

Staff Report 58

TRUSTEE:

City of Carpinteria

PROPOSED ACTION:

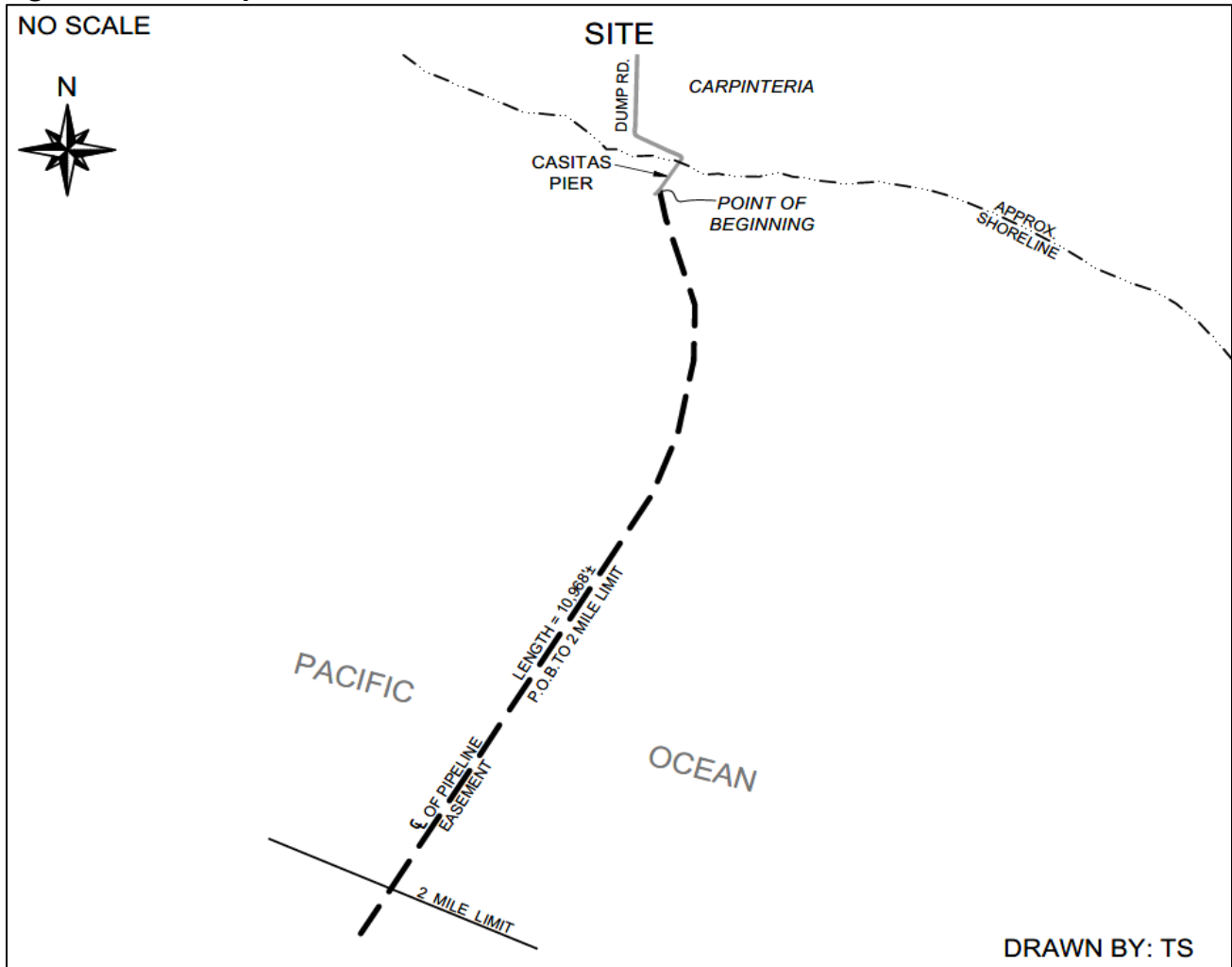
Consideration of an approval of an amendment for a three-year extension to an oil and gas pipeline lease between the City of Carpinteria (City) and Chevron U.S.A. Inc. (Chevron) to facilitate decommissioning of federal Platforms Gail and Grace.

AREA, LAND TYPE, AND LOCATION:

Figure 1. Location



Figure 2. Site Map



NOTE: This depiction of the lease premises is based on unverified information provided by the Trustee or other parties and is not a waiver or limitation of any State interest in the property.

BACKGROUND AND PROPOSED AMENDMENT:

The City of Carpinteria is a trustee of sovereign tide and submerged land granted by the Legislature pursuant to Chapter 1044, Statutes of 1968, and as amended, with minerals reserved to the State of California. Section 6.5 of the statutory trust grant requires the City to receive written approval from the Commission before authorizing any capital outlay project, lease, or agreement for port facilities, such as marine terminals, pipelines, or other related energy facilities on the granted lands. The sovereign lands granted to the City of Carpinteria had been previously granted by the Legislature to the County of Santa Barbara (County).

In 1965, the County issued a 50-year lease to Standard Oil Company of California authorizing the installation and operation of two 10-inch-diameter submerged pipelines from shore to federal waters. The pipelines were used to transport produced oil and gas to the Carpinteria onshore processing facility. The two pipelines are associated with the Santa Clara Unit (platforms Gail and Grace), which is located in federal waters in the Outer Continental Shelf. The two platforms were shut-in in 2017 after the previous operator, Venoco, filed for bankruptcy. The Venoco bankruptcy resulted in the relinquishment of the oil and gas leases to the federal government.

Chevron, the predecessor in interest to Venoco, is in the process of decommissioning both platforms. The pipelines are no longer being used for oil and gas production. The oil pipeline is out of service and has been flushed, cleaned, and filled with untreated sea water. The gas pipeline is transporting small amounts of gas from SoCalGas to Platform Gail to provide electricity through generators. Chevron is only using the gas pipeline to power Platform Gail during the decommissioning process. Chevron intends to stop using the generators, stop flowing gas in the pipeline, and use solar power for essential safety and navigation beacons in the near future, and then fully remediate both pipelines.

In 2018, the Commission approved an amendment to extend the lease until September 23, 2023, and approved an assignment to Chevron ([Item C83, February 27, 2018](#)). This amendment confirmed that the two pipelines could no longer be used for oil and gas production and could only be used to facilitate the decommissioning of Platforms Gail and Grace. The pipelines would be decommissioned following platform decommissioning.

Chevron is requesting a 3-year lease extension for the purpose of continuing its decommissioning activities, including plugging and abandonment of offshore wells and facilities associated with Platforms Gail and Grace. The annual rent will remain the same, approximately \$41,808 per year. The City Council approved the lease amendment on September 11, 2023, subject to Commission approval.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Section 6.5 of the statutory trust grant requires the City to obtain written approval from the Commission before authorizing a capital outlay project, lease, or agreement for port facilities such as marine terminals, pipelines, or other related energy facilities on the granted lands. Section 3 of Chapter 1044, Statutes of 1968, as amended by [Chapter 697, Statutes of 1978](#), of the City's statutory trust grant

allows a variety of uses on the City's granted lands, including commercial and industrial uses and purposes, and the construction, reconstruction, repair, and maintenance of commercial and industrial buildings, plants, and facilities. The lease for the existing pipelines and use to facilitate decommissioning fits within this authorization.

The granting statute allows the City to lease the lands for up to 66 years. The lease was originally issued September 27, 1965, with a September 26, 2015 termination date. In 2018, the Commission approved a five-year lease extension to facilitate decommissioning Platforms Gail and Grace and the facilities and pipelines associated with the platforms. The proposed amendment now under consideration would extend the lease for the two submerged pipelines for three years, until September 26, 2026, staying within the 66-year granting statute limit.

Before approving any lease subject to Section 6.5 in the granting statute, the Commission must consult with other governmental agencies to determine whether the lease is in the best interests of the State. Staff consulted with other governmental agencies, including the California Coastal Commission, the Central Coast Regional Water Quality Control Board, the California Department of Fish and Wildlife, and the National Oceanic and Atmospheric Administration regarding the proposed lease amendment. Staff has not received any objections or comments from the consulted agencies.

The proposed lease amendment is intended to facilitate the decommissioning of Platforms Gail and Grace. The lease requires Chevron to pay rent to the City for the occupation of sovereign lands. According to the granting statute, the City must annually remit 85 percent of excess revenue to the state's General Fund. Excess revenue is revenue greater than \$250,000 after operating costs and not dedicated to debt payments or capital expenditures at the end of the fiscal year. Staff is not aware that the City has ever determined there to be excess revenue in its tidelands trust fund and does not expect rent from this lease to be remitted to the state. Decommissioning inactive offshore oil and gas facilities and returning the lease premises to their natural state to the extent possible is consistent with the Commission's 2021-2025 Strategic Plan and the state's clean energy goals. As such, the amendment appears to be consistent with the City's granting statute and in the best interests of the state.

OTHER PERTINENT INFORMATION:

1. This proposed action is consistent with the “Meeting Evolving Public Trust Needs” and “Committing to Collaborative Leadership” Strategic Focus Areas of the Commission’s 2021–2025 Strategic Plan.
2. **Gas Pipeline:** Staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) as a statutorily exempt project. The project is exempt because it involves an “ongoing project” as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21169 and California Code of Regulations, title 14, section 15261.

3. **Liquid Pipeline:** Staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301. Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15300.

EXHIBIT:

- A. Proposed Fifth Amendment to Lease

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Gas Pipeline: Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a statutorily exempt project pursuant to Public Resources Code section 21169 and California Code of Regulations, title 14, section 15261, an activity involving an ongoing project.

Liquid Pipeline: Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

AUTHORIZATION:

1. Find that the proposed Fifth Amendment to the Lease, in substantially the form of Exhibit A, is in the best interests of the people of the state and conforms to provisions of law.
2. Find that any revenues generated as a result of the lease amendment will be allocated between the state and the City in accordance with the provisions of Section 10 of Chapter 1044, Statutes of 1968, as amended by Chapter 697, Statutes of 1978.
3. Approve the Fifth Amendment to Lease, in substantially the form of Exhibit A, between the City and Chevron.

EXHIBIT A

FIFTH AMENDMENT TO LEASE

THIS FIFTH AMENDMENT TO LEASE ("Fifth Amendment") is made on this 11th day of September 2023, by and between the **City of Carpinteria**, a general law city ("City" or "Lessor"), and **Chevron U.S.A. Inc.**, a Pennsylvania Corporation ("Chevron" or "Lessee") (City and Chevron are referred to collectively as "Parties"), with reference to the following facts:

- A. In 1931, the State of California granted to the County of Santa Barbara, in trust, certain tidelands and submerged lands extending from Sandyland Point to Rincon Creek; and
- B. On September 27, 1965, the County entered into a fifty (50) year Lease Agreement (hereinafter "Lease"; the term "Lease" shall include all subsequent amendments described below) with Ellwood's predecessor in interest, Standard Oil Company of California, for a portion of the tidelands and submerged lands, to be used for submerged pipelines and appurtenances; and
- C. In 1968, the State of California Legislature adopted Chapter 1044 of the Statutes of 1968 confirming City as the successor in interest to the County in that portion of tide and submerged lands located within City boundaries; and
- D. As to the Lease, City is the successor in interest to the County and Chevron U.S.A. Inc. was the successor to Standard Oil Company of California; and
- E. By that certain Consent to Assignment of Pipeline Lease and Amendment Thereto between the City and Ellwood, dated January 30, 2002 ("First Amendment"), City consented to the assignment of the Lease by Chevron U.S.A. Inc. to Ellwood Pipeline, Inc. ("Ellwood"), and City and Ellwood agreed to a number of amendments to the Lease; and
- F. On or about September 10, 2015, City and Ellwood extended the term of the Lease for a period of eighteen (18) months, through March 26, 2017, and on or about March 13, 2017, extended the term for an additional period of eighteen (18) months, through September 26, 2018, in order to determine the feasibility of a new long-term Lease Agreement; and
- G. On or about April 17, 2017, Ellwood filed for Chapter 11 bankruptcy; and

- H. By that certain Consent to Assignment, Assumption and Performance, and Fourth Amendment to Lease between the City and Chevron, dated January 4, 2018 ("Fourth Amendment"), City consented to the assignment of the Lease by Ellwood to Chevron, and City and Chevron agreed to a number of amendments to the Lease; and
- I. The Fourth Amendment extended the term of the Lease for a period of five (5) years, through September 27, 2023, in order to facilitate decommissioning activities including plugging and abandonment of offshore wells and facilities associated with Platforms Gail and Grace; and
- J. City is willing to extend the term of the Lease for an additional three (3) years, through September 26, 2026, for the purpose of Chevron continuing to perform the decommissioning and abandonment of the oil and gas platforms, wells, pipelines, and appurtenant facilities, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the promises, covenants, and conditions contained herein, the Parties agree to amend the Lease as follows:

- 1. **True and Correct Recitals.** The above stated recitals are true and correct, and are incorporated herein by reference.
- 2. **Process Fee.** Concurrently with the execution of this Fifth Amendment, Chevron shall pay to City a non-refundable fee of five thousand dollars (\$5,000) to reimburse City for its cost in preparing and processing this Fifth Amendment. Chevron acknowledges that the fee is not applicable against rent or any other charge or fee under the Lease. Chevron acknowledges that City will bill Chevron separately for staff time or costs that exceed this amount.
- 3. **Amendment of Lease.** The Lease is hereby amended as follows:
 - (a) Paragraph 1 of the Lease is deleted in its entirety and replaced with the following:

"I. That the term of this agreement shall commence on September 27, 1965, and shall continue thereafter (unless sooner terminated as hereinafter provided) until September 26, 2026, after which Lessee may seek City's consent for an

extension if necessary due to federal requirements to conclude activities described in Paragraph 4.”

4. **Insurance.** Within 90 days after execution of this Fifth Amendment by both City and Chevron, Chevron shall provide evidence of satisfaction of the insurance requirements required by the Lease.

5. **Lease Remains in Full Force and Effect.** It is expressly understood that in all other respects, the terms and conditions of the original Lease agreement, dated September 27, 1965, the Consent to Assignment of Pipeline Lease and Amendment Thereto, dated January 30, 2002, the Second Amendment to Lease Agreement, dated September 10, 2015, the Third Amendment to Lease Agreement, dated March 13, 2017, and the Fourth Amendment to Lease Agreement dated January 4, 2018, shall remain in full force and effect. The Fourth Amendment to Lease Agreement, which includes the Third Amendment, Second Amendment, First Amendment, and original Lease as attachments, is attached hereto as Attachment One. This Fifth Amendment is subject to, and made a part of, the Lease as amended hereby.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, CITY and CHEVRON have executed this Fifth Amendment by the respective authorized officers as set forth below to be effective as of the date executed by CITY.

"CITY"
CITY OF CARPINTERIA

ATTEST:

By: _____
Al Clark, Mayor

By: _____
Brian Barrett, City Clerk

Date: _____

APPROVED AS TO FORM:

By: Jena S. Acos
Brownstein Hyatt Farber Schreck LLP,
acting as City Attorney for the
City of Carpinteria

"LESSEE"
CHEVRON U.S.A. INC.

By: _____

Name: Rebecca Trujillo
Title: Attorney-in-Fact