

Staff Report 74 (Informational)

PARTY:

California State Lands Commission

SUBJECT:

Presentation by staff on the recent history and successes of the Commission's South Ellwood Project and a briefing on the forthcoming environmental review associated with the decommissioning of Platform Holly, located offshore Goleta, Santa Babara County.

SUMMARY:

In late August 2024, the Commission, in partnership with ExxonMobil, completed the permanent plugging and abandonment (P&A) of Platform Holly's 30 oil and gas wells, located approximately 2 miles offshore Goleta. This event represents a milestone in California's legacy of oil and gas development, as these are the last remaining offshore production wells associated with a platform in State waters of the Santa Barbara Channel, the birthplace of offshore oil production starting in the late 19th century.

Platform P&A is one of a series of projects representing the largest combined undertaking by the Commission since its establishment in 1938. Since 2017, the "South Ellwood Project" has involved the Commission's administrative, technical, operational, and legal resources to eliminate risks emanating from Platform Holly and to plan for the decommissioning of that structure and its associated improvements. At the direction of the Commissioners and the guidance of the Executive Officer, every division within the Commission, alongside agency partners at all levels of government, has worked in conjunction to remedy potential peril to human health and safety and the environment and to demonstrate a premier example of good governance.

Staff will soon initiate the formal California Environmental Quality Act (CEQA) process to inform the public, agencies, and Native American tribes about the proposed project to decommission Platform Holly and evaluate the associated environmental impacts. As the P&A campaign ends, and the South Ellwood Project transitions to decommissioning planning and environmental review, staff developed this report to brief the Commission and the public on the successes of the project since 2017 and the plans for the project through 2025.

BACKGROUND:

In the 1950s and 1960s, the Commission issued Leases 3120, 3242, and 421 to develop and operate the Ellwood and South Ellwood Oil Fields in the Santa Barbara Channel, offshore present-day Goleta. In 1966, development of the South Ellwood Offshore Field began with the installation of Platform Holly, which utilized subsea pipelines to ship oil to the Ellwood Onshore Facility (EOF) for processing. The EOF is located on privately owned land that is not under the Commission's jurisdiction. Lease 421 involved oil development from two oil piers near the EOF. These piers were the last of 13 former oil piers, representing the area's first offshore development starting in 1928. Until 2012, oil produced from these leases was transferred by pipeline to the Ellwood Marine Terminal located on the West Campus of the University of California, Santa Barbara, where it was stored and transported to market via ocean-going barges. Between 2012 and 2015, oil from Platform Holly and Lease 421 was transported to market in part by Line 901, operated by Plains Pipeline L.P. In May 2015, Line 901 ruptured at Refugio State Beach. Since that time oil has not been commercially produced from these leases.

In April 2017, the State's lessee, Venoco LLC, citing the inability to produce oil from the leases due to the Refugio Oil Spill, quitclaimed the leases to the Commission and [claimed that it could no longer staff Platform Holly, the two oil piers, or the EOF](#). Natural gas within the Platform's 30 wells contained concentrations of Hydrogen Sulfide gas (H₂S), which are hazardous to human health and required non-stop processing and incineration at the EOF. Venoco's abandonment of the facilities required the Commission to quickly step in and take over operations of both facilities to protect human health and safety and the environment. In September 2017, the Commission retained Beacon West Energy LLC to staff and operate the facilities. The Commission also executed the [Phase 1 Agreement](#) with ExxonMobil, a prior lessee, to plug and abandon the Platform's wells.

“The South Ellwood Project,” encompasses the Commission’s entire effort to plug Platform Holly’s wells and eliminate the H2S risk to ensure the continued safety of the community and to undertake the permanent decommissioning of those improvements on State lands.

DISCUSSION:

PROGRAM SUCCESSES TO DATE

Since Venoco LLC’s desertion of the Leases in 2017, the Commission has diligently worked to preserve public and environmental safety in the face of serious risk by plugging the last offshore production wells in State waters of the Santa Barbara Channel, decommissioning derelict oil piers, maintaining transparent ~~the~~ and interactive community engagement, building a collaborative interagency network, negotiating key settlements with stakeholders, and fending off spurious legal suits while pursuing valid claims in courtrooms across the country – all with success. These achievements were made despite the logistical challenges of working in the offshore marine environment and through the severe limitations of the COVID-19 pandemic. Of note:

1. The Commission continuously and safely operated the EOF and Platform Holly.

From May 2017 to June 2023, the Commission occupied and secured the EOF ensuring ongoing and continuous operations, maintenance, and compliance with all permits and conditions on the facility while incinerating H2S from Platform Holly’s wells. This work required routine testing of equipment, coordination with local regulatory bodies, and monitoring of on and offsite H2S odor monitoring stations. In June 2023, after isolating all sources of H2S, the [Commission returned control of the EOF](#) to the trustee for the Venoco LLC estate in a better and cleaner state than it was found with no major injuries or upsets.

Similarly, Commission staff and contractors have continuously staffed Platform Holly and maintained and monitored safety systems and well pressures. Platform Holly resides in 211 feet of water 2 miles from shore in one of the most active natural seep fields in the world. Staff coordinated the logistics of transporting and supporting crews on rotating 12-hour shifts in all-weather conditions as well as conformance to all related permitting requirements, such as spill prevention and response and environmental and worker safety protections. Staff is currently preparing the platform for destaffing (discussed below), which will end over 7 years of active Commission operations on the platform.

2. The Commission and ExxonMobil successfully completed the P&A of Platform Holly's wells.

By early September 2024, the Commission and ExxonMobil will have completed the 30th and final well abandonment, which involved plugging the wells below the ocean's surface and removing the conductor piping from the ocean floor to Platform Holly's production deck. This work originally started in early 2020 but was delayed due to social distancing requirements under the COVID-19 pandemic. Well work restarted in October 2021 and continued through November 2022 with the plugging of each well's production zone, thereby eliminating the H2S risk and the ability to produce oil. From late 2022 through mid-2023, each well underwent a monitoring period with nine registering anomalous well pressures within certain well "[annuli](#)" near the ocean floor. An analysis of the pressure and gas composition determined that active shallow seep gas was likely migrating into the wells through compromised outer well casings and cement sheaths. In late 2023, a new well remediation program was developed, and, in February 2024, work began to remediate the nine wells by installing new plugs of concrete at shallower depths to stop all seep gas migration. In addition, staff and contractors will have removed the 30 conductor casings linking the well heads to the ocean floor, thus removing all physical links with the former wells. The completion of P&A marks the removal of the last offshore production wells associated with a platform in State waters of the Santa Barbara Channel.

3. The Commission and its contractors successfully decommissioned the Lease 421 oil piers.

In August 2022, the Commission certified an Environmental Impact Report for the Lease 421 Decommissioning Project ([Item 59, April 26, 2022](#)). The two Lease 421 oil piers were the last of 13 oil piers that were developed after the discovery of the Ellwood Field in 1928. Each pier stood 15 feet above the beach and contained one oil well on their decks; both were [plugged by ExxonMobil](#) in 2019. The decommissioning project involved the full excavation and removal of the oil pier structures in sensitive tidal and wetland ecosystems. The project commenced August 2022 and [was successfully completed](#) in February 2023 with no injuries.

4. The Commission maintained a campaign of transparent ~~and~~ public and stakeholder engagement.

Since 2017, the Commission prioritized transparency in its community and stakeholder engagement. To date, the [Commission held nine townhall meetings](#) in Goleta to provide timely and accurate information on the status of the Project and allow community members to engage in an open question and answer format with staff. The Commission continuously hosts monthly interagency meetings with local stakeholders and participates in the State/federal Interagency Decommissioning Working Group. In response to public interest, staff provided numerous interviews to local and national media and worked to accurately convey the Commission's goals and mission for the Project which prioritized safety and environmental protection.

5. The Commission negotiated and entered into various Agreements to protect the State and facilitate the Project.

The complexity, cost, and high-risk nature of operating and decommissioning deserted oil and gas infrastructure required collaboration with private and public entities. The Commission executed numerous agreements with ExxonMobil obligating that organization to undertake well P&A under the [Phase 1 Agreement](#); the decommissioning of two former oil production piers under the [PRC 421 Agreement](#); and the planning and decommissioning of the platform itself under the [Phase 2 Agreement](#) authorized by the Commission in 2023 ([Item 63, October 19, 2023](#)). In addition, the Commission executed a [Memorandum of Understanding](#) with the City of Goleta to improve information sharing and regulatory coordination as well as agreement with neighboring Sand Piper Golf Course and Baccara Resort for facilities access.

6. The Commission has successfully defended litigation and, in prosecuting its claims, created new law.

Venoco LLC's collapse into bankruptcy spawned significant legal action as the Commission pursued its claims in Delaware to recover decommissioning costs in *In re: Venoco, LLC*, (Bankruptcy Chapter 11). In October 2018, the trust of the Venoco LLC bankruptcy estate filed suit in Delaware against the Commission for inverse condemnation to recover what it believed were rents owed by the Commission for the occupation of the EOF, then owned by the trust (*Eugene Davis v. State of California and California State Lands Commission*, Adv. No. 18-50908 (KG) (Bankr. D. Del.)). After a 5-day trial in March 2022, [the Commission fully prevailed](#) with the court finding that the Commission's actions to secure the EOF and protect the citizens of Santa Barbara County was "an exemplary illustration of its police powers." That positive ruling for the Commission was [later](#)

[upheld on appeal](#) with a second appeal pending before the 3rd Circuit Court of Appeals.

In May 2018, the Commission filed suit against Plains Pipeline L.P. for its negligent operation of Line 901 leading to the Refugio Oil Spill in 2015 (*State Lands Commission v. Plains Pipeline L.P.*, Santa Barbara Sup. Ct., Case No. 18CV02504). The Commission sought to recover damages related to decommissioning Platform Holly that would not have arisen but for the Refugio Oil Spill. Plains claimed early in the case that its status as a public utility exempted it from liability for the interruptions to Line 901. The Commission refuted Plains' reliance on that exemption and, in 2021, successfully convinced the Court of Appeal to limit the exemption to deny Plains', and similarly situated oil companies, the protections afforded public utilities from liability. This early victory by the Commission allowed it to continue its litigation, with trial on the matter anticipated in 2025.

ONGOING AND UPCOMING WORK FOR THE SOUTH ELLWOOD PROJECT

With the completion of P&A, the project transitions to Phase 2, which involves steps to plan and prepare for eventual platform decommissioning.

1. The Commission is currently implementing a destaffing and caretaker plan.

With the completion of P&A, Platform Holly will never again produce oil and gas. The goal of Commission staff, between now and actual decommissioning, is to fully inert the facility so that it may be destaffed with no risk of spill or environmental harm. This process, called "hardening," involves removing industrial equipment, fuels, chemicals, and other sources of spill risks; decoupling the platform from shore-based power and utilities to reduce electric loads and maintenance needs; and installing solar power, security systems, and navigational aids to allow remote monitoring of the Platform and to reduce staffing needs to bi-monthly visual inspections. This work is currently being performed by ExxonMobil and will be completed by Fall 2024.

After hardening is complete, a caretaker period will begin. This will involve routine platform visits and remote monitoring to prevent trespass and ensure navigation safety systems remain operational. The Commission will retain an independent contractor to conduct this monitoring and inspection program through fiscal year 2026-2027.

2. Commission staff will be developing an EIR to analyze the decommissioning of Platform Holly.

Platform decommissioning will be a significant undertaking and has implications for future decommissioning projects as the State continues its transition away from fossil fuels. To inform transparent decision making, the Commission will consider the environmental consequences of its discretionary action through the CEQA process which will inform both government decisionmakers and the public about potential environmental effects and how the Commission would minimize or prevent significant, avoidable environmental damage. Concurrent with the CEQA process, Commission staff will also engage in tribal consultation and environmental justice outreach consistent with the Commission's respective policies.

A Notice of Preparation for an EIR will be released in early 2025, which will begin a formal comment period wherein agencies, tribal nations, stakeholders, environmental justice groups, and the public are invited to provide input on the potential environmental effects, scope of the EIR analysis, and measures to avoid or reduce adverse impacts. Following receipt of written comments and input at public scoping hearings, a draft EIR will be developed and circulated for formal public comment and presented at public hearings. Staff anticipates releasing the draft EIR in late 2025. A final EIR would then be released for the Commission's consideration along with the final plan for decommissioning.

3. Consistent with the future discretionary action by the Commission, as required by the Phase 2 Agreement, ExxonMobil will decommission the Platform.

The likely final element of the South Ellwood Project will involve decommissioning of the platform and associated offshore infrastructure. The final disposition of those improvements will be informed by the analysis within the EIR and the final project approved by the Commission. ExxonMobil will perform the decommissioning at its expense as provided in the Phase 2 Agreement, however, the Commission will take a lead in environmental permitting and compliance to ensure the work is performed in a safe and responsible manner. The timing of future decommissioning depends on many factors including EIR completion, permitting, and mobilization of heavy lift barges and other potential equipment necessary to undertake the work.

CONCLUSION:

Commission staff looks forward to continuing this important work as we complete P&A and begin the CEQA work to facilitate decommissioning Platform Holly.