

# Staff Report 51

**APPLICANT:**

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Exxon Mobil Corporation

**PROPOSED ACTION:**

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Amendment of General Lease – Industrial Use.

**AREA, LAND TYPE, AND LOCATION:**

Sovereign Land located in the Pacific Ocean, near Goleta, Santa Barbara County (as shown in Figure 1).

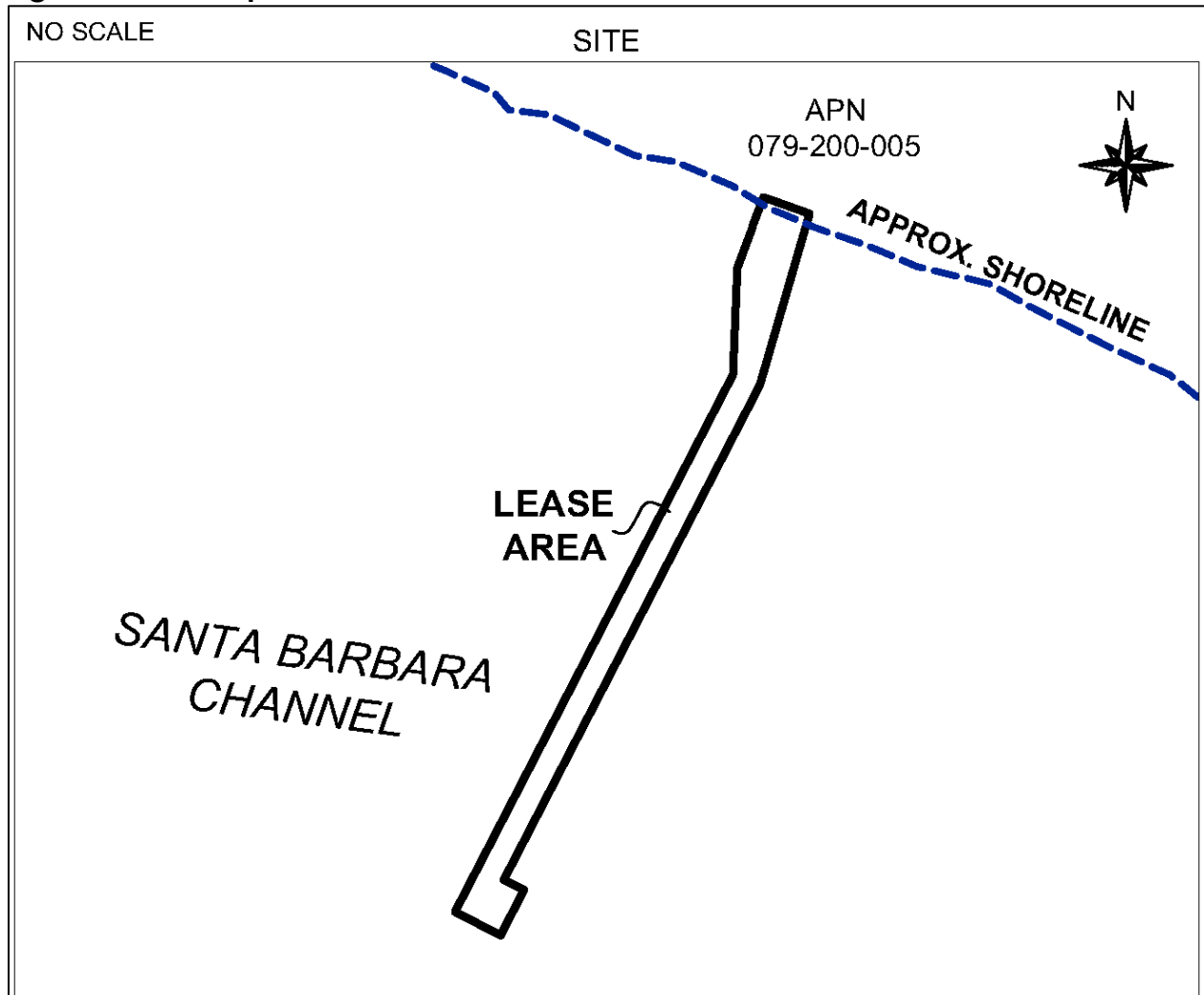
**Figure 1. Location**



**AUTHORIZED USE:**

Use and maintenance of a fixed industrial pier (as shown in Figure 2).

**Figure 2. Site Map**



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

**TERM:**

15 years, beginning June 20, 2015, and ending June 19, 2030.

**CONSIDERATION:**

\$129,547 per year, subject to modification by Lessor as specified under the terms of this lease.

**PROPOSED AMENDMENT:**

- Amend Section 1, Basic Provisions to remove Venoco, Inc. as a lessee.
- Amend Section 1, Basic Provisions to change lessee's name from Exxon Mobil Production Company to Exxon Mobil Corporation.
- Amend Section 1, Basic Provisions, Surety Bond or Other Security to \$1,400,000 dollars, with a Consumer Price Index adjustment effective on June 20, 2027.
- Delete Section 2, Special Provisions, Paragraph 5.

**STAFF ANALYSIS AND RECOMMENDATION:**

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**AUTHORITY:**

Public Resources Code sections 6005, 6216, 6301, 6303, 6501.1, and 6503; California Code of Regulations, title 2, sections 2000 and 2003.

**PUBLIC TRUST AND STATE'S BEST INTERESTS:**

On April 23, 2015, the Commission authorized a General Lease – Industrial Use, for the use and maintenance of the Ellwood industrial pier (Pier) ([Item 81, April 23, 2015](#)), to Venoco, Inc. (Venoco) and Exxon Mobil Production Company (Exxon).

The Commission, on behalf of the State of California, acquired the Pier as a result of a series of negotiations between the Commission, Aminoil U.S.A., Inc. as the former operator of State Oil and Gas Lease No. PRC 428.1 (PRC 428), Exxon, and Atlantic Richfield Company (ARCO). Upon cessation of production from PRC 428, Aminoil was ordered by the Commission to remove all improvements associated with PRC 428, including the Pier. However, Exxon and ARCO requested of the Commission that they be allowed to utilize the Pier for the transport of personnel and light cargo to and from their respective existing offshore oil platforms. The Commission authorized the issuance of Lease No. PRC 5515 to Exxon and ARCO, for a 25-year term ending June 20, 2005, and subsequently accepted a Quitclaim Deed from Aminoil for the real property associated with PRC 428 effective June 20, 1980. In 2015, the Commission authorized a new lease to Venoco and Exxon.

In March 2016, Venoco filed for bankruptcy and completed a Chapter 11 Reorganization. On April 17, 2017, Venoco filed for bankruptcy again, following the company's inability to operate because of the Refugio Oil Spill that rendered Line 901, the only pipeline that could take produced Platform Holly oil to market, shut-in,

and began liquidation. In April 2017, Venoco quitclaimed its lease interest to the Commission, leaving Exxon the only viable lessee for the Pier. Therefore, staff recommend amending the lease to remove Venoco as a co-lessee and address outdated provisions elsewhere in the lease.

Under the terms of the lease, the bond requirement is tied to a 2013 amendment between the Commission and Venoco. The bond referenced in the lease (Section 2 Paragraph 5) and the 2013 Venoco amendment was a blanket bond covering a total of five leases, including PRC 5515. During the Venoco bankruptcy, the Commission called on the bond when Venoco quitclaimed its leasing interest, and the bond money was put towards Platform Holly decommissioning efforts. Since the bond was claimed and Venoco no longer exists, there is currently no bond covering the Pier.

The proposed bond of \$1,400,000 is specific to this lease and will ensure the State is adequately protected should the Lessee fail to comply with the terms of the lease, including failure to pay annual rent and ongoing repair and maintenance costs associated with the Pier.

The proposed amendment of the lease will not result in any changes in the use of the lease premises. Staff therefore believes the proposed amendment will not substantially interfere with the Public Trust needs and values at this location, at this time, and for the term of the lease and is in the State's best interests.

### **CONCLUSION:**

For all the reasons above, staff believe approval of the proposed amendment of lease is consistent with the common law Public Trust Doctrine and is in the best interests of the State.

### **OTHER PERTINENT INFORMATION:**

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1. Approval or denial of the proposed amendment is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. The lessee has no right to a new lease or to renewal of any previous lease.
2. This action is consistent with the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.

3. The proposed amendment is to address outdated provisions in the subject Pier lease, thereby providing greater clarity and adequate liability coverage for the State. Staff is aware of the broad public interest in the four separate Exxon applications for proposed lease assignments to Sable covering other Santa Ynez Unit offshore facilities, including this lease. Staff are still processing the lease assignment applications. The Commission is not considering any of the proposed lease assignments at this time. Rather, the Commission will consider the proposed lease assignment applications at a future public meeting.
4. Approving the amendment of lease is not a project as defined by the California Environmental Quality Act 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).

## **RECOMMENDED ACTION:**

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It is recommended that the Commission:

### **PUBLIC TRUST AND STATE'S BEST INTERESTS:**

Find that the proposed amendment of the lease is consistent with the common law Public Trust Doctrine and is in the best interests of the State.

### **AUTHORIZATION:**

Authorize the amendment of Lease Number PRC 5515, a General Lease – Industrial Use, effective June 7, 2024, to remove Venoco, Inc. as a lessee, change the lessee from Exxon Mobil Production Company to Exxon Mobil Corporation, and change the bond or other security to \$1,400,000, with a Consumer Price Index adjustment effective on June 20, 2027; all other terms and conditions of the lease will remain in effect without amendment.