platform Heron, which is our major  
22 problem, this is not just a platform, not just a visual  
23 blight on a very dense populated area. It's a platform  
24 less than two miles over water from a major university and  
25 a community with 20,000 residents. And it's a significant

1 industrial, residential land-use conflict.

2 In addition, Heron poses serious public  
3 safety problems for the UCSB campus and the Isla Vista  
4 Community. Areas of the campus have actually been  
5 evacuated on several occasions in the past due to upsets  
6 with existing oil development in the Coal Tar Point area.

7 In addition to the significant air quality  
8 impacts, which, again, will have to be dealt with  
9 separately by the county, the industrial noises, flaring,  
10 odors, night lighting, and major visual intrusion of the  
11 platform offshore Isla Vista create an unacceptable  
12 industrial-residential conflict that would never be  
13 allowed by local government under CEQA rules, only  
14 because we, again, are provincial and have to live with  
15 the residents' complaints over the years on these kind  
16 of conflicts.

17 This conflict would cause significant economic  
18 injury to UCSB as demonstrated in their report to you. And  
19 an oil spill, even as minor as the recent Seal Beach  
20 spill, could wipe out major coastal-related research  
21 programs at UCSB.

22 Mr. Ranger talks about water sinking into the  
23 ocean (sic). I was just talking to a fellow studying  
24 mussels on the shore. He spent a whole year in oyster --  
25 or a mussel bed right on the coast. And one single oil

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1 spill would have wiped out a whole year of his research.

2           There may also be inconsistencies and conflict  
3 with the county's State-approved local coastal program.  
4 And this, again, is the industrial-residential conflict.  
5 These issues are all similar to those which led to the  
6 formation of the historical State Oil and Gas Sanctuary  
7 immediately east of Lease 309, which was originally  
8 designated to prevent the major urban areas of Santa  
9 Barbara County (sic).

10           Since those leases were sold and since that  
11 lease was -- were given, the University of California and  
12 Isla Vista have developed. And if that sanctuary were to  
13 be considered today, it would have certainly been  
14 expanded another mile on up the coast.

15           The State Lands Commission staff report  
16 invites ARCO to reapply if specified programs can be --  
17 problems can be resolved.

18           We feel it must be made to clear to ARCO that  
19 the proposed Platform Heron is not an appropriate way to  
20 develop lease 308 and 309. Please do not put ARCO and  
21 Santa Barbara County and the State Lands Commission through  
22 this process again. There should be no rush to develop  
23 the heavy sour crude oil reserves immediately off an  
24 urban area underlying these leases.

25           We must allow time for development of

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1 appropriate technology to mitigate the major oil spill  
2 in environmental habitat and industrial-residential  
3 conflict problems identified in environmental review  
4 processes.

5 Leases 308 and 309 should only be developed  
6 in a less expensive way when that technology is available.  
7 Santa Barbara County strongly supports the undertaking  
8 of a cumulative study of the effects of Federal and State  
9 oil and gas development in the area. We have wrestled  
10 with the problems of comprehensive planning versus  
11 project by project permit reviews, and find the staff  
12 recommendations refreshing.

13 We wish to play an active role in the  
14 development of the work program in the study itself. We  
15 would hope that the joint review panel process, which was  
16 used to promote interagency participation in this EIR,  
17 and which should also include UCSB -- and as such, we do  
18 not oppose deferral of the ARCO Coal Oil Point project  
19 at this point to allow for a study of the cumulative  
20 development and improved project mitigation. In conclusion,  
21 we support the recommendation of your staff. We are  
22 strongly opposed to any development of Leases 308 and 309  
23 with conventional drilling and production platforms. We  
24 welcome the cumulative Federal and State oil development  
25 study and encourage the use of the joint review panel to

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1 promote interagency participation.

2 We do not oppose deferral of the ARCO Coal Oil  
3 Point project in its entirety at this time, and it would  
4 be an appropriate action in the administration of the  
5 public trust lands.

6 Thank you for this opportunity. And our staff  
7 is here today for any technical questions that you might  
8 have and that -- I guess my one final comment would be  
9 to the people from elsewhere in the State who have suggested  
10 that the Commission hold hearings elsewhere to see if  
11 this should be developed. That really go to those  
12 hearings (sic), I think, and explain the tremendous  
13 impacts that are already occurring in Santa Barbara with  
14 oil development. We're being asked to absorb far more than  
15 our share, because the oil is there. We have major  
16 pipelines traversing the length of the county. We're  
17 approving major onshore facilities for Exxon, for ARCO --  
18 not in this case, I guess, at this time. But the ARCO  
19 facility's already there. -- for Union, for Chevron.  
20 We're trying, and we're in the final stages of negotiations  
21 to bring Exxon to the shore. We are trying to make  
22 consolidations. We are struggling with ozone problems.  
23 And Santa Barbara County sometimes feels like they're under  
24 siege at this point from the oil industry. And we welcome  
25 your help in this study that's going to go forward. And

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1 we really pledge to help with that.

2 CHAIRMAN MC CARTHY: Thank you, sir.

3 Commissioner Ordway.

4 COMMISSIONER ORDWAY: Just one question. I don't  
5 think it's very technical.

6 You support the study that is mentioned in the  
7 staff report. Would the county also support sharing in  
8 the costs of what may be a two-year-long study since it  
9 will have such an impact on Santa Barbara County?

10 MR. WALLACE: We would have to look at some of  
11 the AG monies that have come in the past, if they were to  
12 continue coming.

13 As you probably know, Santa Barbara County is  
14 at its Prop 4 limit and we're facing --

15 COMMISSIONER ORDWAY: AG funds are outside of  
16 Prop 4.

17 MR. WALLACE: Right. And if those were to  
18 continue coming, then we would have monies available to  
19 look at things like that. And that's one of those  
20 places where we've allocated those monies. We are looking  
21 at a \$5 million shortfall next week in our budget process  
22 because of the Prop 4 limit. And we are strapped even  
23 to do long-term studies of our own for oil consolidation  
24 and gas consolidation.

25 We're finding difficulties finding money just to

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1 do an EIR ON THAT. But if the AG monies are going to be  
2 continually available, we would certainly be looking at  
3 pledging monies for that.

4 COMMISSIONER ORDWAY: Thank you.

5 MR. WALLACE: I can't speak for the rest of the  
6 Board.

7 COMMISSIONER ORDWAY: Having the Chair's  
8 support usually helps.

9 MR. WALLACE: You never know in our county.

10 COMMISSIONER DAVIS: Bill, I wonder if you  
11 could -- I share your notion which you made reference  
12 to today and spoke to in greater detail in our hearings in  
13 Santa Barbara, that the Commission ought to speak with  
14 one voice on energy. I'm very interested in the  
15 observation you made in Santa Barbara about the effects  
16 of the Reagan Administration's rollback on mileage  
17 standards of a mile and a half on new cars, in effect  
18 negating efficiencies that would have been achieved if  
19 that law had gone into effect.

20 I wonder if you have those statistics with you  
21 that you could share with us as to the effect of that one  
22 action.

23 MR. WALLACE: I can do some of it from memory.  
24 I do have them in a notebook in the back. But that would  
25 take a few minutes. But I think that I would echo

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1 Senator Hart's comments about the real need for an energy  
2 policy in this country. And to do simple, little things  
3 like that without looking at the whole context, I think,  
4 is very damaging and very damaging psychologically to us.

5 But that rollback of 1.5 or 2 miles standard  
6 that the Reagan Administration did with a flip of the pen--  
7 and I don't know how much effort went into that -- but  
8 that eliminated over the next 30 years, it created a  
9 demand for 1.9 billion barrels of -- billion barrels of  
10 oil, additional oil, which is over the entire production  
11 of the Santa Barbara Channel. That simple act negated the  
12 entire development of the Santa Barbara Channel if you  
13 go to the 500,000 barrels a day, which it looks like we're  
14 not going to make.

15 But that was something like 1.9 billion  
16 barrels. The Santa Barbara Channel is equivalent to  
17 1.75 billion barrels. Simply delaying the increased  
18 efficiencies of appliances that the Reagan Administration  
19 did several years ago created a demand for 1 billion  
20 barrels of oil over the life of those appliances. That if  
21 they had imposed that, those appliances over the life  
22 of them would have used a billion barrels less of oil.  
23 That alone is over two-thirds of the entire channel's  
24 production.

25 So, I think we really do need to come to grips.

1 And maybe this study, and maybe, you know, this kind of  
2 continual pressure from California and other oil-  
3 producing states where the environmental impacts are so  
4 great could create more pressure for a better, more  
5 comprehensive energy policy at the national level.

6 COMMISSIONER DAVIS: Thank you.

7 CHAIRMAN MC CARTHY: Thank you, Supervisor.

8 Betsy Watson, Assistant Chancellor of UCSB.

9 And then at the request of Assistant Chancellor Watson,  
10 we're going to call upon Dr. Case, Associate Vice Chancellor,  
11 Professor of Physics.

12 Welcome.

13 MS. WATSON: Good morning, Commissioners. I guess  
14 it's on into the afternoon now.

15 You've identified my name as Betsy Watson. I  
16 wanted you to know that I'm authorized by Chancellor  
17 Aldrich to present UCSB's comments on today's agenda item.  
18 And, believe me, if it were possible for the Chancellor  
19 to be here, he would.

20 You may recall that he testified before you  
21 in Santa Barbara on his opposition to ARCO's proposed  
22 project, and particularly to Platform Heron, because of  
23 its intrusion upon our teaching and research missions.  
24 It's in that context that I offer the following:

25 UCSB strongly supports the conclusions of the

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1 State Land Commission staff on the proposed Coal Oil Point  
2 project as found in the calendar item as far as they go,  
3 and urges the Commission to accept findings two through  
4 twelve with some modifications.

5 It is entirely appropriate that the project be  
6 denied at this time to allow two critical activities to take  
7 place. First, the implementation and completion of the  
8 comprehensive study must have occurred before the  
9 Commission entertains a resubmittal of a plan for offshore  
10 development at Coal Oil Point and, secondly, technological  
11 alternatives to six or even three fixed platforms must  
12 have been developed to offset the Class I impacts  
13 associated with this project development plan.

14 Specifically, the new project development plan  
15 must propose extraction of the resources on leases 308 and  
16 309 in a fashion which does not require a fixed platform  
17 on a rare environmental habitat which is used extensively  
18 for scientific research or one which promulgates extensive  
19 socio-economic impacts because of its degradation of  
20 aesthetic resources.

21 We don't believe that this is an unreasonable  
22 request. What would be unreasonable would be to accept  
23 an ARCO application in a few months which meets the  
24 criteria found on page 23 of the staff report alone. Your  
25 staff, that of the University, and those of county and

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1 ARCO have just completed the exhaustive task of reviewing  
2 a proposal that is not acceptable.

3 In the case of the University, the faculty and  
4 staff who submitted more than 1200 comments on the ARCO  
5 EIR did so while carrying out their other responsibilities  
6 and without any compensation. I ask you not to require  
7 that they expend this kind of energy on a new application  
8 which contains the same defenses as the old ones.

9 Several comments in your staff report support  
10 this request. For example, it notes that, quote, "While  
11 a satisfactory method for development of the five leases  
12 may be available, none has yet been demonstrated," end of  
13 quote.

14 It also states that while the Commission may  
15 invite ARCO to reapply, it need not do so until, quote,  
16 ". . . a satisfactory method for development of the five  
17 leases is available."

18 It concludes that the resource will remain in  
19 place while other options are considered. And let me add  
20 that the resource has been there for 70 million years.

21 What would be a satisfactory method of  
22 development? One that does not intrude upon faculty  
23 recruitment, upon marine research, and upon a rare  
24 environmental community, or the Coal Oil Point Reserve.

25 With regard to the latter, the Regents of the

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1 University 21 years ago established the Natural Reserve  
2 System to provide a cross-section of California's  
3 extraordinary natural diversity for teaching and research  
4 purposes. Today, NRS sites preserve more than 85,000  
5 acres for such use and all are indicative of the State's  
6 habitat diversity.

7 Totaling only 117 acres, the Coal Oil Point  
8 Reserve protects less than one-tenth of one percent of the  
9 total acreage in this particular system, yet it ranks in  
10 the top third of 27 NRS sites for habitat diversity and  
11 for research productivity as measured by published  
12 articles, books, reports, dissertations, and theses. It  
13 also ranks in the top third in user-days for teaching and  
14 research.

15 Moreover, the University shares with the State  
16 Lands Commission a responsibility for the public trust,  
17 because it holds its natural reserves for the benefit of  
18 the people of California. Section 15386 of the California  
19 Environmental Quality Act guidelines designate the  
20 University, with regard to its NRS reserves, as one of  
21 four State trustee agencies charged with protecting the  
22 State's interest in its natural resources.

23 Thus, we have an obligation to protect the Coal  
24 Oil Point Reserve from the adverse impacts generated by  
25 ARCO's proposed project.

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1           We have a responsibility to continue to carry out  
2 our duty to the citizens of this State and to the University  
3 of California to fulfill teaching and research functions  
4 on a quality plane equal to UC standards.

5           Clearly, UCSB's hard-earned reputation for  
6 academic excellence is threatened by ARCO's project. That  
7 is to say, the potential for massive offshore development  
8 on our doorstep will not help us to attract outstanding  
9 scholars to our campus, a highly competitive undertaking  
10 at best; rather, several faculty have told you the  
11 opposite effect would occur; moreover, the UCSB study has  
12 identified in the new campus plan as one of the greatest  
13 advantages, this as a result of the campus survey on  
14 UCSB's advantages and disadvantages, in which faculty  
15 participated.

16           In the next decade, the nation's universities  
17 will have to undertake vigorous faculty recruitment  
18 efforts to fill a staggering number of faculty positions  
19 created by the retirement of a great many professors  
20 who were appointed in the enrollment boom of the 1960s.  
21 So, competition for outstanding scholars with such  
22 institutions as Stanford, Harvard, Texas, and others will  
23 become even more difficult very soon.

24           Although you've heard a great deal about the  
25 excellence of UCSB's marine sciences, I would be remiss if

1 I didn't mention a few of the matters again. Our claim  
2 to be one of the top centers for marine research in the  
3 country is supported internally by a statement, which your  
4 staff has, from the Office of the President, but -- in  
5 which the Director of Academic Planning Program Review  
6 exists, and it cites the fact that among 85 marine  
7 institutions in the country, UCSB is ranked in the top three  
8 in the amount of financing we receive from the National  
9 Science Foundation. The marine teaching program is also  
10 among the top in the nation.

11 We have about 300 undergraduate majors and some  
12 1400 undergraduate students who study living marine  
13 organisms as part of their coursework. Our graduate  
14 study applicants must have a 3.5 grade point average and  
15 scores on the Graduate Record Exam in the 90 percentile  
16 range.

17 The research of the marine science faculty  
18 conducted in waters off of UCSB use marine animals to  
19 test the suitability and effectiveness of prescription  
20 drugs, develops hybrid kelp which may increase food production  
21 from that source, or could generate energy in the form of  
22 methane from natural kelp. Our mariculture work is of  
23 great value to commercial fishing interests with regard  
24 to spawning and production of abalone, the location and  
25 management of lobster habitats, and the protection of

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1 Dungeness crabs from parasites.

2 Moreover, a UCSB faculty member contributes to  
3 national defense in the study of bioluminescence of marine  
4 organisms, work which has tactical applications in the  
5 detection and communication of submarines.

6 The work I have described and other research  
7 will be greatly enhanced by the construction we will begin  
8 in two months of a state-funded \$8 million biotechnology  
9 seawater laboratory.

10 I'd like to mention the uses UCSB has  
11 specifically for the site proposed for Platform Heron.  
12 Contrary to ARCO's belief, this hardbottom habitat provides  
13 rock fish and other fish species for a variety of research  
14 projects, as well as classroom teaching. Moreover,  
15 eight additional research projects use the water column  
16 directly above the site. A scientist from Lawrence  
17 Livermore Laboratories also conducts bottom sampling in the  
18 area.

19 I want to emphasize that, although UCSB has a  
20 proprietary interest in the Coal Oil Point area, many  
21 other institutions conduct research there and in adjacent  
22 channel areas. These include UC Santa Cruz, Moss Landing  
23 Marine Lab, Cal State Long Beach, Scripps Institute of  
24 Oceanography, and the University of Southern California.

25 The California cooperative fisheries

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1 investigation program, a long-term State-supported  
2 undertaking, routinely samples three stations in the  
3 channel -- one at Coal Oil Point.

4 These stations provide data on water chemistry,  
5 plankton abundance, and physical oceanography dating  
6 back to 30 years ago.

7 The item before you would increase oil  
8 production more than eight times over that which is  
9 currently produced by Platform Holly, a fact which ARCO  
10 overlooked in its testimony early today.

11 Perhaps you will understand our apprehension  
12 about such expansion if I cite a few facts associated with  
13 present small-scale production of Platform Holly. Over a  
14 number of years, complaints related to Holly's operations  
15 have been made regularly to the Air Pollution Control  
16 District, Campus Police, the County Fire Department, and  
17 UCSB's Office of Environmental Health and Safety.

18 The latter office has received 36 complaints in  
19 the past two years, while the Air Pollution Control  
20 District heard 53 complaints from 1986 to the present  
21 time.

22 We have moved our art studio from our west  
23 campus as a result, and we've cancelled numerous art  
24 classes in that area. The main campus was afflicted with  
25 such sickening odors on several occasions in 1985, that

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1 classes on both the east and west boundaries of the campus  
2 were dismissed. Complaints were so widespread,  
3 evacuation of the campus was contemplated and voluntary  
4 evacuation was actually achieved.

5 Eventually, a good many students and employees  
6 went home complaining of nausea and headaches. And  
7 finally, UCSB was forced to evacuate the Coal Oil Point  
8 caretaker from her lodging at Coal Oil Point and had to  
9 provide housing elsewhere for her at the University's  
10 expense.

11 All that I have said supports your staff's  
12 recommendation that ARCO's project be denied at this  
13 time. As painful as it may be for the State of California  
14 and ARCO to forego income from this offshore project for  
15 now, it is in the best interest of the people of  
16 California to do so. I remind you again of Professor  
17 Walter Mead's observation about taking into account the  
18 social costs of this project.

19 Thank you for hearing and responding to the  
20 University's concerns in this matter.

21 Chancellor Aldrich has asked me to submit  
22 some proposed rewording of Findings 13 and 14. And I will  
23 do that now.

24 Are there any questions?

25 CHAIRMAN MC CARTHY: Any questions for Miss

1 Watson?

2 MS. WATSON: Dr. Case will be --

3 CHAIRMAN MC CARTHY: Dr. Case.

4 EXECUTIVE OFFICER DEDRICK: Mr. Chairman, excuse  
5 me.

6 CHAIRMAN MC CARTHY: Yes.

7 EXECUTIVE OFFICER DEDRICK: Before we go  
8 on, the court reporter needs a break.

9 CHAIRMAN MC CARTHY: We'll have a five-minute  
10 break.

11 (Thereupon a brief recess was taken  
12 to allow the court reporter to  
13 replenish her stenograph paper.)

14 CHAIRMAN MC CARTHY: Our next witness is Dr.  
15 James Case, Associate Vice Chancellor at UCSB. Dr. Case.

16 DR. CASE: I'm here today to represent UCSB  
17 briefly on two matters. I want to discuss generally the  
18 importance of its marine research efforts and to respond  
19 to some details of the call by the Commission staff for a  
20 research plan.

21 First, I wish to thank the Commissioners and  
22 staff for their careful hearing they provided us over  
23 these many months of hearings. We feel that we're  
24 virtually neighbors after all of this exercise. And I wish  
25 to emphasize how important it is to the development of a

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1 rational resource utilization, not only in California,  
2 but in the nation, for you to have considered this matter  
3 in terms of the concept of public trust.

4 I also wish to acknowledge ARCO's generally  
5 interested attitude regarding UCSB's concerns, which is not  
6 to say by any means that we think they've been interested  
7 enough obviously.

8 But to give the oil company its due, the  
9 Commission should realize that ARCO has supported for the  
10 past several years a joint science panel with UCSB.  
11 Don Keane of ARCO's environmental staff has led their  
12 participation in trying to resolve some of our problems, and  
13 have supported some preliminary research relating to the  
14 resolution of the problems that are quite obvious to us.

15 Their action in doing this expresses more than a  
16 pro forma interest in public problems with offshore oil  
17 development and, of course, at the same time, decisively  
18 shows that they know there are serious problems with this  
19 project.

20 Professor Alice Aldrich usually leads our  
21 presentation on the importance of marine research  
22 programs. I think Regent McCarthy will be touched by the  
23 fact that Alice could not be with us today because of a  
24 teaching requirement of an undergraduate course. At other  
25 hearings, Dr. Aldrich has detailed the value of the UCSB

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1 marine program. Beyond this, I would like to call to your  
2 attention how important research on marine organisms has  
3 been and continues to be to advancement of biomedical  
4 sciences in general.

5 This stems in part from the fact that the oceans  
6 were the cradle of life, and they are still relatively a  
7 benign environment, hosting a far greater variety of life  
8 forms than exist on land or fresh waters.

9 Biomedical scientists have found in this  
10 variety of organisms certain exotic forms which are  
11 exactly suitable to their research owing to useful  
12 peculiarities of structure and function. Thus, the squid  
13 provided the giant nerve cells that made possible the  
14 experiments leading to a Nobel Prize in biology and  
15 medicine by Huxley who determined the nature of the nerve  
16 impulse.

17 And even today, the nervous system in certain  
18 large sea slugs are making possible rapid advances in the  
19 study of the basic processes of learning and memory.  
20 These processes many believe are the most important  
21 and difficult biomedical problems left to be solved.

22 Marine laboratories thus are critically important  
23 sites for innovative research and should be vigorously  
24 protected as essential to the progress of biomedical  
25 science. Good marine laboratories, such as the University

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1 of California has, are rare. There are perhaps fewer than  
2 six in the United States with facilities such as exist  
3 at UCSB.

4 The UCSB laboratory is an even more valuable  
5 resource when it is considered that it exists on a general  
6 campus of a major university. There are perhaps only  
7 two or three laboratories in this category in the United  
8 States.

9 Tremendous advantages stem from such a location.  
10 As compared with the relative isolation of most marine  
11 laboratories on a general campus, the power of other  
12 academic disciplines can readily be brought to the  
13 assistance of research in the marine area.

14 Mathematics, physics, chemistry, and engineering  
15 the powerful stimulatory effects of research have crossed  
16 traditional borders of science become an everyday fact  
17 in the operation of a marine laboratory in such an  
18 environment.

19 Presence of the marine laboratory on a general  
20 university campus provides rare opportunities for the  
21 education of our future scientists. At most universities,  
22 if students are to benefit from studies on marine  
23 organisms, they must disrupt their regular program and go  
24 to a marine laboratory for a brief and often extremely  
25 expensive stay. In contrast, marine studies are a normal

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1 part of the curriculum at UCSB and are fully integrated  
2 in instruction.

3 Dr. Aldrich described in her presentation to  
4 Commission staff last week the quality of the UCSB  
5 research and instructional program in the marine area, and  
6 Betsy Watson has reminded you of some details of that  
7 already today.

8 She pointed out that tangible recognition of  
9 this quality is clear from the fact that within a few  
10 weeks we shall begin construction of a unique new  
11 State-funded facility at UCSB, a marine biotechnology  
12 laboratory. This will support the most advanced research  
13 in biochemistry, genetic engineering, and physiology of  
14 marine organisms.

15 Research at UCSB that has justified construction  
16 of this new facility is not only of great value in  
17 disciplines ranging from biomedicine to defense, but also  
18 establishes UCSB as an ideal center for a very significant  
19 part of research that we believe is necessary to implement  
20 the staff's report call for research.

21 UCSB scientists working on the molecular biology  
22 and neurophysiology of senses which govern critical  
23 life stages of commercially important organisms -- such  
24 as abalone, crabs, and lobsters -- have shown how  
25 defective the present water quality standards are when it

1 comes to assessing long-term subtle, but ultimately life-  
2 threatening effects of pollutants.

3 We know of only two other laboratories in the  
4 United States conducting work of this type and quality.

5 Here I would like to parenthetically comment on  
6 a statement made by Mr. Ranger with respect to the fact  
7 that petroleum is not a great problem to us at UCSB,  
8 because it resides almost exclusively at the surface of the  
9 water. He should be reminded that when investigators  
10 look at the toxicity of petroleum in the ocean, they're  
11 not really interested in the glop itself, which has an  
12 obvious mechanical effect, but in the so-called water  
13 accommodated fraction, that fraction of petroleum that  
14 goes into solution. And that, of course, exists  
15 throughout the entire water column,

16 I should also point out that when we have heavy  
17 weather, which is quite common in the Santa Barbara  
18 Channel, such oil at the surface would itself be mixed  
19 throughout the water column.

20 Other UCSB scientists are doing fundamental  
21 research on cultivation of kelp and, most importantly,  
22 the genetic improvement of this species. Since a  
23 prominent effect of marine development in California is  
24 damage to kelp, which is a vital nursery to much marine  
25 life, these scientists have much to offer in assessing the

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1 effects of proposed development and in seeking remedies  
2 for such damage as may be unavoidable.

3 UCSB marine ecologists and biological  
4 oceanographers know the habitats of the channel like the  
5 back of their hands, having worked there since 1956. And  
6 they are thus ideal judges in the health of the channel.

7 UCSB has an internationally respected remote  
8 sensing expert who can bring to bear the power of remote  
9 sensing technology to help solve the tremendous problems  
10 of monitoring large marine ecosystems which must be  
11 achieved if the staff recommendations are to be realized.

12 Among our geologists and engineers are experts  
13 on physical oceanography and are able to assess the  
14 physical properties that drive the biology of the channel.  
15 And one prominent in our engineering school has expertise  
16 in marine safety. Finally, UCSB has economists who are  
17 expert in natural products and in marine policy. All of  
18 these skills are resident at the present site of greatest  
19 interest and have been developed to a very great extent  
20 by investigation of channel problems.

21 We have two basic problems with the staff  
22 call for research and have presented at least one  
23 recommendation to you already today with respect to  
24 Finding 14. And I would like to illustrate that point  
25 now.

1           We note first, with dismay, that there's no  
2 indication that the University of California should play  
3 a role in planning or conduct of this work. For many  
4 years as a land grant institution, the University has had  
5 a decisive role in conducting research for the public  
6 benefit.

7           Surely, there is no difference between this  
8 situation, one in which research is essential to proper  
9 use of the public trust; that is, the California coastal  
10 province.

11           Specifically, for the reasons cited already,  
12 UCSB is an ideal center for such activity as it affects  
13 the Santa Barbara Channel.

14           Our second problem with the staff call for  
15 research has to do with its scope. We believe this plan  
16 will be defective if it considers only oil and gas. All  
17 human intrusions -- oil and gas, agricultural runoff,  
18 waste disposal, commercial and sports fisheries, and  
19 transportation -- must be taken into account if the  
20 condition of the California marine public trust is to be  
21 properly assessed.

22           The entire marine ecosystem, State and Federal,  
23 in terms of all intrusions must be considered. While we  
24 certainly compliment the staff for their enlightened call  
25 for research planning on such a large geographical scale --

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1 and as I have said, we hope that you will make the plan  
2 even larger by considering all human intrusions -- we  
3 have to urge, in a preliminary way for practical  
4 considerations, that you begin with a more restricted  
5 program of research which we believe should be centered  
6 in the Santa Barbara Channel.

7 This would have two important effects. It would  
8 be a proving ground for what may be practically  
9 accomplished in the proposed Statewide study, and it would  
10 be a decisively important input to any further  
11 consideration of the ARCO development program.

12 The Santa Barbara Channel is an optimal site  
13 for such a study. It is a defined oceanographic realm of  
14 large, but probably manageable size. It possesses all of  
15 the problems that make up the essentials of such a  
16 study -- oil, and active fisheries, sewage, agricultural  
17 runoff, heavy ship traffic.

18 At the same time and most uniquely in the State  
19 of California, the channel possesses a natural controlled  
20 environment -- the Channel Islands themselves. These  
21 islands are still almost in their natural state and if  
22 properly studied, can assist us to differentiate between  
23 many natural and human-induced effects on the channel's  
24 ecosystems.

25 The channel is also an ideal site for testing

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1 a statewide research initiative, because of the great  
2 and constructive interest on the part of the local  
3 government, the channel fishermen, who are already  
4 veterans in accommodating to oil and other developments,  
5 and, of course, because it is the site of UCSB.

6 We believe that such a program focused on the  
7 channel should begin as soon as possible and run for about  
8 three years before further consideration of permitting of  
9 the ARCO project. Our reasoning and an indication of the  
10 types of research that should be conducted were presented  
11 to your staff at last week's hearing.

12 Your staff has requested ideas on how this  
13 research has (sic) been funded. And there was actually one  
14 question from the Commission this morning.

15 We simply believe the cost of such research  
16 should be borne by all users of the channel in proportion  
17 to the benefits they receive from the use of this public  
18 trust.

19 In conclusion, we commend the Commission again  
20 for its efforts to attain optimal use of California's  
21 State waters and wish to state that UCSB is ready to  
22 help in this fundamental and farsighted activity along the  
23 lines of the general plan which we have already presented.  
24 Thank you.

25 CHAIRMAN MC CARTHY: Thank you very much.

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1 Any questions of Dr. Case? Thank you, Doctor.  
2 Dr. Raymond Sawyer, Professor of Physics, UCSB.

3 DR. SAWYER: Thank you. I'm a professor at  
4 UCSB and formerly the vice chancellor of the campus. You've  
5 seen me two times already. And I won't repeat testimony  
6 that I've already given.

7 Thank you for listening patiently the previous  
8 times. Now I'm down to two short paragraphs, and I think  
9 you have copies of my remarks already, but here's one  
10 if you do not.

11 I wish to suggest one change in the motion  
12 which was drafted by the Commission staff. In suggesting  
13 that ARCO reapply possibly after a period in which new  
14 studies are carried out, the Commission should add  
15 an explicit admonition to the effect that neither Platform  
16 Heron nor any equivalent structure or set of structures  
17 be proposed for the area east of present Platform Holly.

18 A research program, as described by Dr. Case,  
19 will be invaluable in better determining the risks to the  
20 biological environment and to marine science at UCSB, and  
21 in determining what safeguards or mitigations should be  
22 incorporated into a new project proposal.

23 But as the staff report recognizes, the Heron  
24 project, in close proximity to the most densely populated  
25 part of the coastline, would have serious unmitigatable

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1 impacts on the human environment. The citizens who have  
2 spent their time reading EIRs, attending hearings, writing  
3 letters should be spared going through it all over  
4 again in the case of Platform Heron.

5 I do have a suggestion for something which could  
6 be added to the list of 14 recommendations which are  
7 being presented to the Commission this morning. I have  
8 entitled it thirteen and a half. And I'll read it with a  
9 preface.

10 It is not quite as sweeping a statement as the one  
11 submitted by Assistant Chancellor Watson. I actually  
12 prefer the one submitted by Assistant Chancellor Watson,  
13 which has to do with delaying any future project until  
14 there is significant advancement in technology. But  
15 I'm reading it anyway in case the Commission would like to  
16 have different choices in considering this issue.

17 This is in the format of advice from the staff  
18 to the Commission, and it reads: Inform ARCO that a new  
19 application should not propose the construction of  
20 platforms east of present Platform Holly, and that the  
21 exploitation of the reserves accessible only from this  
22 region be delayed until such time as a combination of  
23 economic factors and improvements in subsea technology  
24 allow the profitable extraction of the resource without  
25 large negative impact on UCSB and Isla Vista. Thank you.

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1 CHAIRMAN MC CARTHY: Thank you very much. Any  
2 ugestions by the members of the Commission? Thank you.

3 Paula Carrell, legislative representative for  
4 the Sierra Club.

5 MS. CARRELL: Thank you. Good morning,  
6 Commissioners. These will be very brief comments. I don't  
7 wish to repeat all the points that have been made by our  
8 representatives at the three hearings that were held  
9 locally, nor many of the same points that have been made  
10 this morning.

11 I just want to state on behalf of the Sierra  
12 Club, that we very strongly support the recommendations  
13 made to you in the staff report on this matter; that you  
14 deny the project at this time and most particularly, that  
15 you authorize the research project that has been  
16 proposed.

17 It is precisely the kind of thing that the  
18 Sierra Club has been looking for in dealing with the various  
19 offshore oil applications, both in the Federal and State  
20 level, for the last several years. We have a very strong  
21 feeling there is a need for a comprehensive look at  
22 offshore oil development as it is proposed in  
23 California and most particularly, a look at ways in which  
24 we can have a cumulative facilities planning and a clear  
25 review of some of the extraction options that may be

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1 available; for instance, in this particular case, the  
2 possibility of accessing some of this oil with some -- by  
3 virtue of some sort of cooperative agreements with the  
4 Federal agencies that are drilling in the region rather  
5 than the construction of new platforms.

6 But at any rate, we think that the research can  
7 help us to answer some of these questions. And we very  
8 strongly support that aspect of your staff's recommendations.

9 The impacts that this project would have on the  
10 environment in the Santa Barbara Channel are many and  
11 familiar, and I don't -- will not restate them at length.  
12 But they are of very grave concern, not only to the Sierra  
13 Club members in Santa Barbara, but also to those statewide  
14 membership (sic) who is considering the resource in the  
15 Santa Barbara Channel and the coastal resource as a  
16 value -- an environmental value to us statewide.

17 There will be a written copy of more extensive  
18 comments for this hearing coming from the members in  
19 Santa Barbara. It was mailed by them last week with the  
20 intention that I deliver it to you today, but the U.S. Mails  
21 have not seen fit to deliver it to me yet. Anyhow, it will  
22 be coming in, and I appreciate very much the opportunity  
23 to make our simple statement this morning.

24 CHAIRMAN MC CARTHY: Commissioner Ordway.

25 COMMISSIONER ORDWAY: Just a question. You said

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1 something very intriguing. Do you have any indication from  
2 the Department of the Interior that they would be willing  
3 to enter into a cooperative arrangement whereby State oil  
4 under State lands could be obtained via platform from the  
5 OCS?

6 MS. CARRELL: I don't have such indication, but --

7 COMMISSIONER ORDWAY: You were just hypothesizing  
8 that this would be a nice thing?

9 MS. CARRELL: We have suggested previously that  
10 it is something that should be looked at by both parties.

11 COMMISSIONER ORDWAY: Okay. I thought maybe you  
12 had discussions with Secretary Hodel and thought this was  
13 nice and you could pursue that.

14 (Laughter.)

15 MS. CARRELL: Discussions with Secretary Hodel  
16 are not a regular part of our business I'm afraid,  
17 unfortunately. Thank you very much.

18 CHAIRMAN MC CARTHY: Nicole Silk, Pacific Coast  
19 Federation of Fishermen's Association.

20 MS. SILK: Good afternoon. I'm here to read the  
21 Pacific Coast Federation of Fishermen's Association's letter  
22 of statement.

23 The Pacific Coast Federation of Fishermen's  
24 Association representing the working men and women --  
25 excuse me -- California's commercial fishing industry

1 supports the staff recommendations of the State Lands  
2 Commission to deny at this time the permit request by  
3 ARCO for its Coal Oil Point project offshore Santa Barbara  
4 County.

5 Our opposition to this ARCO project has nothing  
6 to do with the merits of the project or the applicant,  
7 rather our concern is with the cumulative impacts of this  
8 project, together with others proposed for State waters  
9 offshore Santa Barbara and San Luis Obispo Counties.

10 We urge the State Lands Commission to deny  
11 any new permits until such time as a study's conducted  
12 and completed assessing the impacts of all the development  
13 proposals by the different companies for offshore  
14 Santa Barbara and San Luis Obispo Counties.

15 As you know, it is the commercial fishing industry  
16 that is the first to feel the effects of offshore oil  
17 development, whether it be from fish dispersal, displacement  
18 from fishing grounds, or the loss of fish and shellfish  
19 resources.

20 If the State is to maintain a visable commercial  
21 fishing industry in the wake of offshore oil development,  
22 then care must be taken to thoroughly study and wisely plan  
23 for that development.

24 That is what we are asking the State Lands  
25 Commission to undertake. If you, the Commission, or your

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1 staff have any questions regarding this recommendation,  
2 please call the offices of the Pacific Coast Federation  
3 of Fishermen's Association.

4 Your attention to these comments is greatly  
5 appreciated. And I have copies of the statement.

6 CHAIRMAN MC CARTHY: Thank you.

7 MS. SILK: Thank you.

8 CHAIRMAN MC CARTHY: Robert Klausner, Chairman  
9 of the Oil Committee, Citizens Planning Association of  
10 Santa Barbara.

11 Mr. Klausner, welcome.

12 MR. KLAUSNER: Thank you, Chairman McCarthy,  
13 Commissioners.

14 Before I go into this, I'd like to go back to  
15 the findings that you passed out today.

16 I have no problems with those findings. Last  
17 week we sent you -- and I don't know whether the mails  
18 got here -- and a copy to your Executive Director -- some  
19 observations in regard to findings about making a finding  
20 of inconsistency of the project with a significant lands  
21 inventory which came in under your --

22 EXECUTIVE OFFICER DEDRICK: I don't believe we  
23 received that, Mr. Klausner.

24 MR. KLAUSNER: Okay. I'd like to give you then  
25 a copy, because I think that this is something that's in

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1 your jurisdiction and would further strengthen your findings  
2 in this case. And I'd like you to give that some  
3 consideration before you make your final statement.

4 CHAIRMAN MC CARTHY: Do you have some other  
5 testimony?

6 MR. KLAUSNER: Yes. I'm sorry.

7 CHAIRMAN MC CARTHY: Why don't you proceed with  
8 that.

9 MR. KLAUSNER: Obviously, I would like to  
10 thank you folks for having spent as much time as you have  
11 with us in Santa Barbara. We really appreciate that.

12 We would like to support, obviously, your staff  
13 report in the sense that we believe that Heron should be  
14 denied and is unequivocally inappropriate until  
15 technology changes the facts as they are today, and perhaps  
16 putting off the other two platforms until a study is done  
17 would be appropriate.

18 We think that review should be undertaken in  
19 concert with the county and other interested agencies up  
20 and down the coast. And it should establish thresholds  
21 for development of this and other State leases under  
22 scenarios with and without a national energy policy in  
23 place.

24 We believe that the thresholds-- obviously, if  
25 there is a national energy policy in place, the thresholds

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1 are different than if there is no policy in place. And  
2 I think, Mr. Davis, you sort of touched on that subject.  
3 And we are very concerned that until something's in place,  
4 we are unwilling to sacrifice our local economy, our  
5 quality of life, or the prospects of our university for  
6 this type of development.

7 I think as loyal Americans, we in Santa Barbara  
8 have demonstrated that we're willing to accommodate  
9 oil development. How much, however, ties in with what  
10 the national government's policy is. I would suggest also  
11 that the lack of people here from Santa Barbara is not  
12 because of a lack of interest. I guess you have a quiet  
13 thank you from all of them, and they didn't feel it was  
14 justified to spend the time and energy and money to come  
15 up here. But from every indication we've gotten, they're  
16 all sympathetic to the staff report.

17 We think it should be made clear to ARCO, the  
18 industry, and the Federal Government that the reason for  
19 denial is not quite as simple as Mr. Ranger as sort of  
20 indicated in indicating that people in Santa Barbara don't  
21 like the looks of oil platforms. Many of us living in  
22 Santa Barbara are accustomed to viewing oil platforms.  
23 As a matter of fact, the oil platforms -- I live on the  
24 beach. They were there before I came. I do not find them  
25 objectionable. And probably if another one were put in

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1 off my quarters, I would be used to it and not be offended  
2 by it.

3           However, people coming from other parts of the  
4 country to enjoy the scenic quality of our coast don't  
5 feel the same way. And I can give you chapter and verse,  
6 people who have come, who visit us, and say, "My God!  
7 What are they doing there? Don't let them do anymore."

8           So, it's not so much the people who are there  
9 and used to it as the people who come to visit, take  
10 advantage of our tourism. Frankly, common sense would  
11 indicate to me that you're not going to go to a  
12 destination resort to look at oil rigs. I mean, that's  
13 too absurd.

14           Since the quality of the University and tourism  
15 and so important to our community, the visuals and its  
16 implications do have substantial impact that would other-  
17 wise be unreasonable in places where industry and oil  
18 development is the heart of the local economy. That ties  
19 in with something that Bill Wallace was talking about --  
20 residential-industrial conflict.

21           We have a general plan. And if you look where  
22 those -- Heron was or is projected relative to I.V. as  
23 a focal point, it's closer to I.V. than some parts of the  
24 University. So, our general plan and our local coastal  
25 plan call for urban lines moving outward from Isla Vista,

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1 with residential and visitor serving--namely, hotels  
2 and parks-- are the appropriate uses.

3 Industrial applications are not appropriate.  
4 And what may have been appropriate in 1947, is not longer  
5 so, because events have overtaken the leases, and may  
6 very well overtake those two platforms that you're  
7 temporarily deferring, because if you wait long enough  
8 on those, that coastline is going to be developed to  
9 a greater extent. What is applicable now to Heron  
10 relative to a urbanized coastline, may very well be  
11 applicable to those platforms as you move further up the  
12 coast, because the coast is changing. And it's a  
13 question of priorities. Who gets there first. And first  
14 come is the one that dictates, in effect, what shall be  
15 until time marches on and you get an evolution or whatever's  
16 going to happen.

17 Most people in Santa Barbara are there by choice  
18 and not by need. And whether they be retired people, or  
19 visitors, or working people, the place is the attraction.  
20 And that's significant. Visual solution is inconsistent  
21 with the surrounding beauty (sic). I mean, we've gone  
22 so far as to pull down pole signs. Now, the people who  
23 don't come from an area where that's so, you can't  
24 appreciate what a difference that has made in our quality  
25 of life. It may sound silly to people who are in

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1 communities who have pole signs and they don't realize  
2 how different it could be, but to us it's very important  
3 where we live and that's why we're living there. A lot of  
4 people are living there, despite the fact that they could  
5 make more money living someplace else, because of their  
6 environment.

7           And there has to be a place like that. And we  
8 don't see any reason under the circumstances to sacrifice  
9 that. As a matter of fact, a year ago, somebody had  
10 found -- or thought that they had some oil under their  
11 land in Carpenteria, which is in the South Coast, and  
12 they wanted to put an oil drilling -- one of those things  
13 that go up and down -- on agricultural land, and the  
14 County said no. It's incompatible with the surrounding  
15 use. So, I think we're being consistent, unless there's  
16 a very good reason for us to make some other adjustment.  
17 We're not willing to do that. And we think that what  
18 staff has come in with is consistent with where we are.

19           In summary, if a large number of people can see  
20 the platforms, hear the development, and from time to time  
21 smell the project, it should not be permitted. It's as  
22 simple as that. Standards, however, to ensure a greater  
23 certainty of the process for everybody -- the public,  
24 ARCO, the rest of the oil companies, must be established  
25 and established quickly. This is a crazy process. It's

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1 unreasonable to go around in circles the way we have.  
2 It's much too unproductive. It costs too much, and we  
3 just can't afford as a society or a nation to continue  
4 operating this way.

5 So we would urge you to proceed with the study  
6 in a logical way -- not in an antagonistic way, not with  
7 a preconceived notion of what you're going to end up  
8 with, but something that will end up with better guidelines  
9 so everybody can go in a straight direction.

10 We thank you for your leadership in this regard.

11 CHAIRMAN MC CARTHY: Thank you, Mr. Klausner.  
12 Any questions by the Commissioners?

13 Thank you very much.

14 Michael Phinney, Isla Vista Association,  
15 representing himself.

16 MR. PHINNEY: And myself.

17 CHAIRMAN MC CARTHY: And yourself, both.

18 MR. PHINNEY: Chairman McCarthy, Commissioner  
19 Ordway, Commissioner Davis, nice to see you again.

20 The Isla Vista Association and a lot of other  
21 people who couldn't afford to fly up here asked me to  
22 convey to you that we heartily concur with the staff's  
23 recommendations to you, especially the two modifications  
24 today. Of course, we heartily endorse Dr. Wallace's  
25 statement.

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1           A couple of brief remarks, and then I'll get  
2 off here.

3           There was some allusion to an inverse  
4 condemnation this morning. I wrote you all a rather  
5 lengthy letter on that subject. I hope you remember  
6 getting it.

7           We'd like to emphasize again and concur with  
8 the comprehensive study of the cumulative effects of  
9 offshore oil development.

10          We talked about -- there's been some testimony  
11 about jobs this morning. I'd like to speak to that. I  
12 would suggest that our national lack of an overall energy  
13 development plan -- program has created an absolutely  
14 Madd Comics situation. We've got thousands of people right  
15 down here in Kern County out of work in the oil industry  
16 and associated fields. We've got thousands and thousands  
17 of people out of work in Texas, Louisiana, Oklahoma. I  
18 haven't heard any testimony about the sad plight they're  
19 in, and yet we're talking about developing some pretty low  
20 grade crude oil here. It's not going to do those people  
21 any good. Why aren't we doing something about reactivating  
22 those fields? We need an overall energy plan for this whole  
23 nation. I hope that message will go back to Washington.

24          There was some mention made of an oil spill.  
25 We've got an oil spill going on down at Seal Beach. It may

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1 not be a frequent occurrence, but those of us who were in  
2 Santa Barbara in 1969 will never forget the one we had. It  
3 takes only one.

4 Air quality, I've spoken about that. I presented  
5 some testimony at your staff hearing last Thursday. I'll  
6 give you little brief comment on that again if I may.

7 We had a suspected hydrogen sulfide leak up the  
8 coast at one of the platforms. Apparently everybody was  
9 so worried about hydrogen sulfide that they evacuated  
10 a large percentage of the platform personnel as a routine  
11 precaution. It turned out it was air bubbles. But they  
12 didn't mess around. They hauled those people right out.  
13 Dangerous stuff.

14 We do not want to live next door to that  
15 right off our beach with that threat hanging over our  
16 heads. No way. Thank you for your time.

17 CHAIRMAN MC CARTHY: Thank you, Mr. Phinney.  
18 Any questions by the Commissioners?

19 The staff has proposed an amendment to the  
20 findings and they were distributed to the members of the  
21 audience at the beginning of this hearing.

22 I'd first like to take up that issue before the  
23 members of the Commission. Do either of the Commissioners  
24 have any comment on the proposed staff amendment to the  
25 staff findings? Do I hear a motion to adopt?



1           COMMISSIONER DAVIS: I would move their  
2 adoption.

3           CHAIRMAN MC CARTHY: The proposed amendments  
4 to the proposed findings are adopted.

5           COMMISSIONER ORDWAY: I would like to be  
6 recorded as a no.

7           CHAIRMAN MC CARTHY: All right. Two to one.  
8 Those proposed amendments are adopted, have now been  
9 adopted to the findings.

10          CHAIRMAN ORDWAY: Question on the recommendation  
11 to staff?

12          CHAIRMAN MC CARTHY: Yes.

13          CHAIRMAN ORDWAY: Item 14, where it discussed  
14 the staff would be directed to develop a plan for a  
15 comprehensive study of the overall effects of all oil and  
16 gas development in all federal and state waters off the  
17 coast of California; to investigate and develop potential  
18 funding sources for the program; to inquire about  
19 participation by the oil and gas industry and by federal,  
20 state, and local governments; and to return to the  
21 Commission at the end of a six-month period to report on  
22 the feasibility and proposed agenda for the program.

23                 One question would be, would it be -- isn't the  
24 intention of Item 14 to continue to conduct a comprehensive  
25 study, state and federal OCS if there's no involvement by

1 the Department of Interior?

2 CHAIRMAN MC CARTHY: I'm sorry. Was that a  
3 question you're posing to staff?

4 COMMISSIONER ORDWAY: The question I'm proposing  
5 to anybody, staff probably.

6 CHAIRMAN MC CARTHY: Well, Commissioner Davis  
7 says he'd like to answer that.

8 COMMISSIONER DAVIS: About two months ago I  
9 proposed the development of a cumulative impact study. My  
10 view is that any effort to develop a vision for the  
11 coast allows us to make more thoughtful and responsible  
12 decisions.

13 I had a chance to visit with a congressional  
14 delegation back in April under Don Edwards' leadership.  
15 They seemed to be responsive. My staff had a chance to  
16 visit with the GAO, and they seemed to be responsive.

17 Obviously, the preferable -- the preferable  
18 situation from my perspective -- I know from my perspective  
19 and I presume from the staff's and Chairman McCarthy,  
20 that Interior participate. But I would hope that we would  
21 undertake the study whether or not Interior participates.

22 COMMISSIONER ORDWAY: This is just a question,  
23 because I don't -- I'm not opposed to a cumulative impact  
24 study. I think it's something that we've all been talking  
25 about for a lot of years. But I really have to question

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1 how beneficial that can be without the input, the knowledge,  
2 and the data base that's only held by the Department of  
3 Interior. Otherwise, wouldn't it just be sort of a whole  
4 collection of assumptions and guesses? And I'm just  
5 wondering what that is going to generate as far as the  
6 document upon which future judgments will be made?

7 So, it's just query. I'm looking for some  
8 guidance on 14. I'm trying to find an item here that I  
9 can support.

10 COMMISSIONER DAVIS: My own view, again, would  
11 be that in cooperation with the Coastal Commission staff,  
12 with the Congress, we could piece together our best  
13 estimate of what we expect to happen, not only with the  
14 State waters, but what's likely to happen in federal  
15 waters, which would clearly put us in a preferable  
16 situation, which may not be a totally accurate prediction  
17 of the future, but would give us a better sense of  
18 what we ought to be doing in the decisions that we'll be  
19 confronted with.

20 COMMISSIONER ORDWAY: That's true. Does staff  
21 have any additional comments?

22 CHAIRMAN MC CARTHY: Claire? Miss Dedrick?

23 EXECUTIVE OFFICER DEDRICK: Not really. I think  
24 what we need is some time to talk to the people involved.  
25 There was a lot of testimony today requesting or suggesting

1 that the scope be enlarged. I think what we need to do  
2 is have some meetings with various interested parties,  
3 of which there are a whole bunch, and try to bring this  
4 into some, you know, to personalize the issues that we can  
5 realistically address.

6 Certainly, the cooperation of the Department of  
7 Interior is a critical one. But I also think that we have  
8 to go forward and if we can't get Interior's assistance,  
9 we just have to do the best we can without it.

10 I believe, however, that the majority of  
11 information that is on the public record is useful  
12 information. The cooperation of the oil industry is a  
13 pretty important part of this and, obviously, because  
14 their own plans are propriety. And we cannot get -- you  
15 can't get them from the public record the way you can  
16 other things.

17 So that's an area that's going to take some  
18 careful thought. Beyond that, it's difficult to come up  
19 with a funding number until a scope is established. And,  
20 of course, we do have a rather serious problem in regard  
21 to funding as you all know. The budget is virtually  
22 closed at this point for the next fiscal year. And we  
23 need to come up with some kind of working number to -- the  
24 reason staff suggested a six-month period to put it  
25 together was -- this has been tried before and it's never

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1 worked. And I believe the reason it hasn't worked is  
2 simply that you couldn't focus the players on the same  
3 goal. Now, perhaps there's now a goal. There's enough  
4 interest in a common goal now that there wasn't years back,  
5 that we would be able to get the kind of focus that I think  
6 we require for this kind of project. At any rate, those  
7 are the primary, immediate staff technical kind of  
8 problems that we've been worrying about the last few  
9 weeks.

10 Mr. Chairman, is there anything else you'd like  
11 me to --

12 CHAIRMAN MC CARTHY: Well, I think that should  
13 the staff recommendation be supported by a majority of  
14 this Commission, it would be the intent of those  
15 supporting the recommendations that staff proceed  
16 expediently to try to obtain funding and to define the  
17 scope of this in cooperation with all parties, instead of  
18 having to insert that when we mention the State of  
19 California, we do include all parts of the State  
20 Government, including the University of California.

21 And I think that requires us to try to obtain  
22 funding at this session of the Legislature and not wait  
23 till next year.

24 On the point raised by Commissioner Ordway,  
25 I agree with her that total lack of cooperation with the

1 Department of Interior would be harmful. It wouldn't  
2 totally destroy the effort we would set about in should  
3 this Recommendation 14 be supported by the Commission.  
4 But it would damage it. I think we do need to make every  
5 effort to involve the Department of Interior.

6 Of great concern to me is how we would work with  
7 other State agencies, notably the Coastal Commission,  
8 which has a very significant responsibility under State  
9 law. That was alluded to by Commissioner Davis. I just  
10 wanted to reaffirm that I think we go nowhere with this  
11 undertaking unless it starts with a premise that there is  
12 a clear cooperative definition of the scope of the plan  
13 that would be developed, particularly with the Coastal  
14 Commission, but also with others.

15 There is going to be some difference of opinion  
16 as to how expansive the study would be in the development  
17 of the plan. To make it useful, of course, we would want  
18 it to be as broad as possible. That's going to be to some  
19 degree determined by the availability of funding. Now,  
20 this session ends --

21 COMMISSIONER ORDWAY: September 11th.

22 CHAIRMAN MC CARTHY: September 11th. The recess  
23 ends when? When do they come back?

24 COMMISSIONER ORDWAY: They recess the 17th of  
25 July and return the 18th -- 17th of August. They then are

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1 scheduled for their fall recess the 11th of September  
2 and would return -- depending on when the 1st of January  
3 or shortly after that time.

4 CHAIRMAN MC CARTHY: Well, the budget will be soon  
5 closed. As a practical matter, what we're discussing here  
6 is separate legislation and an attempt to try to persuade  
7 the Legislature and the Governor to support that  
8 legislation for the State of California's part in this.  
9 Therefore, all of this must be done in a very short  
10 period of time. That is difficult, but it can be done.  
11 And I think that all the parties would want the answers  
12 that would be developed from this, this study.

13 Any other questions on Item 14?

14 COMMISSIONER ORDWAY: One other question, and  
15 that was we were handed during part of the testimony a  
16 letter from the Mayor of the City of Santa Barbara, and  
17 asked that that be put into the record. Can we put that  
18 into the record?

19 CHAIRMAN MC CARTHY: That's next.

20 COMMISSIONER ORDWAY: Thank you.

21 CHAIRMAN MC CARTHY: I would like to finish the  
22 conversation on the amendments in front of us first. Are  
23 there any other comments on -- pardon me, not on the  
24 amendments, on the 14, the 14 recommendation. Any other  
25 discussion on this? All right. Let's put into the record

1 the letter from the Mayor of the City of Santa Barbara,  
2 dated May 27th -- May 26th. Mayor Sheila Lodge. I don't  
3 have to read it, do I? We'll submit to you this  
4 original and put it into the record as part of the  
5 evidence of the day.

6 Mr. Ranger, do you want this opportunity to  
7 sum up or close on arguments based on anything you've  
8 heard? Have you completed your presentation?

9 MR. RANGER: Thank you, Governor McCarthy. We  
10 have completed our presentation and have no further  
11 remarks at this time.

12 CHAIRMAN MC CARTHY: The recommendations of the  
13 staff are before the Commission. What's the pleasure of  
14 the Commission?

15 COMMISSIONER DAVIS: Is it appropriate to make  
16 a comment at this time?

17 CHAIRMAN MC CARTHY: It is appropriate to make  
18 some comments. Commissioner Davis, you're recognized.

19 COMMISSIONER DAVIS: I'd like to comment on --  
20 obviously, I'm not going to comment on everything I've  
21 heard today. But I'd like to comment on just a few  
22 things that were developed.

23 First of all, ARCO's contention that rights of  
24 existing lease holders essentially allow them to develop  
25 their resources and that this Commission cannot influence,



1 adjust, or reject a development on those leases, it's my  
2 judgment -- in my judgment, it would be irresponsible for  
3 this Commission to permit unrestricted development of oil  
4 on all existing leases. There are some 51 leases up and  
5 down the State of California, including ARCO. There's 16  
6 in the immediate Santa Barbara community. ARCO's asking  
7 for permission to approve some 240 leases. It's  
8 reasonable to expect that there will be at least a  
9 thousand leases sought by the applicants of the other 15  
10 leaseholds. I think you can see that in relatively short  
11 order, Santa Barbara, which is today a mecca for tourism,  
12 could be converted into a heavily industrialized area.  
13 I don't think that's what they want. I'm not sure that's  
14 what anybody wants. But that is the logical extension  
15 of ARCO's argument, that this Commission is essentially  
16 powerless to affect development on existing leases. I  
17 reject that notion. I'm confident the courts will reject  
18 that notion. In any event, they will be the ultimate  
19 arbiters of that decision.

20 As it relates to a study to develop the  
21 cumulative impacts of drilling in State and Federal waters,  
22 I'm delighted the staff recommends it; as I said earlier,  
23 I called for it a couple of months ago, and believe there's  
24 enough cooperation at the Federal level to make the study  
25 worthwhile. In any event, anything is better than the

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1 current system. We are essentially flying blind. We have  
2 virtually no context against which to make these decisions.  
3 And were we to permit ARCO -- were we to approve ARCO's  
4 application today, I think we would be very hard-pressed  
5 to do anything but approve the other applications of the  
6 other 15 leaseholds.

7           Again, the plan will give us some sense of how  
8 to deal with existing leases as well any future  
9 applications for leases.

10           Another thing that disturbs me that did not come  
11 up today, but came up at the hearings -- and which is not  
12 ARCO's fault -- which, I think as Commissioners we have  
13 to take into account -- the affected counties by law now  
14 only get one percent of the royalties. And that's simply  
15 not fair. I think we should share the royalties equally  
16 between the affected county, the State, and the Federal  
17 Government. If the Federal Government was not willing to do  
18 that, then we ought to consider sharing the State portion  
19 of the royalties, because clearly all the adverse impacts  
20 of drilling are absorbed in the affected county. And they  
21 are being shortchanged. They're not getting anywhere near  
22 the economic benefits that the State and Federal Government  
23 realize. Again, it's not the oil companies' fault. They  
24 sensed that it was important enough to change that. You  
25 know, before we begin approved additional leaseholds, I

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1 think that's a change that definitely should be made.

2           And finally, on this national energy notion,  
3 I think it's very important that we speak with one voice.  
4 And it's clear that we are not. Secretary Hodel is  
5 saying we have to develop more oil and the Reagan  
6 Administration, on the other hand, is vetoing efforts to  
7 apply conservation measures for manufacturers of  
8 appliances, rejecting notions to increase the mile range  
9 efficiencies, permitting the 65 mile speed limit. All  
10 those policies drive consumption up at the same time  
11 that Secretary Hodel is saying we have to produce more  
12 oil. If you had to characterize the national energy  
13 policy, I think what in effect is happening is the  
14 Reagan Administration is stimulating the nation's  
15 appetite for oil and Hodel is demanding that the coastal  
16 communities satisfy that need.

17           And I think I would be more responsive to  
18 producing oil if I saw a clear -- I know I would be more  
19 responsive if I saw a clear national policy that said we  
20 were going to conserve oil, but there's a need to develop  
21 it. That would make sense and certainly would make me  
22 more responsive, and I expect this Commission.

23           Those are the comments I wanted to make.

24           CHAIRMAN MC CARTHY: Do you wish to make any  
25 comments at this point, Commissioner Ordway?

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1           COMMISSIONER ORDWAY: I believe that the  
2 applicants made a good-faith effort to comply with the  
3 prescribed process and with the numerous concerns raised  
4 by all parties, not just the Lands Commission. I believe  
5 the mitigation measures that have been suggested during the  
6 EIR process and subsequent to that process are, in fact,  
7 feasible. And I believe this project should go forward.

8           CHAIRMAN MC CARTHY: Is there a motion before  
9 the Commission?

10           COMMISSIONER DAVIS: I would move to adopt  
11 the staff recommendations.

12           COMMISSIONER ORDWAY: I would vote no.

13           CHAIRMAN MC CARTHY: Ready for the vote?

14           I would only comment that I think the staff's  
15 recommendations meet the public trust responsibilities  
16 of the State Lands Commission. I intend to support the  
17 motion. The vote is two to one. The staff's findings  
18 and recommendations are accepted and affirmed.

19           COMMISSIONER ORDWAY: In the absence of further  
20 business, I'll move we adjourn.

21           CHAIRMAN MC CARTHY: We do adjourn.

22           (Thereupon the meeting was adjourned  
23 1:45 p.m.)

24                           --oOo--  
25

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