

# Staff Report 61 (Informational)

## **PARTY:**

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California State Lands Commission (Commission)

## **PURPOSE:**

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To provide an update on the status of existing offshore oil and gas production and pipeline leases managed by the Commission.

## **BACKGROUND:**

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Offshore oil and gas development on state tide and submerged lands continues its rapid decline. While the Commission continues to oversee the responsible operation and management of the last remnants of offshore oil and gas operations under its jurisdiction, staff recognizes that the energy policies from the 1950s and 1960s differ greatly from California's current values, principles, and priorities which are geared towards independence from hydrocarbon-based energy. These decades-old energy policies, however, are what created the legal, constitutional, and contractual framework that continues to dictate the complexity of the oil and gas lease management structure and informs discussions and deliberations on how to responsibly advance a meaningful transition toward renewable energy sectors and jobs, alongside the need to reduce carbon emissions to mitigate and hopefully avoid the most catastrophic impacts of the climate crisis. The Commission's focus has shifted to preparing our State for a post-petroleum era that necessarily includes a thoughtful transition factoring in the direct and indirect jobs and livelihoods associated with offshore oil and gas production, the economy, risks to our marine environment, among many others. Accordingly, the Commission has turned its attention toward the future by embracing the possibilities presented by clean energy technologies, including solar and geothermal and most recently beginning to explore the feasibility of wind energy development offshore California.

[An oil spill in October 2021](#), which originated from an offshore federal pipeline, resulted in an estimated 25,000 gallons of crude oil being released into the ocean off the coast of Huntington Beach and has sparked fresh scrutiny of the State's oil and gas operations. The purpose of this report is to summarize the status of the

Commission's offshore oil and gas production and pipeline leases. Currently, there are 11 "active" oil-producing leases operating in the State's offshore waters. Additionally, there are five oil and gas leases that are "inactive," meaning that, for various reasons, they are not producing oil and gas. The Commission also manages 13 offshore pipeline leases that originate from federal and state offshore facilities and traverse state waters enroute to shore.

This report begins with a summary of the policy and statutory framework that provides the foundation for the management of the existing leases. The report also details the various state and federal agencies involved in offshore oil and gas production and transportation. And finally, the report is organized by county and explores in detail the oil and gas production and pipeline leases mentioned above, as well as other significant leases that the Commission has recently terminated or that have been quitclaimed, some of which are undergoing extensive plug and abandonment and decommissioning operations. Maps depicting the general location of these leases are attached as exhibits.

## **JURISDICTION AND REGULATORY AUTHORITY:**

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The Submerged Lands Act of 1953 recognized the State's jurisdiction as extending to 3 geographical miles<sup>1</sup> offshore. Operations beyond 3 geographical miles fall under federal jurisdiction.

### **STATE**

**The Commission** is responsible for the management and oversight of offshore oil and gas operations within state waters. While the Commission has some regulatory functions, it is principally a land and resource management agency. The Commission is the lessor and has the authority to negotiate, issue, amend, assign, or modify lease terms, and require bonding for the plugging and abandonment of offshore wells. The Commission's engineering, inspection, and operations staff ensures the safe operation of oil and gas leases in state waters and verifies safety and compliance through inspections and audits. While the Commission has not issued a new offshore oil and gas lease since 1968, all existing offshore oil and gas leases were issued with indefinite terms for the life of production (so long as oil and gas can be produced in paying quantities) (Pub. Resources Code, § 6827). This means that, unlike the Commission's other leases, oil and gas leases do not come before the Commission on a regular basis for reconsideration and reissuance. The

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<sup>1</sup> The U.S. Supreme Court found that geographical and nautical miles are equivalent. (United States v. California, 135 S. Ct. 563 (2014))

Commission has the authority to terminate a lease if the lessee has breached a material term of the lease and fails to cure the breach in accordance with the lease terms. In the past, the Commission has exercised its termination authority due to a failure to produce oil or gas, as required by the lease; pay rent; operate safely; or comply with governmental regulations.

**The California Coastal Commission** plans and regulates the use of land and water in the coastal zone and reviews coastal development projects related to energy and oil infrastructure for compliance with the California Coastal Act and consistency with the Coastal Zone Management Act. The Coastal Commission reviews regulations for oil spill prevention and response and provides input on these regulations' consistency with Coastal Act regulations and policies. The Coastal Commission reviews oil spill contingency plans for marine facilities located in the coastal zone as well as oil spill response plans for facilities located on the outer continental shelf. They participate in the State Interagency Oil Spill Committee, oil spill drills, and the development of planning materials for oiled wildlife rehabilitation facilities located in the coastal zone.

**The California Geologic Energy Management Division (CalGEM)**, formerly known as the Division of Oil, Gas, and Geothermal Resources (or DOGGR), is the State's oil and gas regulator and is housed in the Department of Conservation under the California Natural Resources Agency. The State Oil and Gas Supervisor (Supervisor) leads CalGEM. The Supervisor has broad authority to supervise the drilling, operation, maintenance, and abandonment of the State's oil and gas wells, among other things, so as to prevent, as far as possible, damage to life, health, property, and natural resources, and certain other detrimental impacts (Pub. Resources Code, § 3106). CalGEM also has its own, separate bonding authority for offshore wells.

**The State Fire Marshal** regulates the safety of approximately 5,500 miles of intrastate hazardous liquid transportation pipelines and acts as an agent of the federal Office of Pipeline Safety concerning the inspection of more than 2,000 miles of interstate pipelines. Intrastate pipelines are located entirely within state borders, including offshore state waters, and interstate pipelines cross state borders or begin in federal waters.

**The Office of Spill Prevention and Response (OSPR)** is the State's lead for response to oil spills in its inland and marine waters. OSPR, under the California Department of Fish and Wildlife, assumes a lead role in providing the best achievable protection of the State's natural resources by preventing, preparing for, and responding to oil spills and restoring affected resources. The OSPR administrator undertakes certain

duties related to oil spill prevention, planning and response, including emergency drills, oil spill preparedness, and oil spill containment and cleanup.

## FEDERAL

The federal **Bureau of Ocean Energy Management (BOEM)** has exclusive oversight responsibility of oil and gas leasing activities within the Outer Continental Shelf, beyond the State's 3-mile jurisdiction. This includes all platforms, facilities, and lease areas. For these oil and gas operations managed by the federal government, the **Bureau of Safety and Environmental Enforcement (BSEE)** is responsible for enforcing compliance with safety and environmental standards through regular inspections and other monitoring activities.

The federal government is primarily responsible for developing, issuing, and enforcing pipeline safety regulations, and does so under the U.S. Department of Transportation's **Pipeline and Hazardous Materials Safety Administration (PHMSA)**. PHMSA has exclusive federal authority over interstate pipelines, which are pipelines that cross state borders or begin in federal waters.

**The United States Coast Guard (USCG)** is the lead federal response agency for spills that occur in coastal waters. USCG is responsible for investigating and evaluating reports of possible spills, leading response teams for confirmed spills, and deploying measures to mitigate the environmental impacts of spills, including cleanup operations.

## STATE POLICY AND STATUTORY FRAMEWORK:

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**The Submerged Lands Act of 1953** definitively confirmed California title to the natural resources located within three geographical miles of the state's coastline.<sup>2</sup> For purposes of the Act, the term "natural resources" includes oil, gas, and all other minerals. The Act addresses the rights and claims by the State to the lands and resources beneath navigable waters within its historic boundaries and provides for their development by the State.

Pursuant to the **Cunningham-Shell Tidelands Act of 1955** (Pub. Resources Code, § 6801 et seq.), the Commission acts as lessor with regard to development of mineral resources (including but not limited to oil and gas) on state lands under the Commission's jurisdiction. The Cunningham-Shell Act established minimum qualifications for leasing, including standard lease terms, royalty rates, limited

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<sup>2</sup> Before the Submerged Lands Act, the state and federal government disputed who owned the lands offshore California. The Submerged Lands Act codified the state's sovereign rights and ownership from shore out three geographic miles.

condemnation authority, and rules pertaining to on and offshore leasing. These statutory directives were integrated into mineral leases issued by the Commission before 1968. Pursuant to the Cunningham-Shell Act, all offshore oil and gas leases were issued with indefinite terms for the life of production (so long as oil and gas can be produced in paying quantities) (Pub. Resources Code, § 6827).

**The Lempert-Keene-Seastrand Oil Spill Prevention and Response Act of 1990** (Stats. 1990, Chapter 1248 [SB 2040]; (see Gov. Code § 8670.1 et seq., Pub. Resources Code, § 8750 et seq) was passed in response to a string of high-profile oil spills. The Act covers all aspects of marine oil spill preparedness and response in California. It established the Office of Spill Prevention and Response within the California Department of Fish and Wildlife and an Administrator with broad authority to implement the provisions of the Act. The Act also gave the Commission regulatory authority over spill prevention at offshore oil and gas facilities and marine terminals. The OSPR Administrator is appointed by the Governor and has the primary authority to direct preparedness, removal, abatement, response, containment, and cleanup efforts for all aspects of any oil spill in the State.

**The California Coastal Sanctuary Act of 1994** (Pub. Resources Code, § 6240-6245) created a California Coastal Sanctuary, banning any new oil and gas development in California coastal waters and preventing the Commission from entering into any new offshore oil and gas leases (except for in extremely limited circumstances). Any state waters already subject to a lease for oil and gas extraction as of the effective date of January 1, 1995, were excluded from the coastal sanctuary. All existing oil and gas leases become part of the sanctuary once operations end.

## RECENTLY ENACTED LEGISLATION

**[Senate Bill 1147 \(Hertzberg, 2018\)](#)** requires CalGEM to seek additional bonds, securities, or other financial assurance to cover the cost of decommissioning offshore oil and gas wells. This bill also required the Oil and Gas Supervisor to estimate the costs to decommission offshore oil and gas wells under its jurisdiction by July 1, 2020 ([CalGEM 2022 Report](#)).

**[Assembly Bill 1775 \(Muratsuchi, 2018\)](#)** prohibits the State Lands Commission or a local trustee of granted lands from issuing a lease authorizing new construction of oil- and gas-related infrastructure on tidelands and submerged lands within state waters associated with Outer Continental Shelf leases issued after January 2018. It also imposed additional conditions on the Commission or a local trustee before it can approve or disapprove a lease renewal, extension, amendment, or modification that would authorize new construction of oil-and gas-related

infrastructure associated with new federal leases. [Senate Bill 834 \(Jackson, 2018\)](#) imposed the same prohibitions and conditions as AB 1775.

[Assembly Bill 585 \(Limón, 2019\)](#) made a series of changes related to oil and gas lease liability and decommissioning. These include: 1) Specifying the factors the State Lands Commission may consider when deciding whether to approve an oil or gas lease assignment or transfer and defining an assignee; 2) Clarifying and codifying when a lessee or operator accrues decommissioning obligations; 3) Requiring a notarized affidavit of liability for the decommissioning of production facilities and related infrastructure and an agreement to start decommissioning within 6 months; 4) Making failure to comply with decommissioning deadlines a misdemeanor; 5) Requiring that oil and gas lease assignments or transfers be recorded in the county where the land is located; and 6) Clarifying that when the State undertakes plug and abandonment and decommissioning operations to protect public health and safety that this is an appropriate use of its police power.

[Assembly Bill 342 \(Muratsuchi, 2019\)](#) prohibits any state agency, department, commission, and certain local jurisdictions with leasing authority over public lands, including the State Lands Commission, from issuing a lease that allows new construction of oil and gas infrastructure to support oil and gas production on federally protected lands. Federally protected land means a national monument, park, wilderness area, wildlife refuge, or wilderness study area.

## **OIL SPILL PREVENTION AND SAFETY PROGRAM:**

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In addition to the management of the offshore leases, the Commission also regulates every marine oil terminal in California. Both functions form the Commission's [oil spill prevention program](#), which is designed to provide the best achievable protection of public health, safety, and the environment and to prevent an oil spill in state waters.

### **PIPELINE INSPECTION AND COMPLIANCE**

The Commission's Mineral Resources Management Division (MRMD) oversees the operation and maintenance of all offshore oil and gas pipelines and the Offshore California Pipeline Inspection Survey Memorandum of Agreement (MOA) between state and federal agencies. The Division monitors 34 offshore oil, gas, and utility (water) pipelines ranging from 3 inches to 24 inches diameter (a majority are 6 to 12 inches diameter) that extend a distance of 0.5 to 9.6 miles through state waters, all pursuant to 13 leases. Statewide, 11 pipelines originate from state facilities and 23 federal pipelines pass through state waters. All pipelines that cross state waters carrying oil and gas are inspected annually by MRMD staff pursuant to [California](#)

[Oil Production Regulations](#). The existing regulations require operators/lessees to conduct internal inspections by running an electronic magnetic flux tool, known as a "Smart Pig," through the pipeline. A hydrostatic test to 1.5 times the maximum operating pressure of the pipeline is required if a smart pig run is not mechanically feasible. The test equipment and procedures must have prior MRMD approval, and the test results must be reviewed and approved by MRMD engineers. Existing regulations also require operators/lessees to conduct external inspections of submerged pipelines using a diver or remotely operated vehicle. The external inspections detect damage, movement, free spans (unsupported section of pipeline), or foreign objects lying across the pipeline that may cause failure owing to physical movement or accelerated corrosion. Videotapes and diver reports of external pipeline inspections are reviewed by MRMD engineers and corrective actions, if necessary, are coordinated with the pipeline operators.

### **PLATFORM INSPECTION PROGRAM**

The MRMD staff inspects offshore oil production equipment monthly on Platforms Emmy, Eva, and Esther, consistent with the [California Code of Regulations, title 2, sections 2129 - 2142 and 2170-2175](#). The inspections include physical testing of production and processing alarms and shutdowns, including each well's surface and subsurface safety valves, toxic and combustible gas detectors, fire and smoke detection equipment abandon platform, and man overboard alarms; pipeline alarms; the emergency shutdown system; fire pumps, deluge, and fire control system; and the emergency generator. Staff also checks navigational aid functionality and inventories spill response equipment. Staff reviews maintenance records of pressure safety valves (pressure relief), cathodic protection rectifiers (corrosion control), firefighting equipment, and lifesaving equipment. Staff also checks pipeline right-of-way surveillance, spill drill, and boom deployment records for compliance. Each inspection takes two to three days and involves inspecting approximately 300 safety items at each facility. If deficiencies are discovered and not corrected immediately, the affected equipment is shut down and isolated, which may require that the facility temporarily cease operations. Platform inspections ensure the integrity of platform safety systems, and that equipment is available and in good operating condition to respond to emergencies or spills.

The Platforms' structural Integrity is maintained and monitored by conducting periodic inspections per **American Petroleum Institute's Recommended Practice 2A (API RP 2A)** guidelines. These inspections reflect the current good engineering practice of providing assurance that the integrity of the platform is well maintained. The above water visual survey of the top side structure, along with cathodic protection verification (Level I), is carried out annually. The underwater surveys (Levels II, III and IV) are carried out once every five to ten years. The **Level I** survey is

not intended to substitute for regular monitoring of the platform condition and maintenance. However, it provides an independent review of the platform condition and identifies the possible problem areas. The **Level II, III and IV** surveys identify critical members and joints which may or may not require further detailed inspection and repairs. The MRMD engineering team reviews the platform inspection reports and any repairs, if necessary, are coordinated with the platform operators.

### **FACILITIES SAFETY AUDIT PROGRAM**

MRMD staff comprehensively audit offshore oil and gas production facilities on a 5-year cycle. The audits, designed to ensure compliance with the [California Code of Regulations, title 2, sections 2129 - 2142 and 2170-2175](#), assess the design and condition of each platform and shore-side facility and that the operators of the platforms are producing safely. Staff analyzes the technical design of safety systems on oil and gas drilling and production facilities and verifies that the alarms and controls are installed and operate as designed. Staff also reviews equipment maintenance and corrosion prevention and inspection programs to evaluate serviceability of pressure vessels, tanks, and piping. A third-party contractor analyzes and inspects the design, maintenance, and condition of electrical distribution systems. Training and qualification programs at platforms and oil facilities are reviewed to assure competent operation. Staff reviews the operating manual and spill prevention plan to evaluate procedure adequacy for normal operation, upset conditions, and response to spill incidents. Staff uses a Safety Assessment of Management Systems (SAMS) program to assess the organizational safety culture, the human factor element, and the maturity level of safety programs. Staff evaluates these factors through confidential interviews with a cross-section of company operators, engineers, management, and contractors. Safety audits provide a comprehensive evaluation of facility design, condition, procedures, and personnel. Audits result in a matrix of action items that are prioritized by risk, and staff follows up to ensure operators implement corrective action items.

### **MARINE OIL TERMINAL INSPECTIONS**

The Commission's Marine Environmental Protection Division (MEPD) operates a marine oil terminal monitoring and inspection program, with responsibility divided between its field offices in Hercules and Long Beach. Professional safety staff inspect marine oil terminal transfer operations daily at 34 sites along the coast, inspecting activities and enforcing regulatory requirements. Inspections include observing and assessing oil transfers to and from tankers and barges at marine oil terminals. Safety staff conducts comprehensive annual and spot inspections at



each marine oil terminal to examine structural, pipeline, electrical, and other equipment that may pose an oil spill risk. Staff also reviews operational procedures and examines marine terminal personnel oil handling training and certification. A marine terminal priority monitoring system ensures that staff monitors the most critical and significant oil transfers while also noting violations and flagging terminals and vessels for enhanced inspections.

MEPD staff also ensures compliance with the Marine Oil Terminal Engineering and Maintenance Standards, known as [MOTEMS](#), which are rigorous building standards adopted to upgrade aging terminals and design new terminals to ensure better resistance to earthquakes, protect public health and the environment, and reduce the potential of an oil spill. The MOTEMS, as part of the California Building Code, apply to all marine oil terminals in California and establish minimum engineering, inspection, and maintenance criteria for marine oil terminals to protect public health, safety, and the environment.

## **GRANTED LANDS:**

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Granted Lands are sovereign lands that were legislatively granted to local municipalities for commerce, navigation, fisheries, and other Public Trust consistent uses. In areas where the legislature reserved the minerals to the State, the royalties are paid directly to the State's general fund. In areas where the legislative grants did not reserve the State's mineral interests, the royalties are paid to the local grantee. However, for those local grantees who derive revenue from oil and gas operations on granted public trust lands, the funds are held in trust, because they are Public Trust assets of the state, and may not be spent on general municipal purposes. The oil and gas operations on granted lands are located in Los Angeles and Orange counties.

## **SANTA BARBARA COUNTY:**

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### **OIL AND GAS LEASES**

There are no active offshore oil and gas leases in Santa Barbara County. Three previous leases that were quitclaimed are undergoing final plug and abandonment work, three additional leases were terminated by the Commission in 2019, and two inactive leases are awaiting a final quitclaim.

### **Shell Mounds (Leases 1824, 3150)**

**Lessee: Chevron**

**Status: Inactive (awaiting quitclaim)**

Leases 1834 and 3150 comprise 9,512 acres of tide and submerged lands located offshore Santa Barbara County. The lease areas are the site of previously removed oil drilling and production platforms Hazel, Hilda, Hope, and Heidi, known as the 4H Platforms. The Commission continues to receive annual rent of \$5,000 for Lease 1834. When the platforms were removed, the mounds of drilling muds and cuttings below the surface remained in place (shell mounds). Over decades, the underwater portions of platforms become colonized with marine life, predominantly bivalves, echinoderms, and even coral populations. In order to maintain and assess the substructure the platform jacket is cleaned down to about 35 feet and through natural competition older specimens die and are replaced by new colonization. Over many years the shells settle over the muds and cuttings and create a layer of shell material that encapsulates the muds and cuttings. Commission staff is currently processing an application to terminate these leases and is actively working to complete an environmental assessment of the shell mounds.

**Platform Holly and the City of Goleta (Leases 3242, 3120, and 421)****Status: Quitclaimed**

The three lease areas, formerly operated by Venoco Inc., comprised 7,682 acres located off the coast of Santa Barbara County near the City of Goleta. The Commission issued Leases 3242 and 3120 in 1964 and 1965, respectively, which produced entirely from Platform Holly. The Commission issued Lease 421 in 1949. This lease produced from two wells located on two artificial piers in the shorezone. While production from Lease 421 ceased in 1994, production from Leases 3242 and 3120 continued until 2015, when they were shut-in in response to the Plains All American Pipeline 901 incident in May of that year. The Commission received Venoco's notice of quitclaim for these three leases in April 2017.

**Current Status:** Plug and abandonment work for the previous oil and gas operations is ongoing. The two wells associated with Lease 421 were successfully plugged and abandoned in 2019. The Commission will consider certifying the Environmental Impact Report for the [Piers 421 Decommissioning Project, and approving the first component of this project at its April 26 meeting \(Item 59\)](#). These piers are the last remaining oil and gas production related shorezone piers in California. Staff anticipates removing the structures later this year, subject to a coastal development permit issued by the Coastal Commission. Plug and abandonment work for the remaining 30 wells associated with Leases 3242 and 3120 located on Platform Holly is ongoing and expected to continue until completion in late 2022 or early 2023.

Since 2017, Beacon West Energy Group, the Commission's contractor, has been ensuring the security and safe daily operations and maintenance at the Ellwood Onshore Facility and Platform Holly. The Commission expects to begin the California Environmental Quality Act (CEQA) review process to decommission Platform Holly in late 2022 or early 2023.

**Carpinteria Oil Field (Leases 3133, 7911, 4000)**

**Status: Terminated**

These three lease areas, previously operated by Carone Petroleum Corporation, comprised 3,858 acres of tide and submerged lands within the Carpinteria Oil Field. The Commission issued the three leases in 1964, 1968, and 1966. All facilities associated with the leases were removed by 1996, and all of the wells were plugged and abandoned during that decommissioning campaign. In 1996, the Commission approved assigning Carone control of the leases with the condition that they redevelop the lease areas without any surface development and submit a completed development plan for the Commission's consideration. In 2019 ([Item 98, June 28, 2019](#)), the Commission terminated the three leases after determining that Carone had failed to meet its obligations to redevelop the leases and had failed to make required rent payments.

**Current Status:** Although the Commission terminated Carone's interest in Lease 3133, Exxon Mobil remains the official lessee of record; Carone having acquired the lease from Exxon Mobil through a private purchase agreement that was not approved by the Commission. Staff is in discussions with Exxon to process an official quitclaim of Exxon's residual interests in the lease.

**PIPELINE LEASES**

The Commission manages five offshore pipeline leases in Santa Barbara County that consist of a collection of power cables and oil, gas, water, and utility pipelines that originate from federal Platforms Irene, Hermosa, Harmony, and Hondo and traverse state waters.

**Table 1. Santa Barbara County Pipeline Leases**

Lease	Lessee	Location	Status	Issued/ Expiration	Term (years)	Annual Rent	Bond	Lease Characteristics
<b>Lease 7163</b> (Shore to Federal Platform Harmony)	Exxon Mobil Corp.	offshore El Capitan State Beach, near the City of Goleta	Active	Feb-1988/ Jan-2022	34	\$178,174	\$1 million	single point mooring facility, a crude oil/water emulsion pipeline, three power cables, and a produced water outfall
<b>Lease 4977</b> (Federal Platform Hondo to Shore)	Exxon Mobil Corp.	offshore, near Los Flores Canyon	Active	Jan-1989/ Dec-2021	33	\$60,000	\$1 million	Sour Gas Pipeline
<b>Lease 6911</b> (Federal Platform Irene to Shore)	Plains Exploration and Production (PXP)	near Point Pedemales, offshore of the city of Lompoc	Active	Nov-2009/ Oct-2022	13	\$129,285	\$3 million	Power cable, crude oil pipeline, natural gas pipeline, wastewater pipeline.
<b>Lease 6942</b> (Federal Platform Hermosa to Shore)	Point Arguello Pipeline co.	Offshore, near Point Conception	Active	Feb-2011/ Jan-2031	20	\$74, 383	\$100,000	crude oil emulsion pipeline
<b>Lease 6943</b> (Federal Platform Hermosa to Shore)	Plains Exploration and Production (PXP)	Offshore, near Point Conception	Active	Feb-2011/ Jan-2031	30	\$72,144	\$300,000	natural gas pipeline

Commission staff is processing the Lessee's renewal applications for Pipeline Leases 7163 and 4977.

## VENTURA COUNTY:

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### OIL AND GAS LEASES

The Commission manages two active producing oil and gas leases in Ventura County (Leases 3314 and 735). These two leases are separate from three previous leases that were quitclaimed and one inactive lease awaiting quitclaim.

#### West Montalvo (Leases 3314 and 735)

**Lessee: California Resources Production Corporation/Vintage Petroleum**

**Status: Active and Producing**

In 1992, Chevron and Shell, the companies that first developed the West Montalvo leases, assigned the leases, with Commission consent, to Berry Petroleum Company. In 2007, Berry Petroleum assigned the leases to Venoco Inc., who, in

2007 and 2008, drilled two additional wells. In 2014, the Commission approved assigning the leases from Venoco to Vintage Petroleum, LLC. Vintage Petroleum, LLC was later renamed the California Resources Production Corporation, which is a subsidiary of California Resources Corporation.

Issued in 1965, Lease 3314 consists of 5,430 acres of tide and submerged lands. The State receives royalty on a sliding scale from a rate of 16 2/3 percent to 50 percent (tied to the production rate per well per day) and receives \$5,430 in annual rent. There are 18 wells that are drilled directionally into the offshore lease area from a designated onshore location. In FY 2020-21, the Lease produced 47,976 barrels of oil and generated \$396,919 in royalty to the State's General Fund.

Issued in 1952, Lease 735 consists of 220 acres of tide and submerged lands. The State receives royalty at a rate of 16 2/3 percent and \$960 in annual rent. There are three wells associated with Lease 735 which are also directionally drilled into the offshore lease area from an onshore location. In FY 2020-21, the Lease produced 11,561 barrels of oil and generated \$101,229 in royalty to the State's General Fund.

In 2019, to keep pace with rising costs of plug and abandonment work, Commission staff secured additional bonding from the lessee to cover leases 3314 and 735, raising the blanket bond from \$2 million to \$7 million. Staff evaluates the need for additional increases in bonding coverage every 5 years. Currently, staff is processing an application to assign California Resources Production Corporation's interest to California Natural Resources Group Ventura County, LLC.

### **Lease 427**

**Lessee: Exxon**

**Status: Inactive (awaiting quitclaim)**

Lease 427 consists of 148 acres of tide and submerged lands. The lease has not produced oil and gas since 1993 and all wells have been plugged and abandoned. Commission staff is in discussions with the Lessee to perform a final analysis and survey of abandonment work previously completed—after which the Commission can process a final quitclaim.

### **Rincon Island (Leases 145, 410, and 1466)**

**Status: Quitclaimed**

These lease areas, previously operated by Rincon Island Limited Partnership, comprised 1,551 acres of tide and submerged lands. The Commission issued the three leases in the 1940s and 1950s. Leases 145 and 410 consisted of 25 wells that were directionally drilled from onshore locations. Lease 1466 consisted of 50 wells

that produced entirely from Rincon Island located 3,000 feet offshore. Because of extensive damage to the facilities, a lack of repairs, and other issues, the leases had nominal production from 2008 on. Commission staff documented numerous regulatory violations that posed a significant risk to the marine environment. In 2016, Rincon Island Limited Partnership filed for Chapter 11 bankruptcy, and the Commission authorized staff to accept a quitclaim of the leases.

**Current status:** The Commission and its contractor have plugged and abandoned the 75 State wells (25 onshore wells and 50 island wells) on the former leases and performed ancillary work necessary to leave the site in a safe condition pending determination of final site disposition. Two additional onshore wells, known as Hobson Fee wells, were also abandoned in coordination with CalGEM, for a total of 77 well abandonments. Phase 2 of the project is underway as staff works with Padre Associates Inc., the Commission's environmental contractor, to develop a decommissioning plan for the disposition of Rincon Island, the onshore facility, and the causeway. On March 17, 2022, the Commission released a [draft Feasibility Study](#) for public comment. The Feasibility Study will inform the CEQA document.

## PIPELINE LEASES

The Commission manages three offshore pipeline leases in Ventura County that consist of a collection of power cables and oil, gas, water, and utility pipelines that originate from federal Platforms "A," "B," Hogan, and Gina and traverse state waters.

**Table 2. Ventura County Pipeline Leases**

Lease	Lessee	Location	Status	Issued/ Expiration	Term (years)	Annual Rent	Bond	Lease Characteristics
<b>Lease 5967</b> (Shore to Federal Platforms Gina/Gilda)	DCOR, LLC	Santa Barbara Channel, connecting to Mandalay Generating Station	Active	Apr-1981, Apr-2006/Mar-2026	20	\$ 102, 525	3 million + parental guarantee	two bundled pipeline systems conveying crude oil, natural gas, water, and electrical lines
<b>Lease 4017</b> (Federal Platform "A" to Shore)	DCOR, LLC	Santa Barbara Channel, near Sea Cliff	Expired	Aug-1968/Aug-2017	49	NA	3 million + parental guarantee	two 12-inch oil and gas pipelines connecting to Rincon Operating Facility
<b>Lease 3914</b> (Federal Platform Hogan to Shore)	Signal Hill Service, Inc.	Santa Barbara Channel, near Rincon Point	Terminated	Feb-1968, Sep-2013/June-2019	10	NA	NA	water pipeline, oil pipelines, gas pipeline; outfall pipeline.

For Lease 4017, Commission staff anticipates an application to renew the lease being submitted in the near future. For [terminated](#) Lease 3914, decommissioning is pending.

## LOS ANGELES COUNTY:

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While there are no oil and gas leases managed by the Commission in Los Angeles County, significant oil and gas revenue is generated from granted lands areas in the county: The **West Wilmington** Operation, and the **Long Beach Unit**. The entire Wilmington Field is the fourth largest oil field in North America. The two operations produce oil and gas under net-profit sharing agreements known as Optimized Waterflood Program Agreements (OWPA) that establish a revenue split between the City of Long Beach, the State, and the operator. Both fields are operated by California Resources Corporation and managed by the City of Long Beach. While the Commission has very limited authority over the day-to-day management of these operations, the Commission exercises its fiduciary responsibility for the optimized technical and economic development of state-owned lands and mineral resources on behalf of Californians.

### WEST WILMINGTON

The West Wilmington operation is produced from a reservoir that is located primarily beneath the Port of Long Beach. West Wilmington is one of the top three sources of the State's revenues from within the Commission's jurisdiction. Despite the State's limited authority per the OWPA, Commission staff communicates with the operator in annual meetings and oversees various engineering and economic aspects of the operation to ensure prudent and good oil field practices.

For fiscal year 2020-21, the West Wilmington operation produced 1.48 million barrels of oil at an average of 4,062 barrels per day. As of June 2021, there are 903 wells within the State's operational interest.

### LONG BEACH UNIT

The Long Beach Unit (LBU) is primarily produced from the four artificial drilling islands that dot the City of Long Beach's coastline and are collectively known as the **THUMS Oil Islands** (Islands Grissom, Chaffee, White, and Freeman). The LBU is by far the State's top source of non-tax revenue from oil and gas operations, generating \$52.9 million in revenue for the State in fiscal year 2020-21. One tract of the Long Beach Unit involves State-owned sovereign land, known as Tract 2 (Lease No. 3455) but is administered as a part of the overall unit. The Commission's authority within the LBU is limited to a review of the Unit's annual and five-year program plans and

ensuring the plans are consistent with good oil field practice, consistent with the provisions of the OWPA, consistent with unit operating agreements, and do not pose a significant safety or environmental risk (For example, Items [50](#) and [51](#) on the April agenda). Commission staff also ensures that the field contractor adheres to industry codes and standards, including the American Petroleum Institute recommended practices, State oil and gas regulations, and safety and environmental regulations of all governmental agencies with jurisdiction over unit operations.

In fiscal year 2020-21, the LBU produced 5.86 million barrels of oil at an average of 16,065 barrels per day. As of June 2021, there are 1,516 wells within the unit. While oil price and potential development of new technologies will determine the ultimate field life, the City of Long Beach's most recent estimates indicate that the field contractor has estimated an 'End of Field Life' of 2052 and 2036 for LBU and Tidelands respectively.

## ORANGE COUNTY:

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### OIL AND GAS LEASES

The Commission manages nine active and producing oil and gas leases located in Orange County. There are also two compensatory agreements that do not have any wells within the lease area but generate revenue for the State.

#### **Platform Emmy and Huntington Beach (Leases 91, 163, 392, 425, and 426)**

**Lessee: SoCal Holding, LLC**

**Status: Active and Producing**

**Platform Emmy** was constructed by Signal Hill Oil Company and began operations in 1963. Platform Emmy is located 1.3 miles offshore from Huntington Beach. The Lessee, SoCal Holding, LLC, operates as a subsidiary of California Resources Corporation (formerly Occidental Oil Corporation USA or "OXY"). In 2011, OXY purchased the Huntington Beach and Platform Emmy operation from AERA Energy, LLC.

**Lease 91:** Issued in 1943, Lease 91 consists of 589 acres of tide and submerged lands. There are 13 wells associated with Lease 91 that are directionally drilled from an onshore location into the offshore lease area. The State receives an annual rent payment of \$500 for the Lease in addition to a royalty share of the oil and gas produced.



**Lease 163:** Issued in 1944, Lease 163 consists of 640 acres of tide and submerged lands. There is one well associated with Lease 163 that is directionally drilled from an onshore location into the offshore lease area. The State receives an annual rent payment of \$3,200 for the Lease in addition to a royalty share of the oil and gas produced.

**Lease 392:** Issued in 1938, Lease 392 consists of 835 acres of tide and submerged lands. There are 162 wells associated with the lease, 161 of which have been directionally drilled from an onshore location into the offshore lease area and one drilled from Platform Emmy. The State receives an annual rent payment of \$835 for the Lease in addition to a royalty share of the oil and gas produced.

**Lease 425:** Issued in 1950, Lease 425 consists of 835 acres of tide and submerged lands. There are 62 wells associated with the lease, 44 of which have been drilled directionally from an onshore location into the offshore lease area and 18 of which are located on Platform Emmy. The State receives an annual rent payment of \$4,175 for the Lease in addition to a royalty share of the oil and gas produced.

**Lease 426:** Issued in 1950, Lease 426 consists of 649 acres of tide and submerged lands. There are 38 wells associated with the lease, 26 of which are located onshore and 12 drilled from Platform Emmy. The State receives an annual rent payment of \$3,200 for the Lease in addition to a royalty share of the oil and gas produced.

In 2017, the Commission and SoCal Holding LLC negotiated a long-term royalty modification whereby the royalty rate for the five leases would be based on a sliding scale ranging from 16.7 percent to 25 percent (depending on the current price of oil), in exchange for a commitment by the Lessee to contribute resources to begin abandoning the leases' idle wells and contribute to a sinking fund to fund abandonment and decommissioning activities when the leases terminate or expire. The sinking fund is in addition to a \$30 million blanket bond.

As part of the above royalty modification agreement, the Lessee has committed to spending \$3 million per year to abandon idle wells. When less than \$3 million is spent, the difference is paid into the sinking fund. Contributions to the sinking fund cease once the \$30 million bond + sinking fund balance = the most recent abandonment cost estimate. To date, 25 idle wells have been abandoned as a result of this agreement (15 wells on Platform Emmy, and 10 onshore wells), and the Lessee has fulfilled its commitment to spend \$3 million on idle well abandonment annually.

For fiscal year 2020-21, the five leases produced 1,206,432 barrels of oil and generated \$14,813,884 in royalty to the State's General Fund.

**Island Chaffee (Lease 186)****Lessee: California Resources Long Beach, Inc.****Status: Active and Producing**

In 1945, the Commission issued this lease to Marine Exploration Company. Through a series of assignments and name changes, the lessees became Exxon Company USA and Texaco Inc. (each owning an undivided 50 percent interest). The lease was developed from Belmont Island, an artificial island constructed between 1952 and 1954 about 2 miles offshore of the city of Seal Beach. After Belmont Island was removed in 2002, the lease was assigned to Oxy Long Beach, Inc. (OXY). OXY (now operating as California Resources Long Beach, Inc.) redeveloped the lease by drilling from the existing facility of Island Chaffee, which they operated as contractor for the City of Long Beach.

The Lease produces from the Belmont Offshore Oil Field and consists of 1255 acres of tide and submerged lands. The State receives royalty at a fixed rate of 17.88 percent and \$5,000 in annual rent. There are 35 wells (26 production and nine waterflood) associated with the lease, all of which are located on Island Chaffee. The Lessee maintains a \$50,000 bond to cover the costs of plug and abandonment activities when the lease terminates or expires. The current lessee, CRC is responsible for plugging and abandonment of all wells in this operation and the State does not have any liabilities related to well abandonment in this lease. The economic life of this lease is similar to LBU as all wells are located on Island Chaffee.

For fiscal year 2020-21, the Lease produced 212,446 barrels of oil and generated \$1,939,998 in royalty for the State's General Fund.

**Platforms Eva and Esther (Leases 3033, 3095, and 3413)****Lessee: DCOR, LLC****Status: Active and Producing**

**Platform Eva** is located 2.1 miles offshore and began operation in 1963 as an asset of Union Oil Company of California (Unocal). Nuevo Energy Company purchased the Platform in 1996, and in 2004, Plains Exploration and Production Company (PXP) assumed ownership of the platform after a merger with Nuevo Energy. PXP sold the property to DCOR in 2004, and in 2005, DCOR began operating the platform.

On December 22, 2021, DCOR reported a sheen off the coast of Orange County. An investigation found that pipeline 0919, which transports oil from state Platform Eva to shore, was the source of the discharge. In accordance with the Commission's regulations, and at the direction of Commission staff, DCOR

immediately suspended operations at Platform Eva. Under California Code of Regulations, Title 2, Section 2137, an immediate suspension of drilling and production operations is required to control pollution caused by such operations and corrective action must be taken immediately. Similarly, the lease between DCOR and the Commission obligates DCOR to perform repairs and maintenance as required to maintain the premises and improvements in good order and repair and safe condition. Staff has worked closely with other regulators, including OSPR and the State Fire Marshall, throughout the initial spill response, including identification and repair of the damaged portion of the pipeline.

Platform Eva and pipeline 0919 continue to remain shut-in. Additional pipeline internal and external corrosion survey inspections are being conducted and analyzed. DCOR is exploring options to repair or replace the pipeline in consultation with Commission staff and the State Fire Marshall and subject to regulatory review and approval.

**Platform Esther** is located 1.5 miles offshore of Seal Beach and first began production as a Chevron artificial island in 1965. In 1983, a winter storm washed away the island and facilities. Construction of a new platform on the submerged rubble began a year later and Platform Esther was commissioned in 1985. Union Oil of California (Unocal) acquired the platform from Chevron in 1988 before selling it to DCOR, who began operations in 2005.

**Lease 3033:** Issued by the Commission in 1963 and producing from the Huntington Beach offshore oil field, Lease 3033 consists of 2,113 acres of tide and submerged lands. The State receives royalty at a fixed rate of 17.26 percent and \$3,200 in annual rent. There are 35 wells associated with the lease (24 production, 11 waterflood) all of which have been drilled from Platform Eva.

**Lease 3095:** Issued by the Commission in 1964 and producing from the Belmont offshore oil field, Lease 3095 consists of 3,360 acres of tide and submerged lands. The State receives royalty at a fixed rate of 16.88 percent and \$3,360 in annual rent. There are 30 wells (23 production, seven waterflood) associated with the Lease, all of which are on Platform Esther.

**Lease 3413:** Issued in 1965 and producing from the Huntington Beach offshore oil field, Lease 3413 consists of 1,871 acres of tide and submerged lands. The State receives royalty at a rate of 17.26 percent and receives \$1,871 in annual rent. There are seven wells (five production, two waterflood) associated with the Lease, which are located on Platform Eva.

DCOR maintains multiple bonds totaling \$23 million to cover the costs of plug and abandonment work on the above three leases when they end.

For fiscal year 2020-21, the three Leases produced 435,438 barrels of oil and generated \$3,458,798 in royalty for the State's general fund.

### **Agreement 4736**

**Lessee: SoCal Holding, LLC (California Resources Corporation)**

**Status: Inactive (Compensatory Agreement)**

Compensatory Agreement 4736 consists of a 70-acre strip of tide and submerged lands adjacent to the Bolsa Chica wetlands. The lease area is administered as a compensatory agreement, which means that while there are no wells located within the State lease area, the Lessee remits some royalty to the State from 52 wells near the lease area that are independently operated by the lessee but have been deemed to likely be draining State mineral resources. For fiscal year 2020-21, the State received \$22,555 in royalty from the drainage wells.

### **Agreement 1482**

**Lessee: Beach Oil/Synergy Oil and Gas, LLC.**

**Status: Inactive (Compensatory Agreement)**

Compensatory Agreement 1482 consists of 54 acres of tide and submerged lands in Alamitos Bay, Seal Beach. While there are no wells located within the State lease area, the Lessee remits some royalty to the State from nearby, privately operated, drainage wells. For fiscal year 2020-21, the State received \$16,422 in royalty generated from this agreement.

## **ECONOMIC LIFE OF STATE PLATFORMS**

Commission staff regularly updates the expected economic field life at various oil prices for platforms Eva, Emmy, and Esther. It is important to note that these are just estimates based on publicly available information. The economic life of a field is incredibly difficult to project and is based on oil prices, technologies, and the individual and specific operator costs for producing the oil and gas. The most current estimates are as follows:

**Table 3. Platform Emmy (State Leases 425 and 426)**

<b>Oil Price (\$/BBL)</b>	<b>Life of Field (Year)</b>	<b>Reserve (Million BBL)</b>	<b>State's Revenue (\$ Million)</b>	<b>Lessee's Gross Income (\$ Million)</b>
45	2037	3.3	25.2	32.0
85	2044	3.8	80.9	117.8
100	2045	3.9	96.2	150.4

**Table 4. Platform Eva (State Leases 3033 and 3413)**

<b>Oil Price (\$/BBL)</b>	<b>Life of Field (Year)</b>	<b>Reserve (Million BBL)</b>	<b>State's Revenue (\$ Million)</b>	<b>Lessee's Gross Income (\$ Million)</b>
45	2035	2.6	20.8	20.0
85	2046	3.4	50.4	116.2
100	2047	3.5	60.0	148.3

**Table 5. Platform Esther (State Lease 3095)**

<b>Oil Price (\$/BBL)</b>	<b>Life of Field (Year)</b>	<b>Reserve (Million BBL)</b>	<b>State's Revenue (\$ Million)</b>	<b>Lessee's Gross Income (\$ Million)</b>
45	2030	0.8	6.5	6.0
85	2039	1.2	18.2	37.7
100	2040	1.3	22.0	47.3

## PIPELINE LEASES

The Commission manages five offshore pipeline leases in Orange County that consist of a collection of power cables and oil, gas, water, and utility pipelines that originate from federal Platform Edith as well as State Platforms Eva and Esther and traverse state waters.

**Table 6. Orange County Pipeline Leases**

<b>Lease</b>	<b>Lessee</b>	<b>Location</b>	<b>Status</b>	<b>Issued/Expiration</b>	<b>Term (years)</b>	<b>Annual Rent</b>	<b>Bond</b>	<b>Lease Characteristics</b>
<b>Lease 6417</b> (Shore to State platform Eva and Federal Platform Edith)	DCOR, LLC	offshore of Huntington Beach	Active	Dec-2007/Nov-2027	20	\$75,044	\$18 million blanket bond	one 24-inch diameter pipeline containing two power cables and use of one six-inch diameter gas pipeline
<b>Lease 3394</b> (State Platform Esther to Shore)	DCOR, LLC	San Pedro Bay, near Seal Beach	Active	Oct-2010/Oct-2030	20	\$49,680	\$21 million blanket bond	oil pipeline, gas pipeline, freshwater pipeline, electrical conduit.
<b>Lease 3116</b> (State Platform Eva to Shore)	DCOR, LLC	San Pedro Bay, near Huntington Beach	Active	Mar-1983/ Mar-2029	46	\$160,574	\$21 million blanket bond + \$350,000 bond	submarine pipelines and a power cable
<b>PRC 5636</b> (Federal Leases to Shore)	San Pedro Bay Pipeline co.	San Pedro Bay, near Seal Beach and Huntington Beach	Active	Mar-2008/Mar-2028	20	\$104,958	\$8.9 million	16-inch diameter crude oil pipeline
<b>PRC 5663</b> (State Platform Emmy to Shore)	SoCal Holding, LLC	San Pedro Bay, near Seal Beach and Huntington Beach	Active	May 1979/long as producing	continuous use	NA	\$30 million + parental guarantee	oil pipeline

## **NEWPORT BEACH GRANTED LANDS**

The City of Newport Beach owns and operates 16 oil wells that were drilled between 1953 and 1958 and are slant-drilled into the tidelands area of the Newport offshore oil field. There is no revenue sharing with the State, and all revenue generated must be used for the purposes of maintaining the tidelands, such as funding improvements to tidelands property, dredging Lower Newport Bay, lifeguards, and beach cleaning. The Commission has no approval authority over these operations, with limited exceptions.

## **CONCLUSION:**

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The Commission recognizes that the effects of and challenges associated with the global climate crisis requires the State to dramatically change the way it produces and consumes energy, and that a bridge can be built to this sustainable future seeks to meaningful address impacted jobs, livelihoods, tribal interests, disproportionately impacted communities, risks to our environment and the economy.

The Commission is committed to doing its part in building that bridge. As an agency that oversees the management of 4 million acres of public lands, we are working diligently to diversify our leasing and revenue generating portfolio and position ourselves to be partners in facilitating our clean energy future. This includes pursuing parallel tracks of facilitating geothermal, solar, and wind development, while actively working with our State agency partners and lessees to do the following:

- Abandon idle wells ahead of CalGEM's regulatory requirements.
- Ensure the State is adequately protected through bonds, sinking funds, property liens, and other mechanisms.
- Decommission major offshore oil and gas facilities such as Platform Holly and Rincon Island.
- Remediate offshore orphan legacy wells that may be leaking oil into the water.
- Implement robust and comprehensive spill prevention and inspection programs.

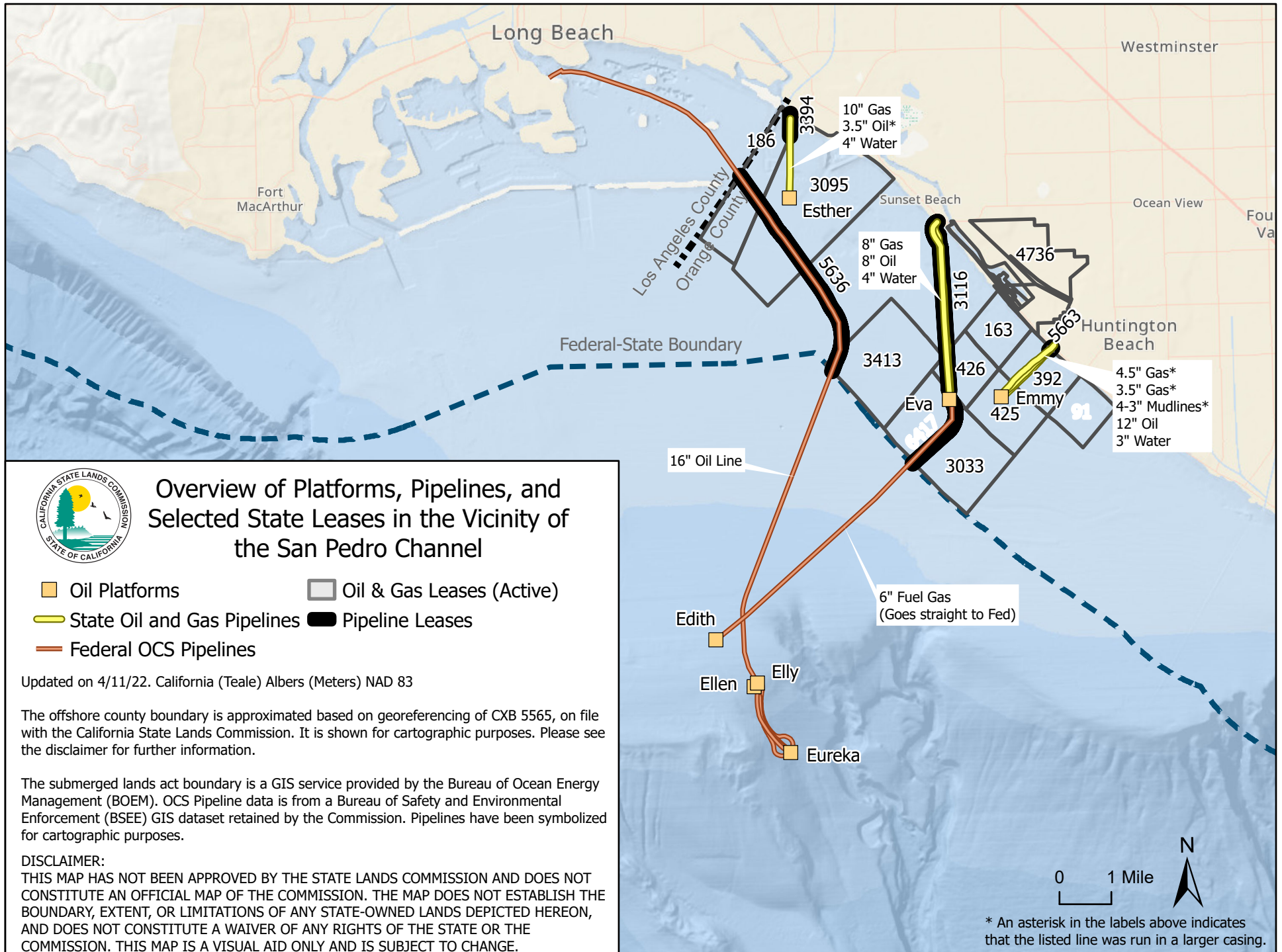
In the last 6 years, the Commission has facilitated the termination of 10 offshore oil and gas leases, returning over 20,000 acres to the Coastal Sanctuary. The Commission understands its place in both California's history of fossil fuel supply and dependency and its obligation for responsibly pursuing a clean energy future. The Commission is committed to a just transition while responsibly managing the State's existing oil and gas operations consistent with the law, and ensuring the State is protected from liabilities associated with the decline of these offshore operations.

**EXHIBITS:**

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- A. Map - State Oil and Gas Operations, San Pedro Channel
- B. Map - State Oil and Gas Operations, Santa Barbara Channel

# EXHIBIT A





# EXHIBIT B

