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Staff Report 53 (Informational)

Rincon Island and Beyond: A Retrospective on a Decade of Challenges, Milestones, and the Commission's Evolving Approach to Offshore Mineral Management

INTRODUCTION:

From its creation in 1938 through 1969, the Commission issued offshore oil and gas leases on State sovereign lands under a statutory directive recognizing the people of California's direct and primary interest in the orderly development of those resources (Cal. Pub. Resources Code § 6830.1). For decades, most of those leases remained in place. Except for interests that ended through settlement, nondevelopment, or voluntary relinquishment, the offshore leasing landscape changed relatively little from its mid-20th-century form.

That stability changed dramatically in August 2016. The decade that followed brought the most consequential contraction of offshore oil and gas activity in state waters since its inception. Operator insolvencies, deteriorating infrastructure, prolonged shut-ins, environmental hazards, and disputes over decommissioning responsibility placed the Commission at the center of a series of complex operational, legal, and financial challenges. In each instance, the Commission's central task was the same: protect public health and safety, safeguard the marine environment, preserve the State's sovereign interests, and prevent private obligations from being shifted to California taxpayers.

The Commission met those challenges through decisive action and sustained execution. It took control of hazardous facilities when operators would no longer perform, kept critical safety systems operating, plugged and abandoned offshore wells, re-abandoned legacy wells, removed obsolete structures and coastal hazards, restored coastal areas, and converted former producing leases to caretaker or decommissioning status. It also negotiated agreements that confirmed the responsibility of private parties to assume substantial decommissioning obligations and created enforceable paths to the permanent retirement of offshore infrastructure.

The Commission also defended the State's authority in bankruptcy, trial, and appellate courts. Those efforts secured lease quitclaims, preserved the Commission's police-power authority to respond to environmental emergencies, produced the largest monetary recovery in Commission history, and obtained a judgment against a former lessee for breach of contract and trespass. Equally important, the Commission transformed those lessons and other demonstrated needs into durable policy: recurring support for legacy-well and coastal-hazard remediation, stronger financial assurances, more rigorous review of proposed assignees, continuing liability for prior lessees, and better funding for the State's share of future abandonment and decommissioning costs.

The Commission's success was not limited to enforcement. Staff established regular, plain-language public reporting; convened town halls and interagency working groups; coordinated closely with local governments, regulators, and responsible former operators; and began a first-of-its-kind co-management initiative with the Coastal Band of the Chumash Nation. The Commission's more recent approach made technically difficult projects more transparent and created a broader foundation for the long-term stewardship of lands returning from oil and gas use.

Measured against the conditions that confronted the Commission in 2016, the results are substantial. Oil and Gas production ended permanently at Rincon Island, Platform Holly, and Platform Esther; the last two oil-production shorezone piers in California were removed from Haskell's beach; all wells in the Rincon and Platform Holly abandonment programs were permanently addressed; nine legacy wells at Summerland Beach have been re-abandoned; hundreds of abandoned coastal hazards have been removed; and responsible parties were bound to future platform decommissioning work. The Commission also recovered $50.5 million for the State in the Plains All American Pipeline settlement related to the 2015 Refugio Beach oil spill and defeated a claim that sought more than $161 million from the State for its emergency use of the Ellwood Onshore Facility.

This staff report is a retrospective on the major challenges, actions, and achievements of that transformative decade. It emphasizes both the visible project milestones and the institutional changes that will continue to protect the State after the remaining decommissioning work is complete.

DISCUSSION:

SINCE 2016, THE COMMISSION HAS SUCCESSFULLY EXERCISED ITS AUTHORITY TO PROTECT THE STATE AND THE ENVIRONMENT

RINCON ISLAND:

In August 2016, the Commission had agendized, for the first time in its history, the termination of offshore oil and gas leases because of unresolved operational violations and compliance concerns. The action concerned Rincon Island and associated onshore facilities in Ventura County. Staff identified serious regulatory violations and the risk of an uncontrolled release, and the 2015 Refugio State Beach spill had reinforced the need for close scrutiny of offshore operations and spill risk. Two days before the scheduled Commission meeting, the lessee, Rincon Island Limited Partnership (RILP), filed for bankruptcy protection in Texas, interrupting the administrative process and forcing the Commission to defend its authority in the Dallas bankruptcy court (see Item 77, August 17, 2017).

RILP sought either to retain the leases or to transfer them to a new operator and continue production. Commission staff, working with the Attorney General's Office and bankruptcy counsel, demonstrated in federal court that the RILP could not satisfy its lease obligations and that the proposed alternatives did not adequately protect the State. On November 29, 2017, the Commission authorized acceptance of a voluntary relinquishment or termination of the leases (Item 71). The Bankruptcy Court approved a joint motion permitting the quitclaim, and the principal Rincon lease was surrendered on December 6, 2017, followed by the associated leases. That action permanently closed the last operating oil production facility in state waters of the Santa Barbara Channel and returned the former lease interests to California's Coastal Sanctuary.

The quitclaims did not end the State's work. Rather the Commission immediately stepped in and took responsibility to make the sites safe. With support from the Legislature and the Brown and Newsom administrations, the Commission assembled a funding package, retained a qualified contractor, and directly managed the largest decommissioning project it had undertaken to that point (Item 92, February 27, 2018). Phase 1 addressed the full well abandonment program (77 total wells, including 25 onshore wells and 50 offshore island wells, plus two adjacent Hobson Fee wells) and removed tanks, vessels, piping, and other obsolete production equipment. The principal abandonment work was completed ahead of schedule and under budget, and all remaining Phase 1 work was completed by June 30, 2021. The island, causeway, and onshore facility then entered safe caretaker status.

Phase 2 converted emergency response into a long-term restoration plan. The Commission completed a feasibility study to investigate options for the final disposition of the offshore island and onshore parcels in July 2022, selected a project and alternatives for environmental review in August 2022, (Item 47) and certified the final Environmental Impact Report on August 29, 2024 (Item 71). The approved project provides for removal of remaining surface facilities on Rincon Island, remediation of soils within the island core, decommissioning of onshore pipeline connections, and excavation of contaminated onshore soil together with pump-and-treat groundwater remediation. This progression, from urgent stabilization to a publicly reviewed restoration plan, demonstrates the Commission's ability to manage a complex project across multiple administrations and funding cycles.

At the same August 2024 meeting, the Commission and the Coastal Band of the Chumash Nation announced a Memorandum of Intent to pursue a co-management and co-stewardship framework for Rincon Island and the onshore facility after decommissioning (Item 72). The commitment creates a path for tribal knowledge, cultural practices, public education, and long-term stewardship to shape future use. It is a notable institutional success: a site secured through emergency action is being prepared not merely for closure, but for restoration and a new relationship with a sovereign tribal nation.

The Commission also approved an August 2024 legal settlement, with the adjacent upland owner (Coast Ranch), which resulted in the Commission securing approximately 4.91 acres to the State and a monetary contribution toward the private share of remediation costs. Incorporating that parcel ensured that the State had site control and was enabled to pursue a unified project and a more complete remedy for contamination associated with former oil processing. On November 7, 2025, the Commission adopted an addendum extending the environmental analysis to the donated parcel and authorized staff to solicit and retain a contractor for Phase 3 (Item 55). With funding appropriated, and contractor procurement authorized, the project has advanced from planning toward final decommissioning and restoration. (See Rincon Island and Offshore Facilities).

PLATFORM HOLLY:

While the Commission was litigating to regain control of Rincon Island, an even more immediate emergency developed at the South Ellwood Field. In April 2017, Venoco LLC (Venoco) informed the Commission that it was insolvent, would surrender its state leases, and could cease staffing Platform Holly and the Ellwood Onshore Facility (EOF) within weeks. Platform Holly had stopped producing after the 2015 Refugio spill, but the 30 platform wells continued to generate gas containing hazardous hydrogen sulfide. The platform and the onshore treatment facility therefore required trained personnel and continuous monitoring until the wells could be permanently plugged. Abrupt abandonment would have exposed neighboring communities, workers, and the environment to unacceptable risk (see Item 76, June 22, 2017).

Commission leadership secured emergency funding and negotiated temporary services which allowed Venoco personnel to remain on site while a replacement operator was selected. In September 2017, the Commission retained Beacon West Energy Group to operate and secure Platform Holly and the Ellwood Onshore Facility under Commission oversight. Staff then identified and pursued responsible former operators rather than allowing the decommissioning burden to default to the public. The June 2018 Phase 1 Agreement required ExxonMobil to assist with plugging and abandoning Platform Holly's 30 wells. The decommissioning of additional infrastructure, called Lease 421 Piers at Haskell's Beach, were also addressed as part of the larger agreement with ExxonMobil and through a January 2019 agreement, the wells and structures associated Oil and Gas Lease, PRC 421 were fully plugged and removed. In October 2023, the Commission approved a Phase 2 Agreement under which ExxonMobil accepted responsibility for hardening, caretaker inspections, and eventual decommissioning of Platform Holly, at its expense (Item 62).

The operational record during the transition was itself a major achievement. The Commission and its contractor safely operated the EOF from 2017 until the hydrogen-sulfide emergency ended in 2023. Platform Holly remained continuously staffed for more than seven years while work proceeded, even through COVID-19, and the facilities were managed without a major injury or operational upset. By June 2023, the producing zones in all 30 wells had been isolated, the pipelines had been purged and blinded, and the Ellwood Onshore Facility was no longer needed for emergency gas treatment. That result allowed the Commission to end the police-power occupancy and return the onshore facility to the Venoco Liquidating Trust.

The Commission paired technical work with sustained public engagement. Between 2017 and 2023, staff held nine town hall meetings in Goleta featuring open question-and-answer sessions with Commission leadership and technical staff. The Commission entered into a memorandum of understanding with the City of Goleta, maintained regular communication with adjacent property owners and stakeholders, and chaired monthly interagency meetings so local, State, and federal agencies received consistent information about the platform, the onshore facility, and decommissioning progress. This durable public interface reduced uncertainty, surfaced local concerns early, and established a model for transparent management of highly visible offshore projects.

Plugging and abandonment began in late 2019 and was interrupted in March 2020 when the Covid pandemic distancing requirements made intensive work on the confined platform unsafe. The Commission maintained 24-hour staffing during the hiatus and resumed well work in October 2021. ExxonMobil and Commission engineers first isolated the production zones and then performed additional work on nine wells affected by shallow seep gas, a condition associated with one of the world's most active natural seep fields. By early September 2024, all 30 wells had received final abandonment plugs and the conductor casings connecting the platform to the seabed had been removed. Completing that program safely, despite the pandemic and unusual subsurface conditions, permanently eliminated the well-related hazards and ended the most demanding phase of the South Ellwood response.

After well abandonment, the Commission oversaw removal of industrial materials, decoupling from shore-based utilities, installation of independent power, navigation, security, and monitoring systems, and transition of the platform to caretaker status. Planning for full platform removal is now proceeding under the Phase 2 Agreement. On January 22, 2026, staff issued a Notice of Preparation for an Environmental Impact Report for the Platform Holly Decommissioning Project. Staff held two hybrid scoping meetings on February 19, and the public comment period closed on March 6, 2026. The current work therefore rests on a stable, destaffed platform, a responsible private party committed to the decommissioning cost, and an active public environmental-review process.

SIGNAL HILL:

In June 2019, the Commission terminated Oil and Gas Leases PRC 3133, PRC 4000, and PRC 7911 after the lessee failed to diligently develop the leases and failed to pay rent (Item 99). Those lease areas had not produced for more than 25 years and had contained no wells or other oil and gas infrastructure since 1996. At the same meeting, the Commission separately terminated Pipeline Right-of-Way Lease PRC 3914 after the lessee failed to pay rent and maintain the required surety bond. The actions restored contractual accountability, ended unauthorized occupation, and returned the mineral lease areas to the Coastal Sanctuary. A further consequence of termination was that it hastened the end for federal platforms Hogan and Houchin, which are now in caretaker status pending decommissioning. The Commission also brought a lawsuit against Signal Hill for the outstanding rent owed. The Commission resolved that case through a stipulated judgement, in March 2024, that would have repaid the state for the unauthorized occupation of state property. Prior to satisfying the payment, Signal Hill filed for Bankruptcy in Wyoming and the Commission has followed Signal Hill in this Bankruptcy to ensure that the State's interests are protected.

PRC 421 PIERS:

Venoco's 2017 quitclaims also left two former oil-production shorezone piers and two associated nearshore wells at Haskell's Beach. The structures were the last of 12 oil piers historically developed along that shoreline. Under the PRC 421 Decommissioning Agreement, ExxonMobil plugged the two wells in 2019 and removed the remaining pier structures under Commission direction, environmental review, and regulatory permits. The work required careful sequencing in a dynamic surf zone near natural oil seeps and was carried out through severe winter conditions.

Physical removal was completed in February 2023 without a major injury or environmental upset. The project removed the last remaining oil-production shorezone piers in California, eliminated obsolete coastal infrastructure, improved shoreline access and habitat, and closed nearly a century of pier-based oil development at the site. It also showed that the Commission could serve effectively as project proponent (coordinating engineering, environmental review under the California Environmental Quality Act, permits, tribal and local partners, responsible former operators, and public communication) to deliver a visible restoration result.

PLATFORM ESTHER DECOMMISSIONING:

On January 28, 2025, the Commission finalized a landmark settlement with DCOR LLC (DCOR) that permanently ended oil and gas production at Platform Esther near Seal Beach. The agreement resolved a dispute involving a proposed pipeline repurposing project and ended production approximately 15 years earlier than the remaining anticipated field life. DCOR accepted responsibility for plugging and abandoning the wells and decommissioning the platform and associated infrastructure. In return, DCOR received a $10 million royalty credit against future production at Platform Eva, substantially less than the projected value to DCOR of continued Esther production.

The settlement converted a contested operational issue into an enforceable retirement plan while preserving Commission approval authority over decommissioning. On November 7, 2025, the Commission accepted quitclaims of the former Platform Esther production lease and the associated pipeline right-of-way. The former lease areas are now governed by a maintenance, monitoring, plugging-and-abandonment, and decommissioning-planning lease that does not authorize production. The result permanently ended production at one of the final three producing platforms in State-managed waters, returned the former mineral interests to the Coastal Sanctuary, and placed the cost of closure on the operator rather than the public.

Coastal Hazards and Legacy Wells Program:

Since 2016, the Commission has transformed its response to leaking legacy wells and abandoned shoreline infrastructure from individual projects into a sustained coastal-protection program. An early catalyst was the Becker No. 1 well at Summerland Beach, a century-old well that had leaked oil into the surf zone for years (see Item 82, August 17, 2017). Despite the absence of reliable construction records and the challenges of working in an active tidal environment, the Commission developed an innovative exterior re-abandonment method and completed the project in March 2018 on time, under budget, and without incident. The Becker project demonstrated that these difficult legacy wells could be permanently addressed and provided the engineering foundation for future work.

SB 44 (Jackson, Chapter 645, Statutes of 2017):

The Commission sponsored SB 44 to convert that project-specific success into an enduring program. The measure established recurring funding for the Coastal Hazards and Legacy Oil and Gas Well Removal and Remediation Program and directed the Commission to assess coastal hazards, locate and monitor legacy wells, study offshore seepage, and prioritize the highest-risk sites for remediation. The Commission received the first $2 million appropriation in July 2018, and the legislation authorizes annual transfers sufficient to restore the program’s unencumbered balance to $2 million through fiscal year 2027–28. SB 44 also established annual public reporting on the program's activities and accomplishments. Its principal achievement was therefore not merely funding individual projects, but creating the institutional capacity to investigate, engineer, permit, and execute difficult remediation work on a continuing basis.

Building on Becker, the program has re-abandoned eight additional legacy wells at Summerland Beach: Treadwell-10 and NorthStar-815 in 2020; Olsson-805 and Duquesne-910 in 2021; Treadwell-1 and Treadwell-5 in 2023; and two previously undocumented wells, Wells A and B, in 2025. These projects required different combinations of excavation, barges, divers, containment systems, pipe piles, cement barriers, and steel caps because the wells are located in tidal or submerged areas and their original construction is poorly documented. The Commission completed the 2023 work despite Tropical Storm Hilary and difficult swell conditions. As with the earlier projects, the 2025 work was completed without activating a spill response. Including Becker, the Commission has successfully re-abandoned nine legacy wells since 2016 while developing repeatable methods that can be adapted to other poorly documented wells (see Coastal Hazards and Legacy Wells)

The program has also removed substantial amounts of abandoned shoreline infrastructure. By the end of 2019, the Commission had removed 193 steel H-beams, 36 railroad irons, 40 wooden pilings, and two pipeline segments from Ellwood Beach. It removed 15 additional pipeline segments from Haskell's Beach in 2020 and scores of other exposed hazards from Ellwood and Haskell's beaches in 2023. At the same time, the Commission established on-call response contracts, developed a geographic inventory of known hazards, conducted aerial and underwater surveys, and maintained weekly monitoring at Summerland Beach. These efforts have reduced hydrocarbon pollution, improved safe public access, identified previously undocumented wells, and created a durable system for responding when storms expose new hazards. What began with the remediation of a single leaking well has matured into a transparent and repeatable program for addressing the physical legacy of California's earliest offshore oil development.

The Commission Defended the State's Rights and Secured Consequential Legal Victories

In re Rincon Island Limited Partnership:

RILP's August 2016 bankruptcy filing required the Commission to act quickly in an unfamiliar forum while hazardous conditions persisted in California. Commission staff appeared in the U.S. Bankruptcy Court in Texas, opposed efforts to use bankruptcy to preserve noncompliant leasehold interests, and insisted that any proposed successor be qualified and acceptable to the Commission. The State's position was not simply that rent or paperwork was overdue; it was that the Commission retained the authority and duty to protect public health, the environment, and sovereign lands notwithstanding the debtor's financial proceeding (see Item 71).

The resulting orders preserved the Commission's control over who could hold and operate State leases and led directly to the December 2017 quitclaims. The Commission also drew on a $9.65 million performance bond, secured an $8 million settlement with Atlantic Richfield Company as a prior lessee, and obtained legislative appropriations for the remaining work. The combination of litigation, financial recovery, and project management is an important measure of success: the Commission did not merely win possession of a troubled asset; it assembled the authority and resources necessary to make the asset safe and move it toward restoration.

State Lands Commission v. Plains All American Pipeline:

After the 2015 rupture of Plains All American Pipeline's (Plains) onshore Line 901 and the resulting Refugio oil spill, offshore production tied to the pipeline stopped. The shutdown caused the State to lose royalty revenue and contributed to the financial collapse that left the Commission responsible for stabilizing Platform Holly and related facilities. In 2018, the Commission sued Plains to recover those fiscal losses and other damages. Plains argued, among other things, that public-utility doctrines shielded it from the Commission's claims. A 2020 appellate decision rejected the broad immunity theory and allowed the case to proceed.

The litigation concluded in November 2024 with a $72.5 million settlement. The State received $50.5 million, and co-plaintiff Aspen American Insurance Company received $22 million. The settlement is the largest monetary recovery in Commission history. Beyond the amount, the case established that parties whose conduct disrupts State leasing operations and increases public decommissioning exposure may be held financially accountable. It also demonstrated the value of sustained litigation: the Commission pursued the matter for six years and converted a major operational and fiscal loss into a record recovery for the State.

DAVIS V. STATE LANDS COMMISSION:
The Venoco Liquidating Trustee owned the EOF after Venoco's bankruptcy. When negotiations over the Commission's continued emergency use of the facility ended in 2018, the trustee sued the State and the Commission for inverse condemnation, asserting that the Commission's occupancy and operation of the facility constituted a compensable taking. The trustee sought as much as $161 million even though Venoco's threatened abandonment had created the emergency and the facility was needed to treat hydrogen sulfide safely while the platform wells were being plugged.

Following a five-day trial in March 2022, the Bankruptcy Court ruled entirely for the Commission in August 2022. The court found that assuming operations was necessary to avert harm to the public and the environment and characterized the response as an "exemplary illustration of its police powers." The U.S. District Court affirmed that judgment in December 2023. The decisions protected taxpayers from a claim of up to $161 million and, more fundamentally, confirmed that the State may take reasonable emergency action to prevent a private operator's hazardous facilities from harming the public without turning that protective action into a compensable taking.

STATE LANDS COMMISSION V. SIGNAL HILL SERVICE:
After terminating the mineral and pipeline interests in 2019, the Commission sued Signal Hill Service and a related operator to recover unpaid amounts and damages arising from unauthorized use. On March 15, 2024, the Santa Barbara County Superior Court entered judgment for the Commission and awarded $299,445.72 on its breach-of-contract and trespass claims. The judgment supplied an enforceable consequence for ignoring lease obligations and confirmed that termination does not erase amounts owed to the State.

Signal Hill later entered Chapter 7 bankruptcy. Commission staff has continued to protect the State's judgment and claims in that proceeding, and the matter remains pending. The Commission's actions reflect a consistent enforcement approach: terminate nonperforming interests, obtain a judgment when contractual duties are breached, and remain engaged through bankruptcy rather than abandon the State's claims.

The Commission Reformed Its Processes to Protect the State from Future Liabilities

SoCal Holding, LLC Amendment:

In October 2017, amid the Rincon and Venoco bankruptcies, the Commission approved a carefully structured amendment for SoCal Holding, LLC, a subsidiary of California Resources Corporation (Item 93). The leases covered 273 wells in the Huntington Beach Oil Field, 44 associated with Platform Emmy and 229 onshore. The amendment was designed to avoid a premature operator failure while reducing the State's long-term exposure to a large idle-well inventory. Any economic relief was therefore paired with financial security, accelerated abandonment duties, and continuing Commission oversight.

The agreement required annual expenditures of at least $3 million on idle-well work, with any shortfall deposited into an escrowed sinking fund dedicated to future abandonment and decommissioning. The annual amount escalates by 3 percent, and independent cost estimates must be updated periodically. The State also obtained a first- or second-priority lien on fee-owned upland property, creating security beyond the leasehold itself. Together, these terms established multiple layers of protection: current spending that retires liabilities, reserved funds for future work, updated cost information, and collateral available in the event of default.

The amendment also imposed an enforceable schedule to reduce idle wells. Offshore, the operator committed to plug eight of Platform Emmy's 15 idle wells within 24 months and address the remaining idle platform wells within five years. Onshore, where 146 of 229 wells were idle, the operator committed to plug at least 10 idle wells per year until the idle inventory fell below 15 percent. Under this system, 99 wells have been plugged to date. The agreement represented a shift from relying only on end-of-lease obligations to actively reducing liability during the productive life of a lease. Its combination of financial assurance, collateral, updated cost estimates, and scheduled work became a model for later amendments and assignments.

AB 585 (Limón, Chapter 123, Statutes of 2019):

The Rincon and Platform Holly events exposed a structural weakness in prior law: an assignment could separate a financially capable former lessee from future decommissioning obligations, even when the successor later lacked the resources to perform. The Commission sponsored AB 585 to close that gap. The legislation amended Public Resources Code section 6804 and added section 6829.4, giving the Commission express authority to assess whether a proposed assignee is likely to comply for the full lease term based on operating experience, financial capacity, performance of other government contracts, and compliance history.

AB 585 also established a continuing chain of responsibility. An assignor generally remains liable for plugging, facility decommissioning, site restoration, and contamination remediation unless obligations have been fulfilled or the Commission approves a release supported by an independent cost estimate and security equal to that estimate plus 20 percent. The law makes lessees, assignees, transferees, sublessees, and operators jointly and severally responsible when specified activities occur and requires timely affidavits and commencement of decommissioning after a lease ends. This reform converted hard-earned lessons from operator bankruptcies into statutory protection applicable to future leases and assignments.

SB 1425 (Gonzalez, Chapter 609, Statutes of 2024):

Long Beach tidelands oil operations include a large inventory of wells, pipelines, four artificial islands, and related facilities. The State receives a substantial share of the revenue and will also bear defined costs when operations end. Existing law established an Oil Trust Fund for well abandonment, pipeline and facility removal, remediation, and other costs that are not the responsibility of another party. By 2024, however, the required monthly transfers were not keeping pace with the scale and timing of the anticipated liability.

The Commission sponsored SB 1425 to strengthen that funding mechanism before the costs come due. Beginning January 31, 2025, the measure increased the monthly transfer from the lesser of $2 million or 50 percent of remaining Long Beach oil revenue to the greater of $5 million or 50 percent of remaining revenue. The urgency legislation took effect immediately. This forward-looking reform is a significant fiscal success: instead of waiting for production to end and then seeking emergency appropriations, the State is building the dedicated fund while revenue is still available, improving the likelihood that its share of future abandonment and decommissioning obligations will be met without avoidable pressure on the General Fund.

Taken together, the SoCal Holding amendment, AB 585, and SB 1425 show how the Commission converted crisis response into institutional reform. Each addresses a different point in the liability cycle: active reduction of idle wells during a lease, careful screening and continuing responsibility when interests are transferred, and advance funding for the State's own future cost share. The result is a more resilient system in which risks are identified earlier, responsible parties remain accountable longer, and financial resources are assembled before facilities reach the end of their useful lives.

AB 2257 (Boerner Horvath, Statutes of 2022):

Enacted after the 2021 Huntington Beach oil spill, AB 2257 directed the Commission to evaluate the fiscal implications of voluntarily relinquishing the State's 11 actively producing offshore oil and gas leases. With a $1 million legislative appropriation, the Commission retained specialized consultants to analyze reservoir reserves, projected lease life, future lessee profits, State revenues, and decommissioning and restoration costs. Staff presented the required public status update in December 2023, incorporated feedback and updated economic and engineering information, and obtained Commission approval of the final study on December 17, 2024, before submitting it to the Governor and Legislature by the statutory deadline (Item 66).

The completed study created a comprehensive, data-driven framework for evaluating negotiated early termination of leases that otherwise lack fixed expiration dates. It found that the State had received approximately $1.334 billion in royalties and rent, while the lease operations could remain economically viable for approximately 15 to 27.8 years based on proved and probable reserves. The study estimated the net present value of unrealized lessee profits at $247.54 million, unrealized State revenues at $197.37 million, and decommissioning costs at approximately $287 million if managed by the lessees or $345.4 million if managed by the Commission. Rather than establish a fixed purchase price or recommend unilateral termination, the study concluded that any early relinquishment would require negotiation. It recommended that the Legislature consider these financial findings together with effects on local communities, public health and safety, the marine environment, employment, and State budget priorities and provide adequate funding if it directs the Commission to pursue negotiations. The process gave the State a practical foundation for considering the earlier retirement of offshore production while accounting for contractual rights, forgone revenues, and long-term decommissioning liabilities.

CONCLUSION:

The past decade tested nearly every dimension of the Commission's oil and gas program. Staff had to stabilize hazardous facilities on short notice, operate aging infrastructure, manage unprecedented decommissioning projects, litigate in multiple jurisdictions, conduct complex environmental review, negotiate with responsible former operators, maintain public confidence, and secure legislative and fiscal support. Those responsibilities were not performed in isolation. The results depended on sustained coordination among Commission divisions, the Attorney General's Office, the Legislature, successive administrations, local governments, tribal nations, regulators, contractors, communities, and responsible private parties.

The record is one of measurable achievement. The Commission ended unsafe or nonperforming leasehold interests; permanently retired wells and production; removed the State's last two oil-production shorezone piers; secured private responsibility for remaining decommissioning work; restored tens of thousands of acres to the Coastal Sanctuary; obtained historic legal and financial recoveries; and built a stronger statutory and contractual framework for future risk. At Rincon, emergency enforcement has progressed to environmental restoration and a prospective tribal co-management framework. At South Ellwood, a threatened abandonment has progressed to a safe, destaffed platform with all wells permanently abandoned and full decommissioning under environmental review. At Platform Esther, a contested operational issue became an early, privately funded retirement commitment. At Summerland and nearby beaches, an initial one-well response became a sustained program that has now re-abandoned nine legacy wells and removed hundreds of coastal hazards.

Work remains. Rincon Phase 3 must be contracted, permitted, and completed; Platform Holly must proceed through environmental review and physical removal; Platform Esther's wells and facilities must be decommissioned under Commission oversight; the Coastal Hazards and Legacy Wells Program must continue monitoring and prioritizing remaining high-risk sites; and ongoing bankruptcy and enforcement matters must be pursued. Yet these remaining tasks begin from a far stronger position than the one the Commission faced in 2016. The most immediate hazards have been controlled, responsible parties and funding mechanisms have been identified, public and tribal engagement has been institutionalized, and the Commission's authority has been repeatedly affirmed. The decade therefore represents not only the retirement of legacy oil and gas infrastructure, but also the maturation of a more transparent, accountable, and resilient model of stewardship for California’s sovereign lands.