

Staff Report 56

Request authority for the Executive Officer to solicit Statements of Interest for consultant services, negotiate a fair and reasonable price, and award and execute agreements for the preparation of a feasibility report and environmental documentation for the proposed Rincon Island Decommissioning Project near Mussel Shoals, Ventura County

PARTY:

California State Lands Commission (Commission)

BACKGROUND:

Rincon Island is an artificial island located in Ventura County on State-owned sovereign land approximately 3,000 feet offshore in 55 feet of water. The island was constructed in 1959 for the specific purpose of well drilling and oil and gas production. Rincon Island and its appurtenant facilities were historically leased by the Commission to oil and gas operators (State Oil and Gas Lease Nos. PRC 145, PRC 410, and PRC 1466), including most recently Rincon Island Limited Partnership, which quitclaimed its lease interests to the Commission in December 2017 after becoming financially insolvent ([Item C71, November 29, 2017](#)). Approximately 1 acre of usable space lies within the depressed interior of the island that is surrounded at its perimeter with scattered palm trees. A one-lane causeway connects the island to shore at Mussel Shoals. Rincon Island has 50 wells. In addition, a subsea well was drilled approximately 3,000 feet west of the island. The island contains storage tanks, oil processing equipment, and other appurtenant facilities. Rincon Island is serviced by an approximately 11-acre onshore facility located 1.3 miles to the east of the island, at 5750 W. Pacific Coast Highway, Ventura (Onshore Facility). Twenty-nine wells and additional treatment and administrative facilities are located at the Onshore Facility.

Rincon Island has not produced oil or gas commercially since October 2008 due in part to the condition and integrity of the causeway that connects the island to the shore. In March 2018, the Commission issued a Solicitation for Statements of Interest for an engineering consultant to design and execute a plug and abandonment program for the 79 onshore and offshore oil and gas wells located on the former State leases, and to safely operate the onshore and offshore oil and gas facilities. In June 2018, the Commission hired Drilltek, Inc., a firm with expertise in the plugging and abandonment of onshore and offshore oil and gas wells. The Commission hired Drilltek to perform

engineering, operations, and administrative services, to develop and execute a program to plug and abandon onshore and offshore wells, to perform all ancillary tasks associated with the plug and abandonment program, to provide essential personnel to continue the safe daily operations of the leases at the current baseline conditions, and to place the facilities into caretaker status or an equivalent condition. Drilltek is also responsible for maintaining safe conditions, including monitoring and maintaining safe well pressures. Drilltek performs its work under the oversight of Commission staff.

In January 2019, offshore well abandonment began. Eighty-two percent of offshore abandonments (41 of 50 wells) and 96 percent of onshore abandonments (26 of 27 wells) have been completed, as of the date this staff report was published. The plug and abandonment program is anticipated to be completed before June 30, 2021. The process of securing and eventually decommissioning the oil and gas facilities on Rincon Island and the Onshore Facility has been planned to occur in parts. Part 1 is the ongoing plug and abandonment program. Part 2 is the development of a decommissioning plan, including planning, public outreach, and development of California Environmental Quality Act (CEQA) documentation. Part 3 involves executing the decommissioning plan after approval by the Commission. Staff now seeks authority to secure a consultant group to begin Part 2.

PROPOSED ACTION:

Staff seeks a delegation of authority to the Executive Officer to secure the services of an environmental consultant team to analyze the proposed decommissioning of Rincon Island and the Onshore Facility, herein referred to as the Rincon Island Decommissioning Project (Project). Staff anticipates a 3-year contract term (with an option to extend) to organize stakeholder and public outreach, prepare an engineering feasibility study assessing alternative decommissioning options, and prepare an environmental document under CEQA.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6005, 6106, 6216, and 6301; Government Code sections 4526 and 19130; Public Contract Code sections 6106 and 10335; State Contracting Manual, vol. 1, ch. 11; California Code of Regulations, title 2, section 2980 et seq.

STATE'S BEST INTERESTS ANALYSIS:

Since 2017, the Commission has protected public health and safety and the environment from the risk of a hazardous spill through the active management of Rincon Island and the Onshore Facility. During this time, staff have coordinated extensively with the California Department of Conservation's California Geological Energy Management Division, California Department of Fish and Wildlife's Office of Spill Prevention and Response, California Coastal Commission, California Department of Forestry and Fire Protection (CalFire), California Department of Transportation, California Water Quality Control Board, Ventura County Air Pollution Control District, and Ventura County Resource Management Agency. This inter-agency coordination has been vital in helping staff undertake the well plug and abandonment program safely while conducting work at a faster pace and at a lower cost than originally expected.

Part 2 will involve a stakeholder and public outreach process that includes early consultation with stakeholders through pre-CEQA public forums that will seek to engage the public and gain input from individuals, non-governmental organizations, academic institutions, and native peoples. Staff's goal is to elicit ideas, facts, and opinions on impacts of decommissioning alternatives as well as potential future uses for Rincon Island and the Onshore Facility. A prospective consultant should have resources, local contacts, and expertise in organizing and managing this outreach process.

An engineering feasibility study will be one of the tasks in the prospective consultant's scope of work. This study will examine the feasibility of fully removing Rincon Island, the causeway, and all other associated infrastructure, and will also explore a range of alternatives short of full island removal. Staff anticipates the study will be documented in a feasibility report and circulated for review by agencies, organizations, tribes, and other interested parties. The information provided in the feasibility report will provide project-specific information that will inform and be analyzed in the CEQA document.

Based on information developed to date, consultation with other California responsible or trustee agencies for the Project, and a review of CEQA and the State CEQA Guidelines, staff determined that the Commission has the principal responsibility for carrying out or approving the Project, and is thus the lead agency under CEQA.

Because the Project will certainly cause an environmental effect, analysis of the impacts of decommissioning will require the production of a Mitigated Negative Declaration or an Environmental Impact Report. Staff recommends delegating authority to the Executive Officer or her designee to engage a consultant for this purpose. Consultant selection will be conducted pursuant to the requirements of the California Public Contract Code and current State policies and procedures, including

those specified in the Commission's regulations and the State Contracting Manual, and will be based on demonstrated competence and professional qualifications necessary for the satisfactory performances of the services required.

The CEQA analysis undertaken will evaluate potential impacts to sensitive habitat of state and federally listed species, cultural resources, air quality, and all other potentially significant impacts from proposed Project activities. For significant impacts that cannot be avoided, the document will include proposed measures to reduce impacts to the extent feasible. Before approving a proposed decommissioning project, the Commission must approve the environmental document and will be required to adopt a monitoring plan pursuant to CEQA (Public Resources Code section 21081.6) to ensure that any mitigation measures imposed to mitigate or avoid significant effects will be implemented.

Part 2 of the Project will include significant public and stakeholder engagement, a detailed analysis of feasible decommissioning alternatives and a CEQA document that will analyze the environmental impacts of those alternative options. In order to meet those goals, staff seek a prospective consultant with the expertise to help manage these project components. For these reasons, staff believes the proposed authority for the Executive Officer to solicit Statements of Interest for consultant services is in the State's best interests.

OTHER PERTINENT INFORMATION:

1. Authorization to solicit proposals is not a project as defined by CEQA because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

2. Approval of the recommended action by the Commission does not constitute approval of a proposed decommissioning Project; it authorizes consultant contracts for engineering and environmental review to assess the impacts of a proposed future decommissioning Project.
3. California's enacted 2020-21 State Budget includes funding specifically for Part 2 of the Project. Both the contract for consultant services as well as staff time spent facilitating Part 2 are being funded through this appropriation.

4. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation and responsible economic use of the lands and resources under the Commission's jurisdiction.

RECOMMENDED ACTION:

1. Find that the services are of limited duration and are of such urgent, temporary and occasional nature that the delay in their implementation under civil service would frustrate their purpose as specified in Government Code section 19130, subdivision (b)(10).
2. Find that the selection of consultants under this process does not affect small businesses as defined in Government Code section 11342.610, because they will be accorded equal opportunity to submit statements of qualifications and performance data.
3. Find that the selection of consultants under this process for professional services of architectural, landscape architectural, engineering, environmental, land surveying or construction project management services will be consistent with procedures and policies adopted by the Commission as specified in Government Code section 4526 and California Code of Regulations, title 2, sections 2980 through 2980.9.

AUTHORIZATION:

Authorize the Executive Officer or her designee to solicit Statements of Interest for consultant services, negotiate a fair and reasonable price, and award and execute agreements, and take any other steps reasonably necessary to undertake public outreach, prepare a feasibility report and environmental documentation for the proposed Rincon Island Decommissioning Project, pursuant to the requirements of the Public Contract Code and current State policies and procedures.