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**CALIFORNIA OFFSHORE
OIL AND GAS LEASING
AND DEVELOPMENT
STATUS REPORT**

PREPARED BY
CALIFORNIA COASTAL COMMISSION STAFF

AND
STATE LANDS COMMISSION STAFF

IN CONSULTATION WITH THE
MINERALS MANAGEMENT SERVICE

AT THE DIRECTION OF THE
CALIFORNIA COASTAL COMMISSION

FOR THE
CALIFORNIA SECRETARY FOR RESOURCES

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ATTACHMENTS

Attachment 1:	January 14, 1999, letter to Honorable Rusty Areias, Chairman, California Coastal Commission from Mary D. Nichols, Secretary for Resources
Attachment 2:	March 17, 1999, letter to Ms. Sara Wan, Chair, California Coastal Commission from Mary D. Nichols, Secretary for Resources
Attachment 3:	May 14, 1999, letter to Honorable Barbara Boxer, United States Senate from Thomas R. Kitsos, Minerals Management Service
Attachment 4:	May 14, 1999, letter to Honorable Lois Capps, House of Representatives from Thomas R. Kitsos, Minerals Management Service
Attachment 5:	MMS Approved Exploration Plan Review Process
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EXECUTIVE SUMMARY

CONTENTS AND PURPOSE OF THIS STAFF REPORT

The California Secretary for Resources, Mary D. Nichols, in letters dated January 14, 1999 and March 17, 1999, (Attachments 1 and 2), requested that the Coastal Commission staff and the State Lands Commission staff jointly prepare a report on issues relating to offshore oil and gas development along the California coast in state and federal waters. This report is prepared at the direction of the California Coastal Commission in response to Secretary Nichols' questions and as a briefing document for the Commission and the public. The report was prepared by the staffs of the California Coastal Commission and the California State Lands Commission in consultation with the Minerals Management Service (the federal agency in the Department of the Interior responsible for offshore oil and gas activities). It has not been reviewed by either the Coastal Commission or the State Lands Commission.

The report will be presented to the Secretary for Resources, the California Coastal Commission, and the State Lands Commission for information purposes and will be discussed at the Coastal Commission's June 1999 meeting in Santa Barbara. **The Coastal Commission will not be taking action on the report, but may direct further work by the Coastal Commission staff.**

The Coastal Commission staff scheduled review of this report for the June Commission meeting because key information on the 40 undeveloped Outer Continental Shelf (OCS) tract lands was due to be submitted to the Minerals Management Service (MMS) by May 15, 1999. This information has now been received by the MMS and is being reviewed for completeness. Once released by the MMS, the information will give the Secretary for Resources, the Coastal Commission, the State Lands Commission, and the public a more comprehensive picture of proposed further activities on the 40 undeveloped California OCS tracts.

This executive summary highlights the answers to the Secretary's questions and the attached report provides a more detailed discussion with supporting maps and charts.

RESPONSE TO QUESTIONS POSED BY THE SECRETARY FOR RESOURCES

- Q. What is the status of all current moratoria on oil and gas leasing in both state and federal waters off the California coast? What actions, if any, need to and can be taken to make permanent the moratoria on such leasing activities?*

Federal Moratoria for New OCS Lease Activities

Except for the limited geographic area of waters within National Marine Sanctuaries, no portion of the federal OCS has a permanent moratorium on oil and gas leasing and development. However, temporary moratoria have been in place in select areas of the OCS for the past 17 years. Presently, a one-year congressional OCS moratorium contained in the FY 1999 Department of the Interior Appropriations bill precludes the expenditure of funds for new federal offshore oil and gas leasing in specific coastal areas until October 1, 1999. This congressional OCS moratorium includes a prohibition on new leasing along the entire U.S. West Coast.

In addition to the congressional moratoria, the Bush and Clinton administrations also issued directives under the OCS Lands Act to restrict the leasing of new offshore areas. In 1990, President George Bush directed that all areas protected by congressional moratoria be deferred for leasing consideration until after the year 2002. This deferral included the federal OCS offshore of California. In June 1998, President Bill Clinton also issued a directive under the OCS Lands Act that prevents the leasing of any area currently under moratorium for oil and gas exploration and development prior to June 30, 2012. These OCS "presidential deferrals" can be reversed by subsequent administrations.

The existing congressional moratoria and presidential leasing deferrals **do not** restrict the development of already leased areas.

The only way to make the OCS leasing moratoria permanent is for Congress to pass a statute specifying which areas on the OCS are permanently not available for leasing and for the President to sign it into law.

State Moratoria

Commencing in the 1920's, the State Legislature placed most of the California coast off limits to oil and gas leasing and development through a variety of oil and gas "sanctuary" statutes. However, large areas of the coast remained unprotected, including much of Mendocino and Humboldt counties and parts of Los Angeles, Ventura, and Santa Barbara counties. In order to remedy this situation the State

Lands Commission, on October 26, 1988 and December 6, 1989, filled in the remaining gaps in the sanctuary statutes and administratively foreclosed the possibility of new oil and gas leasing in state coastal waters. This administrative sanctuary was later incorporated by the legislature in its comprehensive ban on new oil and gas leasing, through the California Coastal Sanctuary Act of 1994.

Pursuant to this statute, all state coastal waters, except those under lease on January 1, 1995, are permanently included in the sanctuary. The State Lands Commission is prohibited from issuing new oil and gas leases unless it determines that oil and gas are being drained by means of wells upon federal lands and the lease is in the best interest of the state, or the President has found a severe energy supply interruption and the Governor and the legislature act to allow further development of the state's offshore oil and gas resources.

A drilling moratorium imposed by the State Lands Commission in 1969 following the well blowout in federal waters offshore Santa Barbara has been lifted on 35 of the existing active leases, with the remaining 7 leases still subject to the moratorium. Of these seven, five have never been developed (see Appendix 2, Status of Active State Offshore Leases). In order to make the drilling moratorium permanent on these leases they would have to be reacquired by the state.

Q. What is the status of all undeveloped offshore tracts in state and federal waters off the California coast that have been leased? Please include the following key information:

- *The date of lease issuance;*
- *The date of lease termination;*
- *Any major lease stipulations such as "due diligence" requirements applicable to development; and*
- *The status of activity (i.e., has exploration occurred and have any governmental approvals been acted upon).*

NOTE: Appendix 1: Federal Undeveloped Lease Table and Appendix 2: Status of Active State Lease Table provide all the specific answers to the above question.

The Status of the Federal Undeveloped Lease Tracts

There are 40 existing undeveloped federal OCS leases offshore California. These 40 leases were leased between 1968 and 1984. These 40 tracts are in the Santa Barbara Channel or the Santa Maria Basin (See Maps 1 to 3).

The 40 undeveloped leases are organized into nine separate "units" and one lease not within a unit. Often a single oil and gas reservoir underlies offshore tracts

leased by two or more separate lessees. A unit provides for the minimum number of leases that will allow the lessees to minimize the number of platforms, facility installations, and wells necessary for efficient exploration, development, and production.

Rather than work with multiple EPs on each unit, for example, a single EP for each unit can address the required delineation wells (for those units with a discovery) or exploration wells (for the one unit that has yet to be drilled).

All 40 leases have a primary lease term of five years. The Minerals Management Service has granted a series of lease suspensions (i.e., extensions) upon lessees' requests or a directed suspension by the MMS Regional Director (These suspensions are discussed in detail in Section 6.2 of this report).

The current directed suspension imposed by the MMS (to allow time for the preparation of the California Offshore Oil and Gas Resources Study (COOGER)) (See Section 6.1) on these leases expires on June 30, 1999. The MMS advised the lessees that, if they wish to maintain the leases, they need to provide by May 15, 1999, written requests for suspension to take one of the following steps:

1. Revise previously approved Exploration Plans (EPs) under MMS regulations at 30 CFR 250.203,
2. Propose new EPs under 30 CFR 250.203, or
3. Propose Development and Production Plans (DPPs) under 30 CFR 250.204.

The requests for suspensions must provide a proposed schedule of activities to include a timetable for submission of EPs or DPPs. The MMS will review these proposed schedules and justifications to evaluate whether to grant the suspensions and, if so, for what period of time.

MMS received these written requests in mid-May and is currently reviewing the lessees' proposals for completeness. MMS has committed to provide a summary of the suspension requests to the State of California, the California Coastal Commission, the three adjacent counties, and interested members of the California congressional delegation as soon as MMS has reviewed the submittals for completeness. MMS is also prepared to provide copies of nonproprietary information on request.

Federal Regulations Governing Requests for Suspensions

The MMS has stated that it will use the criteria in 30 CFR 250.110 and determine whether a Suspension of Production (SOP) or Suspension of Operation (SOO) is appropriate in each case.

When MMS receives a request for a suspension, its options are to either approve or deny the request based upon the criteria in the MMS regulations.

In reviewing any request for suspensions, the MMS has stated that the agency will apply the criteria in 30 CFR 250.110, and the following guidelines derived from the regulations:

- ▲ Requests for an SOP must include a well capable of producing in paying quantities.
- ▲ Requests for an SOP must include a schedule leading to production on the lease.
- ▲ The schedule for an SOP must provide for proper and prudent development and must not include any extra time to hold a lease for speculative purposes.

SOPs apply only to leases in units that include a portion of the reservoir proposed for production. Requests for an SOO do not require a producible well but would be reviewed on the more restrictive criteria for SOO in 30 CFR 250.110 (see Attachment 6). A lease suspension extends the term of a lease for the period during which the suspension is in effect (*30 CFR 250.110 and 256.73*).

Q. Regarding the 40 existing undeveloped OCS leases off the coast:

- ***How many of these leases have been reviewed by the Coastal Commission and what was the nature of the review?***
- ***Is there any information available to indicate whether oil and gas resources within these tracts could be developed from existing production platforms?***
- ***What approvals from state and federal agencies are needed before oil exploration, development, and transportation activities can proceed?***
- ***What standards or criteria for review would be applicable to the Coastal Commission's review of any proposed exploration and/or development plans?***

The California Coastal Act of 1976

California voters passed the citizen initiated Proposition 20 in 1972, which mandated the preparation of a coastal management plan by a newly created

temporary California Coastal Zone Conservation Commission. In 1975, the Commission adopted the California Coastal Plan, which became the policy framework for the California Coastal Act of 1976 ("Coastal Act") that made permanent the California Coastal Commission (*California Public Resources Code, Division 20*).

The Coastal Commission has direct permit authority over offshore oil and gas development out to three nautical miles (in state waters). The Commission's standard of review of such development is Chapter 3 of the Coastal Act. Chapter 3, Article 7 contains policies that specifically address oil and gas development. For example, section 30260 encourages coastal-dependent industrial facilities to locate or expand within existing sites where feasible. Section 30262 sets standards for oil and gas development addressing (a) geological conditions, (b) consolidation of facilities, (c) use of subsea wells to avoid visual impacts associated with production platforms and islands, (d) interference with vessel traffic, (e) subsidence, and (f) water quality impacts.

In addition to policies specifically addressing oil and gas development, Chapter 3 includes other policies relating to oil spills, water and air quality, safety, commercial and recreational fishing, marine and land resources, public access and recreation resources that must be considered in the review of such development proposals.

The Coastal Act also contains an "override" provision (*Coastal Act § 30260*) that allows approval of coastal-dependent industrial facilities that are not otherwise consistent with one or more policies of the Coastal Act as long as (a) alternative locations are infeasible or more environmentally damaging, (b) to deny the project would adversely affect the public's welfare, and (c) adverse environmental effects are mitigated to the maximum extent feasible.

Coastal Zone Management Act

In 1972, Congress passed the federal Coastal Zone Management Act ("CZMA") to encourage effective state management of coastal zone resources, including but not limited to oil and gas activities, and associated environmental impacts in and adjacent to the marginal sea (see *16 U.S.C. 1451 et seq.*). The CZMA provides federal funding to support state coastal zone management programs that met certain policy objectives (e.g., protection of the marine environment and wetlands, and orderly development of offshore energy resources).

The CZMA also established a unique federal–state coordinated regulatory process known as "consistency review," which grants coastal states that elect to participate in the CZMA program and whose coastal programs have been federally approved the ability to regulate federal activities that affect their coastal zones — including

OCS oil and gas development activities. California sought certification of the Coastal Management Program established pursuant to the Coastal Act of 1976 under the CZMA. The National Oceanic and Atmospheric Administration ("NOAA") certified the California Coastal Management Plan ("CCMP") in 1978, giving the state consistency review authority over federal activities that affect the California coastal zone.

Section 307(c)(3)(B) of the CZMA, as amended in 1976, provides that plans for the exploration and development of the OCS would have to be consistent with the federally approved coastal management programs of affected states if those oil and gas plans were to be permitted. The standard of review for federal consistency is the CCMP, which consists principally of the policies of Chapter 3 of the Coastal Act.¹ In addition to the Coastal Act, the CCMP also incorporates the policies of the federal Clean Air and Clean Water Acts and any state standards authorized under those acts (e.g., the California Ocean Plan).

Summary of Coastal Commission Regulatory Review of the 40 Existing Federal Leases

Between 1981–85, leaseholders proposed plans for the exploration of 35 of the 40 undeveloped federal tracts. The Coastal Commission concurred with federal consistency certifications for exploration plans on 34 of the 40 leases. The Coastal Commission objected to the exploration plan ("EP") for Lease 414. No EPs have been submitted for Leases 210, 429, 462, 464 and 527.

To date:

- ▲ A total of 139 exploratory wells on 34 leases were granted Coastal Commission federal consistency certifications.
- ▲ 39 wells have been drilled on 23 of the 34 leases with Coastal Commission approved EPs.
- ▲ 100 wells with Coastal Commission approvals have not been drilled.
- ▲ Discoveries have occurred on 18 leases.
- ▲ 47 approved well locations remain on leases for which no discoveries have been made.²

¹ A local government's certified LCP can provide guidance in applying Chapter 3 policies of the Coastal Act if the certified LCP has been incorporated into the CCMP. If the LCP has not been incorporated into the CCMP, it cannot be used to guide the Coastal Commission's federal consistency decisions, but may be used as background information.

² Leases 319, 402, 420, 421, 425, 426, 430, 431, 432, 433, 445, 453, 499, and 500.

- ▲ In 1987 the Coastal Commission also approved one development and production plan ("DPP") for Lease 409—Platform Julius. Platform Julius was not installed (*See Appendix 1*).

Potential Development of Federal Leases from Existing Platforms

The MMS estimates that of the 40 undeveloped leases 14 could potentially be developed from existing platforms. Approximately four new platforms may be necessary to develop the remaining 26 leases. However, future advances in drilling technology may allow development of these leases with fewer platforms.

Approvals Necessary to Develop Oil and Gas Leases

The Coastal Zone Management Act requires that all applicants for MMS approval of a plan for development of or production from an area leased under the OCS Lands Act shall provide to the Coastal Commission a "consistency certification" that the proposed activity complies with and will be conducted in a manner consistent with policies and standards contained in the CCMP (*16 U.S.C. § 1456(c)(3)(B)*). In addition, other federal, state and local approvals will be required depending on the configuration of the development plan. Examples of these are:

- ▲ U.S. Army Corps of Engineers
- ▲ U.S. Coast Guard
- ▲ U.S. Environmental Protection Agency
- ▲ U.S. Fish and Wildlife Service
- ▲ U.S. National Marine Fisheries Service
- ▲ California State Lands Commission
- ▲ Local Air Pollution Control District
- ▲ Local government in the county where the oil is being brought ashore.

Since 1973 approvals from a variety of state and local governmental agencies have facilitated development on **state** leases. To develop the five remaining undeveloped state leases, or expand existing developed leases, would require similar approvals from agencies such as the following:

- ▲ California State Lands Commission
- ▲ Coastal Commission
- ▲ Department of Fish and Game
- ▲ Office of Oil Spill Prevention and Response

- ▲ Department of Oil, Gas and Geothermal Resources
- ▲ Regional Water Quality Control Board
- ▲ Local Air Pollution Control District
- ▲ Local government
- ▲ US Army Corps of Engineers if a new platform is placed in state waters
- ▲ Minerals Management Service if a federal platform is used as a drill site

Q. With respect to any OCS lease tract on which the Coastal Commission has taken an action, is there a factual basis, (i.e., changed circumstances, new information) for the Coastal Commission to ask for a new review?

Newly Proposed Activities

The CZMA provides that OCS exploration plans (EPs) or development and production plans (DPPs) shall be consistent with the federally approved coastal management programs of affected states in order for those oil and gas plans to be approved. Accordingly, any newly proposed EP or DPP is subject to Coastal Commission federal consistency review. Lease 409 could potentially be developed under the previously approved DPP. The remaining 39 leases will need MMS approval and Coastal Commission consistency review before development can occur. The federal consistency review process is discussed in greater detail in Section 2.9 of this report.

Renewals or Major Amendments for Activities not Previously Reviewed

The regulations that implement the CZMA provide that renewals or major amendments to federal permits or licenses for activities not previously reviewed by the state that affect the coastal zone are subject to federal consistency review (15 CFR §930.51(b)(1)).

Previously Reviewed Activities

The Coastal Commission retains federal consistency review over any major amendments of the 35 OCS EPs and the one DPP for which the Coastal Commission has granted consistency certification. However, the CZMA's regulations in 15 CFR §§ 930.51 and 930.71 limit consistency of activities previously reviewed by the State agency to modifications that will cause coastal zone effects substantially different than those originally reviewed.

In addition, 15 CFR § 930.86 authorizes the Coastal Commission to monitor previously reviewed activities. **The Commission may request from the MMS**

an additional consistency review if it determines that an MMS-approved activity either is not being conducted in accordance with an approved EP or DPP, or is having coastal zone effects substantially different than described in the original review.

The Coastal Commission may appeal to the Secretary of Commerce a refusal by the MMS to grant a request for such an additional review. In either case, the Coastal Commission or its staff must determine that the activities are causing coastal zone effects **substantially different** than those originally reviewed by the Coastal Commission in order to have an opportunity for a new consistency review.

In a May 14, 1999, letter to Senator Barbara Boxer, Thomas Kitsos, Acting MMS Director acknowledged that "the MMS believes that the revised EPs may well constitute significant changes and will likely require a new CZMA consistency review. The process and criteria for CZMA consistency are specified by the State and by the Department of Commerce."

Re-Leasing

The Coastal Zone Reauthorization Act of 1990 clarified that OCS lease sales are subject to the federal consistency review process. Therefore, the proposed re-leasing of any previously expired OCS leases would trigger Coastal Commission federal consistency review. If any of the 40 undeveloped OCS leases were to expire, their re-leasing would be subject to Coastal Commission review.

POTENTIAL NEXT STEPS FOR THE COASTAL COMMISSION

The Coastal Commission has regulatory responsibilities under the California Coastal Act and the federal Coastal Zone Management Act that it must adhere to in further actions regarding the 40 non-producing OCS leases. A key element of the Commission's regulatory responsibility is to review each proposed oil and gas development or activity on a case-by-case basis. The Coastal Commission staff will take the following next steps to continue the Coastal Commission's involvement in reviewing potential further exploration and development on the 40 non-producing OCS leases:

1. Review Requests for Suspensions

The Coastal Commission staff will work with MMS to actively review (in consultation with other interested parties) the requests for suspensions and

respond to the MMS on whether the lessees' suspension proposals have appropriate environmental analysis and safeguards built into the schedules of activities prior to MMS' June 30, 1999 action.

2. Request that the MMS Notify the Commission of All Changes Proposed to Past Consistency Approvals

Review all suspension requests to determine if there is adequate information currently available to determine if a new federal consistency certification for the exploration plans and other activities specified in the suspension request is appropriate. Staff will work with MMS to try to come to agreement on the consistency review process for all activities specified in any suspension granted by the MMS.

3. Hold a Coastal Commission Workshop in Late Summer or Fall 1999

The Coastal Commission staff proposes to schedule a follow-up Commission workshop to discuss the Coastal Act issues that the activities proposed by the lessees of the 40 non-producing leases raise. A workshop will allow all parties to discuss some of the critical Coastal Act issues including but not limited to:

- ^ Oil spill prevention and clean-up
- ^ Marine resources
- ^ Air quality
- ^ Onshore pipeline transportation of oil to refinery destinations
- ^ Visual impacts
- ^ Policies of the LCPs of affected local governments
- ^ Commercial and sport fishing
- ^ Consolidation of facilities
- ^ Protected species

Identification and discussion of these issues in a public forum prior to submission of individual consistency certifications would be valuable to all parties.

4. Determine for Each Lease Whether Additional Consistency Review will be required

It is necessary to conduct a case-by-case review of past Coastal Commission consistency actions and compare that action with the lessees' proposed

activities and schedule to determine if a new consistency review will be required.

5. Conduct Federal Consistency Review of All New Proposed Seismic Surveys

The Coastal Commission staff will process all proposals for high energy seismic surveys pursuant to the agency review process agreed to by the High Energy Seismic Survey ("HESS") Team. Since 1996, the Coastal Commission and State Lands Commission have participated in an MMS-sponsored HESS Team to develop a recommendation for improving the process that regulatory agencies follow in reviewing high energy seismic surveys. A seismic survey proposed in federal waters will require federal consistency review.

6. Conduct Federal Consistency Review of All Proposed Exploration Plans

As they are submitted over the next few years, the Coastal Commission staff will review and schedule public hearings for Commission review and action on each consistency certification for exploration plans. Commission staff will work closely with the MMS, local governments, and other interested parties to share information as it becomes available about proposed activities.

7. Conduct Federal Consistency Review of All Proposed Development and Production Plans

As they are submitted over the next few years, the Coastal Commission staff will review and schedule public hearings for Commission review and action on each consistency certification for development and production plans. Commission staff will work closely with the MMS, local governments, and other interested parties to share information as it becomes available about proposed activities.

1.0 INTRODUCTION

This report was prepared at the direction of the Coastal Commission in response to the Secretary for Resources' request that Coastal Commission and State Lands Commission staffs jointly provide information on the status and future of California's offshore oil and gas leasing and development (Attachments 1 and 2).¹ The report also provides a briefing to Commissioners and the public.

The Secretary for Resources' specific questions are:

1. What is the status of all current moratoria on oil and gas leasing in both state and federal waters off the California coast? What actions, if any, need to and can be taken to make permanent the moratoria on such leasing activities?
2. What is the status of all undeveloped offshore tracts in state and federal waters off the California coast that have been leased? Please include the following key information:
 - The date of lease issuance;
 - The date of lease termination;
 - Any major lease stipulations such as "due diligence" requirements applicable to development; and
 - The status of activity (i.e., has exploration occurred and have any governmental approvals been acted upon).
3. Regarding the 40 existing undeveloped OCS leases off the coast:
 - How many of these leases have been reviewed by the [Coastal] Commission and what was the nature of the review?
 - Is there any information available to indicate whether oil and gas resources within these tracts could be developed from existing production platforms?
 - What approvals from state and federal agencies are needed before oil exploration, development, and transportation activities can proceed?
 - What standards or criteria for review would be applicable to the [Coastal] Commission's review of any proposed exploration and/or development plans?
4. With respect to any OCS lease tract on which the [Coastal] Commission has taken an action, is there a factual basis, (i.e., changed circumstances, new information) for the [Coastal] Commission to ask for a new review?

¹ (1) Letter from Mary Nichols, Secretary for Resources, to Rusty Areias, former Coastal Commission Chair, January 14, 1999; (2) Letter from Mary Nichols to Sara Wan, Coastal Commission Chair, March 17, 1999.

In addition, we have provided a brief history of California offshore oil and gas leasing, exploration and development.

This report was prepared by Coastal Commission and State Lands Commission staff in consultation with and with data and information provided by the federal Minerals Management Service.

2.0 HISTORY OF CALIFORNIA OFFSHORE OIL AND GAS DEVELOPMENT/LEGISLATION

2.1 Initial Development

Significant California oil development began onshore in the 1860's and expanded rapidly through the turn of the century. The first "offshore" development began from wooden piers extending out from a developed onshore oil field in Santa Barbara County. This early coastal oil development was originally "regulated" only by the private individuals and companies that owned property along the coast, and suffered from wasteful and polluting drilling practices. Furthermore, onshore and pier development was rapidly draining the oil reservoirs that underlay the submerged lands of the "marginal sea"—the three-mile wide band of ocean area adjacent to the coast traditionally understood to be the property of the "sovereign" coastal states.

The first oil well was drilled into the California tidelands at Summerland, Santa Barbara County in 1896. Access leases were acquired from the littoral landowners, and by 1906 approximately 412 wells had been drilled along the beach and from wooden piers extending out into the tidelands. At that time there were no state laws governing the extraction of oil and gas from state-owned lands.

The State of California first responded to this coastal oil development in 1915 when the legislature created the Division of Oil and Gas—now the Division of Oil, Gas, and Geothermal Resources ("DOGGR")—as a branch of the State Mining Bureau to encourage the maximum recovery of oil and gas resources and to prevent wasteful drilling and production practices.²

2.2 Tidelands Leasing Act of 1921

The California legislature passed a statute in 1921 that asserted the state's sovereign authority over all minerals on state lands including the marginal sea (*Chapter 303, Statutes of 1921*). This law allowed the California State Surveyor General to issue prospecting permits and oil development leases with a 5% royalty provision for state lands in coastal waters. It also

² The DOGGR is now an independent regulatory agency, in what is now the Department of Conservation, to oversee the continually expanding development of California's oil fields (see *California Public Resources Code, section 3000 et seq.* for the DOGGR's statutory authority and relevant historical citations).

prohibited offshore exploration on lands fronting on municipalities and extending one mile on either side, to assure that any oil resources would be saved for the state and/or municipalities. Under this statute, offshore development commenced at Rincon in Ventura County, at Ellwood in Santa Barbara County and continued at Summerland in Santa Barbara County. All drilling and production operations under this series of leases were conducted from piers. Several years later the legislature also passed the Oil Pollution Act of 1924, to prohibit oil discharges into the waters of the marginal sea.

Adequate supervision of offshore operations was not provided for in the 1921 Act, and ensuing developments served to foster public concern and resentment over the appearance and use of the coastline. The Surveyor General, administrator of the 1921 Act, deferred the issuance of several hundred tideland prospecting permits between 1926 and 1928 as a measure to protect the littoral landowners from obstruction by drilling structures. Litigation followed to force issuance of the permits, and the resulting Supreme Court decision, *Boone v. Kingsbury* 206 Cal. 148 (1928), required the Surveyor General to issue permits to the first qualified applicant for tide and submerged lands, excluding lands around municipalities.

2.3 State Lands Act of 1938

Notwithstanding the state's new regulatory presence in the oil development process, the legislature closed its coastal waters entirely to new offshore oil and gas development in 1929 because of continuing pollution and depletion of the oil resources under state waters (*Chapter 536, Statutes of 1929*). Nevertheless, the drainage of the state's oil resources from pre-existing onshore wells continued. In the City of Huntington Beach, Orange County, town-lot drilling was freely permitted immediately adjacent to the tidelands, and in 1932 a trespass well was directionally drilled from an onshore surface location in Huntington Beach to a bottom-hole location offshore. The state, in 1934, after it was determined that numerous wells had been drilled from upland locations into the tidelands fronting Huntington Beach, entered into leases with the operators of the trespass wells in compromise of litigation that had been brought against the trespass drillers.

The need for a more comprehensive law governing offshore oil and gas development to protect tide and submerged lands against drainage from onshore drilling became increasing apparent, and on June 11, 1938, the State Lands Act became effective (*Stats. 1938, Ex. Sess, c.5, p. 38, sec 131*). This act created the State Lands Commission and assigned it jurisdiction over all state-owned tide and submerged lands and administrative control over any remaining state interest in granted tide and submerged lands. Another of the more important provisions of the 1938 Act restricted the leasing of tidelands to those lands that were being drained of oil or that were under threat of being drained by wells on adjacent lands not owned by the state.

2.4 Establishment of Federal Jurisdiction

As the new technology for developing offshore oil resources in increasingly deeper waters became available, a jurisdictional dispute concerning the ownership of these valuable resources developed between the coastal states and the U.S. government, which asserted its ownership over the marginal sea as the ultimate Constitutional sovereign. This dispute was resolved in 1953 by two Congressional statutes that clarified federal and state rights and responsibilities for the "continental shelf" (the submerged lands extending from the coastline to the edge of the continental slope): The Submerged Lands Act of 1953 and the Outer Continental Shelf Lands Act of 1953.

The Submerged Lands Act of 1953 (*43 U.S.C. sec. 1301 et seq.*) affirmed the coastal states' assertion of ownership of the submerged lands and resources within a three mile belt seaward of the line of low tide. The Outer Continental Shelf Lands Act of 1953 ("OCSLA") established that the submerged lands and resources of the outer continental shelf ("OCS") or beyond three miles, "appertained to the United States and [were] subject to its jurisdiction, control, and power of disposition" (*43 U.S.C. sec. 1331 et seq.*).

The OCSLA authorized the Secretary of the Interior to lease the federal offshore lands, or OCS, for mineral exploration, development and production and provided for very limited state involvement in the federal program. This act allowed the federal Bureau of Land Management ("BLM") within the Department of the Interior ("DOI") to lease the OCS for offshore oil and gas development. The post-lease exploration and development activities on the OCS were regulated by the U.S. Geological Survey ("USGS"), also within the Interior Department. For management purposes, the U.S. OCS was divided into four regions: Atlantic, Gulf of Mexico, Pacific, and Alaska.

The first federal OCS lease sale in the pacific region was held in 1963. The first Pacific OCS development platform (Phillips' Platform "Hogan" in the Carpinteria field) was installed in 1967. Federal OCS lease tracts are generally 3 miles by 3 miles square, equivalent to 9 square miles.

2.5 Cunningham-Shell Act of 1955

In 1955 the legislature passed the Cunningham-Shell Tidelands Act (Chapter 1724, Statutes of 1955), which in part was a compromise between the competing desires for uninhibited offshore development and for the preservation of esthetic and property values in highly developed coastal areas.

Under the 1938 Act, there was no exclusion of any state property from leasing provided that probable drainage of oil or gas from state lands was established. In contrast, the 1955 Act limited the application of its general leasing provisions to tide and submerged lands along the coast

between the northerly boundary of the City of Newport Beach in Orange County and a point six miles south of the town of Oceano in San Luis Obispo County (i.e. near known onshore productive oil and gas areas in Southern and Central California). Certain scenic lands along the coasts of Los Angeles, Santa Barbara and San Luis Obispo counties and the islands of San Clemente and Catalina were excluded from leasing under the provision except when subjected to probable drainage from wells drilled upon adjacent lands owned by others. The remainder of the coast was excluded from leasing unless threatened by drainage. In 1963 the area available for offshore oil and gas leasing was expanded to include additional tracts as far north as the Oregon border. The 1955 Act and the amendments in 1957 established the basic parameters under which most of the state's offshore leases were issued.

The 1938 Act had not authorized the use of artificially constructed drill sites other than "filled lands" for tideland development. However, drilling from onshore locations limited the exploration and development of the tidelands to a narrow belt adjacent to the uplands, and man-made islands, while extending this belt seaward were restricted to areas of shallow-water depths for economic reasons. It became apparent that offshore platforms would enable an operator to explore in deeper waters farther from shore and so the 1955 act provided for the location and construction of platforms or other fixed or floating structures from which drilling operations could be conducted.

Under the Cunningham-Shell Tidelands Act 10 stationary offshore drilling platforms; one production platform and two islands were installed on state-owned lands. This count does not include the four islands on the City of Long Beach granted lands. In March 1961, the first ocean-floor completion of a producing oil well in California was accomplished by Richfield Oil Corporation (now ARCO) at a location 4,550 feet offshore Rincon, Ventura County, in 55 feet of water. This method of development involves drilling with floating equipment and completing the well on the ocean floor. The wellhead and control equipment is placed on the ocean bottom and is connected to shore or an offshore production platform by submarine pipelines. Subsequently, 37 wells were completed on the ocean floor in the Santa Barbara Channel (all but one have now been abandoned).

2.6 1969 Well Blowout and Santa Barbara Oil Spill

In 1969, the business of offshore oil and gas development in California was dramatically changed by a 10-day oil well "blowout"³ offshore Santa Barbara, located in federal waters, which released an estimated 80,000 barrels of oil (42 gallons per barrel). The Santa Barbara spill is acknowledged as one of the events that led to the citizen's ballot initiative "Proposition 20" that brought about the Coastal Commission and the beginning of comprehensive coastal planning and regulation in California, and the environmental regulatory movement in the United States

³ A blowout is an uncontrolled flow of well fluids from the well bore to the surface or into lowered pressured subsurface zones (underground blowout). The fluids can be water, gas, oil or other fluids.

including the passage of such federal legislation as the National Environmental Policy Act ("NEPA") (42 U.S.C. sec. 4321 et seq.).

Following the 1969 oil spill, the State Lands Commission instituted several actions to prevent a similar spill in state waters. These were: (1) a directive to the staff to conduct a technical review of the spill, and to review all controls for operations on state lands; (2) cancellation of all existing geological survey (exploratory drilling) permits; and (3) institution of a moratorium on all new well drilling on state offshore lands.

After an extensive review, the State Lands Commission staff on December 11, 1973 reported its finding on the conditions of the State Lands Commission's offshore drilling moratorium. Since December 1973, the State Lands Commission has lifted the offshore drilling moratorium on a lease by lease basis following a detailed review of the proposed development program and compliance with the California Environmental Quality Act ("CEQA"). The State Lands Commission on 35 existing leases has lifted the moratorium. Of the remaining seven leases, five have never been developed.

2.7 California Environmental Quality Act

The California legislature passed the California Environmental Quality Act ("CEQA") in 1970 (see *California Public Resources Code, sec. 21000 et seq.*), to require public agencies to prepare an Environmental Impact Report ("EIR") whenever a proposed activity, including offshore oil activities sanctioned by the State Lands Commission and the Division of Oil, Gas and Geothermal Resources ("DOGGR"), might cause significant adverse effects on the environment. In 1971, the DOGGR's regulatory mandate to oversee the conservation of state oil and gas production was amended to require the protection of the environment from offshore oil and gas activities.

2.8 The California Coastal Act of 1976

California voters passed the citizen initiated Proposition 20 in 1972, which mandated the preparation of a coastal management plan by a newly created temporary California Coastal Zone Conservation Commission. In 1975, the Commission issued the California Coastal Plan, which became the policy framework for the passage of the California Coastal Act of 1976 ("Coastal Act") and the establishment of the permanent California Coastal Commission (*California Public Resources Code, Division 20*).

The Coastal Commission has direct permit authority over offshore oil and gas development out to three nautical miles (in state waters). The Commission's standard of review of such development is Chapter 3 of the Coastal Act. Chapter 3, Article 7 contains policies that specifically address oil and gas development. For example, section 30260 encourages coastal dependent industrial facilities to locate or expand within existing sites where feasible.

Section 30262 sets standards for oil and gas development addressing (a) geological conditions, (b) consolidation of facilities, (c) use of subsea wells to avoid visual impacts associated with production platforms and islands, (d) interference with vessel traffic, (e) subsidence, and (f) water quality impacts associated with produced water disposal.

In addition to policies specifically addressing oil and gas development, Chapter 3 includes other oil spill, water and air quality, safety, commercial and recreational fishing, marine and land resource, public access and recreation policies that must be considered in the review of such development proposals.

The Coastal Act also provides an "override" provision (*Coastal Act* § 30260) that allows for the approval of coastal-dependent industrial facilities that are not otherwise consistent with one or more policies of the Coastal Act as long as (a) alternative locations are infeasible or more environmentally damaging, (b) to deny the project would adversely affect the public's welfare, and (c) adverse environmental effects are mitigated to the maximum extent feasible.

2.9 Coastal Zone Management Act

In 1972, Congress passed the federal Coastal Zone Management Act ("CZMA") to encourage effective state management of coastal development, including but not limited to oil and gas activities, and its associated environmental impacts in and adjacent to the marginal sea (see *16 U.S.C. 1451 et seq.*). The CZMA provided federal funding to support state coastal zone management programs that met certain policy objectives (e.g., protection of the marine environment and wetlands, and orderly development of offshore energy resources).

The CZMA also established a unique federal-state coordinated regulatory process known as "consistency review," which grants coastal states which elect to participate in the CZMA program the ability to regulate federal activities that affect their coastal zones—including OCS oil and gas development activities. Accordingly, California pursued certification of the Coastal Act of 1976 as a "coastal zone management plan" sanctioned under the CZMA. The National Oceanic and Atmospheric Administration ("NOAA") certified the California Coastal Management Plan ("CCMP") in 1978, giving the state consistency review authority over federal activities that affect the California coastal zone. Section 307(c)(3)(B) of the CZMA, as amended in 1976, provides that OCS exploration plans ("EPs") or development and production plans ("DPPs") would have to be consistent with the federally approved coastal management programs of affected states if those oil and gas plans were to be permitted. The standard of review for federal consistency is the policies of Chapter 3 of the Coastal Act.⁴ In addition to the Coastal

⁴ A local government's certified LCP can provide guidance in applying Chapter 3 policies of the Coastal Act if the certified LCP has been incorporated into the CCMP. If the LCP has not been incorporated into the CCMP, it cannot be used to guide the Coastal Commission's federal consistency decisions, but may be used as background information.

Act, the CCMP also incorporates the policies of the federal Clean Air and Clean Water acts and any state standards authorized under those acts (e.g., the California Ocean Plan).

2.10 Amendment of the OCSLA and Agency Consolidation

In addition to establishing the CZMA program, Congress amended the OCSLA in 1978 to require the DOI to better balance the need for expeditious development of the OCS (prompted by the energy crises of the 1970's) with the need to protect the offshore marine and coastal environment. Congress added new sections to the OCSLA that prescribe a process for developing leasing schedules in five-year increments through which coastal states, local governments affected by offshore development, and other interested parties provide to the DOI comments on its OCS leasing plans and sales.

The amendments to the OCSLA also specifically required the preparation of Environmental Impact Statements ("EIS") under NEPA at both the lease sale and the development planning phases of the OCS development process. In addition to these project-specific information requirements, Congress also formally established an Environmental Studies Program within the DOI. This studies program was designed to fund and/or conduct studies concerning the environmental and socioeconomic impacts of OCS oil and gas development. In 1981, these new OCS development responsibilities of the BLM and the USGS were consolidated in one federal agency within the DOI—the Minerals Management Service ("MMS"). The MMS is now responsible for OCS development planning, leasing, and exploration and development permitting, as well as the post-development phase regulation of production platforms.

3.0 OIL AND GAS LEASING

3.1 The Federal OCS Leasing Program

3.1.1 Five-Year Leasing Plan

The first phase of the offshore OCS oil and gas development program is the establishment of a broad leasing program and sale schedule. The 1978 amendments to the OCSLA require the Secretary of the Interior to prepare an oil and gas leasing program to guide leasing on the OCS over a five-year planning period. The MMS is the agency within the DOI that prepares the five-year lease program and offers individual lease sales.

The five-year lease program sets the stage for lease sales to be held in a given five-year period by specifying the size, timing, and location of each lease sale. Only areas included in the five-year lease program are available for leasing in the specified period. In selecting areas for leasing, the Secretary of the Interior is required to "obtain a balance between the potential for environmental

damage, the potential for discovery of oil and gas, and the potential for adverse impact on the coastal zone" (*OCSLA, Section 18(3)*).

The Secretary of the Interior must solicit and consider suggestions on a proposed five-year program from federal agencies, coastal states, local governments, the oil and gas industry, environmental organizations and other interested and affected parties. One of the main objectives is to elicit views and comments concerning the appropriate planning areas to include for leasing consideration. The entire planning process takes two years and includes several commenting opportunities. An Environmental Impact Statement is prepared for the "Proposed Program" pursuant to the NEPA. As mentioned above, the implementation of the five-year program has been controversial and each five-year plan promulgated by the Department of Interior since 1978 has resulted in litigation (see *State of California by and through Brown v. Watt*, 668 F.2d 1290 (1981); *State of California v. Watt*, 712 F.2d 584 (1983); and *Natural Resources Defense Council et al. v. Hodel*, 865 F.2d 288 (1988))

3.1.2 The 1992–1997 Five-Year Plan

The five-year leasing program for 1992–1997 provided for no lease sales in the Pacific OCS Region, which includes California, Oregon and Washington. Previous drafts of the 1992–1997 program had included one Santa Barbara Channel/Santa Maria Basin lease sale to be held in 1996, which included 87 "blocks" (a block consists of up to 5,760 acres). The MMS, however, deleted the proposed lease sale in the Spring of 1992 after determining that the studies required to be completed prior to the lease sale would not be finished in time to consider a lease sale in the 1992–1997 five-year program.

The 1992–1997 five-year program described a new process for considering a lease sale within a given planning area, called the Area Evaluation and Decision Process ("AEDP"). The AEDP has three stages. In the "Information Acquisition and Evaluation" stage, the information base necessary for a decision on whether or not to proceed with leasing is acquired. The "Planning and Consultation" stage consists of an evaluation of the information gathered through the Information Base Review, solicitation of industry interest in the lease area, and consultation with all affected parties.

If, as a result of the first two stages, the MMS decides to proceed with the lease sale, the third stage, the "Analysis of Decision Options" is initiated. In this stage, the MMS prepares an EIS and a proposed Notice of Sale, which describes the proposed sale configuration, timing, and terms and conditions of the sale. The MMS solicits comments from affected parties on these documents and must also receive an Endangered Species Act "section 7" biological opinion from the U.S. Fish and Wildlife Service and NOAA regarding the effect of the proposed lease sale on endangered species. The Analysis of Decision Options phase is also the stage in which the MMS

will submit a consistency determination⁵ to a state coastal management agency, in accordance with the 1990 Reauthorization of the CZMA.

3.1.3 The 1997–2002 Five-Year Plan

In November 1996, after a lengthy process of consultation and analysis, Secretary of the Interior Bruce Babbitt approved the MMS's 1997–2002 Five-Year Program for natural gas and oil lease sales on the OCS. The program included 16 sales in seven areas of the OCS. No leasing was considered off the Atlantic or Pacific coasts.

3.1.4 The Individual Lease Sale Process

Once a five-year lease program is finalized and adopted, the MMS begins the process through which individual lease sales are evaluated, refined, and eventually held for industry bidding. The leasing phase is a two-year process, structured essentially by the preparation of an EIS under the NEPA. Since offshore oil and gas development began in California in 1958, the federal government has conducted 10 California OCS lease sales (between 1963–1984). Note that a "block" becomes a "tract" upon leasing.

3.1.5 Coastal Commission Involvement in OCS Leasing

Four of the ten OCS lease sales were conducted either prior to the establishment of the California Coastal Commission in 1972 or before the federal government extended federal consistency review authority to the Commission through its 1978 approval of the California Coastal Management Plan. [*Please refer to Table 1.*] Like the five-year planning process, federal consistency review of the other six OCS lease sales has been a touchstone for conflict because of the significant issues raised at this pre-exploration stage of the offshore oil development process.

For many years, California and other coastal states had a dispute with the federal government as to whether states with approved coastal management programs had federal review authority over lease sale activities. Although section 307(c)(3)(B) of the CZMA explicitly required that all federally-permitted or licensed oil and gas exploration, development and production projects be found consistent with the state's approved coastal management program, California and the federal government disagreed over whether or not section 307(c)(1) of the CZMA allows for state review of the leasing phase. This section provided that:

[e]ach federal agency conducting or supporting activities directly affecting the coastal zone shall conduct or support those activities in a manner which is, to the maximum extent practicable, consistent with the approved state management programs.

⁵ A consistency determination is a statement and supporting documentation describing how the proposed federal action will be undertaken in a manner "consistent to the maximum extent practicable" with California's coastal management program.

Beginning in 1978, the Coastal Commission argued that OCS federal oil and gas leasing conducted by the DOI is an activity directly affecting the coastal zone and therefore requires federal consistency review. In statements to the DOI, the Coastal Commission maintained that since a lease sale decision sets the initial boundaries on the OCS where oil and gas development can and cannot take place, the lease sale process essentially constitutes a "subdivision of the OCS," creating both the right to develop and the conditions under which the development can take place. Accordingly, the Coastal Commission argued that the selection of specific tracts, and the specification of stipulations pertaining to pipeline transportation and marine resource protection, in fact directly affects the coastal zone.

Table 1. California Federal OCS Lease Sale Activity

Lease Sale	Sale Date	Tracts Offered	Tracts Objected to by CCC	Tracts Leased	Tracts Leased with CCC Objection	Current Active Lease
P1*	5-14-63	129		57		0
P3*	12-15-66	1		1		1
P4*	2-06-68	110		71		26
35*	12-11-75	231		56		4
48	6-29-79	148	11	54	0	9
53	5-28-81	111	29	60	19	36
68	6-11-82	140	27	29	0	4
RS-2	8-05-82	27	0	10	0	2
73	11-30-83	137	137	8	8	0
80	10-17-84	657	657	23	23	1
Totals		1,691	850	369	50	83

* Lease Sales P1, P3, and P4 were carried out prior to the establishment of the Coastal Commission in 1972. Lease Sale 35 was proposed prior to the Federal Government approving California's Coastal Management Program in 1978 which gave California federal consistency review authority.

The DOI historically maintained, however, that OCS leasing activities were exempt from section 307(c)(1) because a lease sale constitutes no more than an "administrative paper transaction" that would not "directly affect" the coastal zone in a physical manner. The DOI interpreted "directly affect" to mean any of the following types of effects: (1) changes in land or water uses in the coastal zone; (2) limitations in the range of uses of coastal zone resources; and (3) changes in the quality of coastal resources. Unless one of the three effects is present, the DOI held that no direct effect on the coastal zone existed.

3.1.6 Lease Sale 53

The disagreement between the Coastal Commission and the federal government surfaced dramatically in 1981 during the Lease Sale 53 planning process. The initial proposal for Lease Sale 53 included leasing tracts in the northern California Eel River, Point Arena, Bodega, and Santa Cruz basins. The Coastal Commission had historically opposed any tract leasing north of the Santa Maria River due to, among many other reasons, the potential impacts to the threatened sea otter. The Coastal Commission thus requested deletion of the northern basin tracts during the early planning stages for proposed Lease Sale 53.

Although former DOI Secretary Cecil Andrus (of the Carter administration) agreed to delete the proposed tracts in the four northern California basins, James Watt, within two weeks of taking over the DOI for the newly-elected President Reagan, reinstated the four northern basins in a revised notice for Lease Sale 53. Under Secretary Watt, the DOI submitted a "negative determination" to the Coastal Commission stating that the sale activities would have no direct effect on California's coastal zone.

3.1.7 Judicial Decisions on Lease Sale Consistency

Following the DOI's submittal of the negative determination, the Coastal Commission sued the DOI, arguing that Lease Sale 53 would have a direct affect on the California coastal zone and that the DOI was, therefore, required to submit a "consistency determination," not simply a negative determination. A consistency determination is a statement and supporting documentation describing how the proposed federal action will be undertaken in a manner consistent "to the maximum extent practicable" with California's coastal management program. A consistency determination must include a detailed description of the project's effects to the coastal zone and an evaluation of the project against the relevant standards of California's coastal management program (*i.e.*, the Coastal Act). In 1981, the district court for the Central District of California found that not applying consistency review in circumstances where a federal agency initiates a series of events that would have consequences in the coastal zone would thwart the purpose of the CZMA (*State of California By and Through Brown v. Watt*, 520 F.Supp. 1359 (1981)). The court then concluded that lease sales did, in fact, cause such direct effects to the coastal zone.

In 1982, the U.S. Court of Appeals for the Ninth Circuit upheld the lower court's finding that consistency review applied to lease sales (*State of California v. Watt*, 683 F.2d 1253 (1982)). The DOI appealed this decision and in 1984 the Supreme Court decided by a 5-4 vote that OCS lease sales were **not** subject to consistency review (*Interior v. California*, 104 S.Ct. 656 (1984)). The primary basis of the court's decision, however, was not a finding that lease sales did not affect the coastal zone. The Supreme Court found that the DOI was not required to submit a consistency determination prior to a lease sale because Congress did not intend that section 307(c)(1) of the CZMA apply to OCS lease sales. Rather, the Court reasoned that section

307(c)(3)(B) of the CZMA, which requires the consistency review of federally-approved activities conducted by third parties, was the more pertinent section because lease sales were, in the Court's opinion, conducted by third parties, not the federal government. The Court went on to conclude that because Congress had included the exploration and development phases under section 307(c)(3)(B) but not lease sales, that consistency review was not required of lease sales.

3.1.8 Congressional Response

Following the Supreme Court's 1984 lease sale ruling, the coastal states and affected local governments redirected their efforts to Congress in the hope that it would amend the CZMA to clarify that OCS lease sales were subject to state consistency review authority. Although no amendment of the CZMA was forthcoming, Congress began in the 1980's to restrict the DOI from the leasing of coastal waters for new offshore drilling through an annual moratorium attached to DOI's appropriations bill. From fiscal year 1982 through fiscal year 1994 the acreage covered by these congressional moratoria grew from 0.7 million acres off California to a total of 460 million acres off the Pacific and Atlantic coasts, in the eastern Gulf of Mexico, and in the Bering Sea off Alaska. In addition, over the years the activities restricted by the moratoria have broadened to include the prohibition of pre-lease activities and exploration and development activities on existing leases. Congressional moratoria on leasing of select OCS areas has been in place for the past 17 years.

In addition to annual congressional leasing restrictions contained in appropriations bills, Congress clarified the "lease sale stage" consistency review question in the Coastal Zone Reauthorization Act of 1990. The reauthorization amended the federal consistency provisions to specify that all federal agency activities, including those outside the coastal zone, that **affect** coastal zone resources (the word "directly" was deleted from section 307(c)(1) of the CZMA) must be consistent, to the maximum extent practicable, with federally-approved state coastal programs. These amendments overruled the Supreme Court's *State of California v. Watt* decision by including OCS lease sales among the activities subject to consistency review.

Due to the consistency review controversy, Lease Sale 73, carried out after the U.S. Court of Appeals Lease Sale 53 decision and prior to the Supreme Court's 1984 decision, was the first and only lease sale to date where the DOI formally submitted a consistency determination to the Coastal Commission. The most recent federal California lease sale, Lease Sale 80 (1984), was conducted following the Supreme Court's 1984 decision but prior to the Coastal Zone Reauthorization Act of 1990. The Coastal Commission therefore did not exercise federal consistency review over this lease sale but instead provided an evaluation of the proposal in the form of "comments" submitted to the federal government.

3.1.9 Executive Branch Response

In June of 1990, after a year of study by a presidential OCS Task Force, President George Bush issued an executive directive deferring new OCS leasing along most of the California coastline until after the year 2000. That directive provided that 87 tracts located in the Santa Barbara Channel and Santa Maria Basin areas could be leased after 1996, depending on the results of certain studies that had been recommended by the National Academy of Sciences as part of the OCS Task Force review. In its review, the National Academy of Sciences had identified information gaps in the areas of oceanographic and socioeconomic research related to OCS leasing. Some of the studies necessary to fill the information gaps have been initiated, but as mentioned earlier in this report, no leasing is being considered off the Pacific Coast in the 1997–2002 MMS five-year Program.

In June 1998, President Bill Clinton also issued a directive under the OCS Lands Act that prevents the leasing of any area currently under moratorium for oil and gas exploration and development prior to June 30, 2012.

3.1.10 Unitization of Federal OCS Leases

Often a single oil and gas reservoir underlies offshore tracts leased by two or more separate owners. In such circumstances, there is a strong motivation for individual lessees to produce as much oil or gas as is possible from the reservoir to prevent the drainage of these resources by the other lessees. This incentive has often led to needless and costly drilling and the large-scale waste of oil and gas. "Unitization" is a conservation measure designed to avoid wasteful production practices. Through a "unit agreement," all interest, ownership, and control of a prospective offshore oil and gas field is pooled under a single representative operator or company to develop the multiple offshore leases related to that field as if they constituted a single lease. Such unitization agreements maximize the recovery of oil and gas from a given reservoir, eliminate the drilling of unnecessary wells, reduce development and production costs, and protect the rights of operators, lessees, and royalty interest owners. Currently, there are 17 units on the California OCS (*See Table 2*).

3.2 The State Leasing Program

3.2.1 State Leasing Activities

Prior to the 1969 oil spill, the State Lands Commission had leased 153,597 acres of tide and submerged lands, comprising 58 leases, under a sequential leasing program. At that time bonus and royalty revenue received under these leases was \$190 million and \$633 million respectively. No other leases have been issued. State leases are varying sites depending on the adjacent shoreline geography.

The cumulative production and cumulative revenue from offshore development is 2.2 billion barrels and \$6.2 billion, respectively. The offshore oil and gas revenue has historically been distributed in accordance with Section 6217 of the Public Resources Code including funds for the benefit of the Water Fund and for the Capital Outlay Fund for Public Higher Education. In 1997, Section 6217 was amended providing for the primary beneficiary of the revenue to be the Resources Trust Fund (to preserve and protect the natural and recreational resources of the State and administered by the Department of Fish and Game).

Table 2. Active Units in the Pacific OCS Region

	Name of Unit	Unit Operator	No. of Leases in Unit*	Producing	Leases in Unit	Platform(s)
1	Beta	Aera	4	Yes	296, 300, 301, 306	Edith, Ellen, Elly, Eureka
2	Bonito	Nuevo	7	No	499, 500, 443, 445, 446, 449	
3	Cavern Point	Venoco	2	No	210, 527	
4	Gato Canyon	Samedan	3	No	460, 462, 464	
5	Lion Rock	Aera	6	No	396, 397, 402, 403, 408, 414	
6	Pitas Point	Nuevo	2	Yes	234, 346	Habitat
7	Point Arguello	Chevron	4	Yes	315, 316, 450, 451	Harvest, Hermosa, Hidalgo
8	Point Sal	Aera	4	No	415, 416, 421, 422	
9	Point Hueneme	Nuevo	2	Yes	202, 203	Gina
10	Point Pedernales	Torch	4	Yes	437, 438, 440, 441	Irene
11	Purisima Point	Aera	4	No	426, 427, 432, 435	
12	Rocky Point	Chevron	3	No	452, 453	
13	Santa Clara	Venoco	7	Yes	204, 205, 208, 209, 215, 216, 217	Gail, Gilda, Grace
14	Santa Maria	Aera	8	No	420, 424, 425, 429, 430, 431, 433, 434	
15	Santa Ynez	Exxon	16	Yes	180, 181, 182, 183, 187, 188, 189, 190, 191, 192, 193, 194, 195, 326, 329, 461	Hondo, Harmony, Heritage
16	Sword	Conoco	4	No	319, 320, 322, 323A	
17	Tranquillon Ridge	Torch	2	Yes	441, 444	Irene

* No. of leases or portions of leases in each unit.
Nuevo is suboperator for 0296, Platform Edith
Nuevo is suboperator for 0215 and 0216, Platform Gilda

3.2.2 Coastal Commission Involvement in State Leasing

Since the establishment of the Coastal Commission in 1972 there has been only one lease sale proposed in state waters. In 1983 the State Lands Commission approved the leasing of eight tracts of tide and submerged lands located between Point Conception and Point Arguello in Santa Barbara County encompassing some 40,000 acres. The lease sale did not take place. At that time the Coastal Commission and the State Lands Commission disagreed as to whether an offshore lease sale in state waters required a coastal development permit. The agencies approached this issue with a memorandum of understanding, which enabled the Coastal Commission and the State Lands Commission to review the lease sale on the merits.

Ultimately litigation filed by environmental groups blocked the lease sale. No further proposals for state leasing have been made since that time. The establishment of administrative oil and gas leasing sanctuaries by the State Lands Commission and the passage of the California Coastal Sanctuary Act of 1994 by the state legislature, appears to have made the jurisdictional issue moot.

4.0 FEDERAL AND STATE OCS LEASING AND DRILLING MORATORIA

4.1 Federal Moratoria

Except for the limited geographic area of waters within National Marine Sanctuaries, no portion of the federal OCS has a permanent moratorium on oil and gas leasing and development. However, temporary moratoria have been in place in select areas of the OCS for the past 17 years. Presently, a one-year congressional OCS moratorium contained in the FY 1999 Department of the Interior Appropriations bill precludes the expenditure of funds for new federal offshore oil and gas leasing in specific coastal areas until October 1, 1999. This congressional OCS moratorium includes a prohibition on new leasing along the entire U.S. West Coast.

In addition to the congressional moratoria, the Bush and Clinton administrations also issued directives under the OCS Lands Act to restrict the leasing of new offshore areas. In 1990, President George Bush directed that all areas protected by congressional moratoria be deferred for leasing consideration until after the year 2002. This deferral included the federal OCS offshore of California. In June 1998, President Bill Clinton also issued a directive under the OCS Lands Act that prevents the leasing of any area currently under moratorium for oil and gas exploration and development prior to June 30, 2012. These OCS "presidential deferrals" can be reversed by subsequent administrations.

The only way to make the federal leasing moratoria permanent is for Congress to pass a statute specifying which areas on the OCS are permanently not available for leasing and for the President to sign it into law.

Also, congressional moratoria and presidential leasing deferrals **do not** restrict the development of already leased areas.

4.2 State Moratoria

4.2.1 Establishment of State Oil and Gas Leasing Sanctuary Zones

Although the State Legislature had placed most of the California coast off limits to oil and gas leasing and development through a variety of oil and gas "sanctuary" statutes, large areas of the coast remained unprotected, including much of Mendocino and Humboldt counties and parts of Los Angeles, Ventura, and Santa Barbara counties. In order to remedy this situation the State Lands Commission, on October 26, 1988 and December 6, 1989, filled in the remaining gaps in the sanctuary statutes and administratively foreclosed the possibility of new oil and gas leasing in state coastal waters. This administrative sanctuary was later incorporated by the legislature in its comprehensive ban on new oil and gas leasing, through the California Coastal Sanctuary Act of 1994.

Pursuant to this statute, all state coastal waters, except those under lease on January 1, 1995, are permanently included in the sanctuary. The State Lands Commission is prohibited from issuing new oil and gas leases unless it determines that oil and gas are being drained by means of wells upon federal lands and the lease is in the best interest of the state, or the President has found a severe energy supply interruption and the Governor and the legislature act to allow further development of the state's offshore oil and gas resources.

4.2.2 Drilling Moratoria

The drilling moratorium imposed by the State Lands Commission in 1969 following the well blowout in federal waters offshore Santa Barbara has been lifted on 35 of the existing active leases, with the remaining seven leases still subject to the moratorium. Of these seven, five have never been developed (see Appendix 2, Status of Active State Offshore Leases). In order to make the drilling moratorium permanent on these leases they would have to be reacquired by the state.

5.0 STATUS OF PRODUCING LEASES

5.1 Federal Waters

Of the 83 tracts leased in the federal OCS offshore California, 43 are developed and are currently producing. There are 23 platforms located within eight of the 17 active federal OCS units (See Table 3). The remaining nine units are undeveloped at this time. (See Maps 1-4.)

Table 3. Platforms in Federal Waters

Platform	Operator	Lease/Lease Sale	Field	Year Installed	# of Well Slots	Water Depth (ft.)
<i>Existing</i>						
Edith*	Nuevo	0296/35	Beta	1983	72	161
Ellen/Elly	Aera	0300/35	Beta	1980	80	265/255
Eureka*	Aera	0301/35	Beta	1984	60	700
Gail*	Venoco	0205/P4	Sockeye	1987	36	739
Gilda*	Nuevo	0216/P4	Santa Clara	1981	96	205
Gina*	Nuevo	0202/P4	Hueneme	1980	15	95
Grace*	Venoco	0217/P4	Santa Clara	1979	48	318
Hogan	Pacific Operators	0166/P3	Carpinteria Offshore	1967	66	154
Houchin	Pacific Operators	0166/P3	Carpinteria Offshore	1968	60	163
Henry	Nuevo	0240/P4	Carpinteria Offshore	1979	24	173
Habitat*	Nuevo	0234/P4	Pitas Point	1981	24	290
Hillhouse	Nuevo	0240/P4	Dos Cuadras	1969	60	190
A	Nuevo	0241/P4	Dos Cuadras	1968	57	188
B	Nuevo	0241/P4	Dos Cuadras	1968	63	190
C	Nuevo	0241/P4	Dos Cuadras	1977	60	192
Harmony*	Exxon	0190/P4	Hondo	1989	60	1,198
Harvest*	Chevron	0315/48	Point Arguello	1985	50	675
Heritage*	Exxon	0182/P4	Pescado	1989	60	1,075
Hondo	Exxon	0188/P4	Hondo	1976	28	842
Hermosa*	Chevron	0316/48	Point Arguello	1985	48	603
Hidalgo*	Chevron	0450/53	Point Arguello	1986	56	430
Irene*	Torch	0441/53	Point Pedernales	1985	72	242
<i>Approved (not installed)</i>						
Heather*	Exxon	0193/P4	Sacate	Not installed	28	620
Julius*	SFOGI	0409/53	San Miguel	Not installed	70	478
Independence*	Torch	0440/53	Point Pedernales	Not installed	60	285

* Required Coastal Commission Approval

Current oil and gas production from the California OCS is 120,000 barrels (BBls) of crude oil per day and 210,000 thousand cubic feet (Mcf) of gas per day. The cumulative totals for oil and gas production from the California OCS as of September 1998 are 904 million BBls of oil and 1 billion Mcf of gas.

5.2 State Waters

Of the 42 total tracts leased in state waters 17 are currently developed and producing oil and gas. The leases are developed from onshore and offshore locations, with wells directionally drilled from a fixed drill site (See Maps 1-4). There are currently four offshore drilling and production platforms and six man-made islands in state waters (see Table 4). These structures were constructed in the 1950's and 1960's with the exception of Platform Esther, originally installed as an island in 1965, but after severe storm damage, rebuilt as a platform in 1986. Seven platforms have been abandoned and removed from state tidelands.

Current daily production from state waters is 58,500 BBls of crude oil per day and 20,000 Mcf of gas per day. The cumulative totals for oil and gas production from California State waters as of January 1, 1999, are 2.2 billion BBls of oil and 1.6 billion Mcf of gas.

All of these facilities were installed prior to the passage of the Coastal Act, and were not therefore subject to Coastal Commission approval. However, the Commission did grant a coastal development permit for the conversion of Esther from an island to a platform in 1986.

Table 4. Platforms in State Waters

Platform/ Island	Operator	Lease/Lease Sale	Field	Year Installed	# of Well Slots	Water Depth (ft.)
Emmy	Aera	425	Huntington Beach	1963	53	47
Eva	Torch	3033	Huntington Beach	1964	39	57
Esther**	Torch	3095	Belmont	1986	64	35
Belmont* (1)	Exxon	186	Belmont	1954	70	42
Grissom*	Thums	L.B. Unit	Wilmington	1967	224	40
White*	Thums	L.B. Unit	Wilmington	1967	176	40
Chaffee*	Thums	L.B. Unit	Wilmington	1967	261	40
Freeman*	Thums	L.B. Unit	Wilmington	1967	245	40
Rincon*	Rincon Island	1466	Rincon	1958	68	45
Holly	Venoco	3242	So. Ellwood	1966	30	211

* Island

** Initially an island, rebuilt as a platform

(1) Currently being abandoned

6.0 STATUS OF ALL NON-PRODUCING LEASES

The petroleum industry currently possesses a total of 65 federal and state offshore leases that are not producing oil or gas. These offshore leases include 40 federal leases on the Outer Continental Shelf that were leased between 1968 and 1984, along with 25 state leases in California tidelands that were leased between 1958 and 1968 (See Maps 1-4). Most of these leases have been explored for oil and gas. None of the 40 federal leases have ever been developed.

However, 20 of the 25 non-producing state leases have produced oil at some time in the past. Lease 409, in federal waters is the only one of the 65 with a past-approved development and production plan (See Appendix 1, *Status of Undeveloped Federal Offshore Leases*, and Appendix 2, *Status of Active State Offshore Leases*).

The Coastal Commission staff believes that there are enough changed circumstances and potential changes in coastal zone impacts to warrant a new consistency review if the owners of Lease 409 choose to place a platform and develop the lease.

6.1 California Offshore Oil and Gas Energy Resources (COOGER)

During the 1992-1997 federal lease sale comment period, a number of interested parties, including the Coastal Commission, expressed concern that the analysis of lease sales did not consider in any comprehensive fashion the potentially adverse onshore effects of offshore oil and gas development. In 1989, the National Academy of Sciences issued a report, confirming that the Department of the Interior lacked sufficient information about the onshore effects of offshore leasing and development, among other things, in order to make sound policy decisions. This report led to the 1990 moratorium on federal leasing, issued as an Executive Order by President George Bush.

In 1993, the Minerals Management Service ("MMS") announced its California Offshore Oil and Gas Energy Resources ("COOGER") Study, envisioning the report to address some long-standing concerns of the tri-county region (San Luis Obispo, Santa Barbara and Ventura counties) about the onshore effects of California offshore oil and gas development. Since 1993, the Coastal Commission and State Lands Commission have participated in a Steering Committee for the preparation of the COOGER Study, charged mainly with the tasks of quality control and content, while the MMS manages the day-to-day development of the study.

The COOGER Study is to examine select onshore constraints to developing the existing undeveloped offshore state and federal oil and gas leases. COOGER considers a potential range of different rates and configurations for developing the leases, including no new development whatsoever, over a 20-year period that starts January 1, 1995 and ends January 1, 2015.

The COOGER Study was originally designed to compare projected development scenarios with select onshore physical, environmental and socioeconomic constraints. However, after receiving public comments on a partial draft of the COOGER study, the Steering Committee decided in April 1999 to narrow the COOGER Study's contents to comparisons of projected development scenarios with onshore physical constraints only. This new focus eliminates review of environmental and socioeconomic constraints. Instead, environmental and socioeconomic issues will be addressed in site-specific environmental reviews if and when any new offshore oil and gas development occurs.

The COOGER study contractor is currently revising the study as directed by the Steering Committee. Once the draft is complete, the MMS plans to circulate it for public comment and hold public workshops. The MMS estimates release of a draft of the entire COOGER Study in June 1999.

6.2 Federal Waters

6.2.1 Lease Terms

Each of the 40 undeveloped leases has a primary lease term of five years. In accordance with MMS regulations, an oil and gas lease shall continue after its primary term for as long as oil or gas is produced from the lease in paying quantities, or drilling or well reworking operations are conducted (*30 CFR 256.37(b)*). Failure to meet these requirements may result in lease termination unless the lease term is otherwise extended.

The term of an oil and gas lease may be extended at the request of the lessee or at the direction of the MMS by means of a lease suspension. The 40 undeveloped federal leases are all beyond their primary lease term of five years. However, each of the leases has been extended through a series of lease suspensions (*See Appendices 1 and 3*).

A lease suspension extends the lease term for a period of time equal to the period of the suspension. At the request of a lessee or on its own initiative, the MMS may suspend production or operation of a lease or unit when it determines that to do so is in the national interest and necessary as defined in accordance with federal regulations (*30 CFR 250.110*). A suspension required by the MMS as opposed to one granted at the request of a lessee is known as a "directed suspension." A "suspension of production" ("SOP") may be granted for a lease with a well capable of producing in paying quantities. A "suspension of operation" ("SOO") may be granted for either producing or non-producing leases.

From January 1993 through June 1999, all of the leases have been under MMS directed suspension of operation during the preparation of the COOGER study. The original suspension was issued for the period between January 1, 1993, through December 31, 1995. MMS has since extended the suspension four times to allow the completion of the COOGER study. Unless

further extended, the suspension will terminate on June 30, 1999. The MMS advised the lessees to provide a written request for suspension by May 15, 1999, proposing to either (1) revise previously approved EPs, (2) propose new EPs, or (3) propose DPPs, if they wished to maintain their leases. The MMS specified that the requests for suspension must include a schedule for submissions of EPs or DPPs. The MMS has received the suspension requests, and is currently reviewing the submissions for completeness.

The MMS expects that the lessees will propose revisions to their EPs for additional seismic and resource surveys and delineation wells to enable the operators to plan for the development of the leases. The MMS believes that these revisions may result in impacts substantially different from those previously identified in the original EPs. In such case, new federal consistency review will be required (see Section 6.2.3 below).

6.2.2 Diligence Requirement

In accordance with OCSLA Section 205(b)(4), an oil and gas lease entitles the lessee to explore, develop, and produce oil and gas contained in the lease area in accordance with "due diligence" requirements. The term "due diligence" or "reasonable diligence" appears in the lease instruments. It is not defined in either the OCSLA, the MMS regulations or the lease. Although the specific language varies somewhat for each lease sale, diligence requirements are generally described as the requirement to carry out all operations in a timely and orderly manner and in accordance with approved methods and practices (*e.g.*, "properly and timely developed and produced in accordance with sound operating principles").

6.2.3 Past Coastal Commission Action to Explore/Develop Federal Leases

Between 1981–85, leaseholders proposed plans for the exploration of 35 of the 40 federal tracts not yet developed. The Coastal Commission concurred with federal consistency certifications for exploration of 34 of the 40 leases. The Coastal Commission objected to the exploration plan ("EP") for Lease 414. No EPs have been submitted for Leases 210, 429, 462, 464 and 527. A total of 139 exploratory wells on 34 leases have Coastal Commission approval. To date, 39 wells have been drilled on 23 of the 34 leases with Coastal Commission approved EPs. There are 100 wells with Coastal Commission approval that have not been drilled. Discoveries have occurred on 18 leases. Forty-seven approved wells have not been drilled on leases for which no discoveries have been made.⁶ In 1987 the Coastal Commission also approved one development and production plan ("DPP") for Lease 409—Platform Julius. Platform Julius was not installed (*See Appendix I*).

The MMS estimates that of the 40 undeveloped leases 14 could potentially be developed from existing platforms as reflected below in Table 5. A total of four new platforms may be necessary

⁶ Leases 319, 402, 420, 421, 425, 426, 430, 431, 432, 433, 445, 453, 499, and 500.

to develop the remaining 26 leases. However, future advances in drilling technology may allow development of these leases with fewer platforms.

The 40 undeveloped leases are organized into nine separate "units" and one lease not within a unit (See discussion of "unitization" in Section 3.1.10 of this report). A unit provides for the minimum number of leases that will allow the lessees to minimize the number of platforms, facility installations, and wells necessary for efficient exploration, development, and production. Unitization is addressed in 30 CFR 250.1300.

Leases are organized into operating units (for exploration, development, and production) to promote and expedite exploration and development, to conserve natural resources, to prevent waste, and to protect correlative rights including federal royalty interests. Typically, a unit operator is designated by the lessees. The operator is the point of contact for all issues pertaining to the unit.

Rather than work with multiple EPs on each unit, a single EP for each unit can address the required delineation wells (for those units with a discovery) or exploration wells (for the one unit that has yet to be drilled).

Table 5. Federal Leases Developable from Existing or New Platforms

Unit Name	Lease #s	Owner/Operator	Reachable from Existing Platform	Possible New Platform
Cavern Point	210, 527	Venoco	Platform Gail/Grace	
Gato Canyon	460, 462, 464	Samedan	No	Likely
Sword	319, 320, 322, 323A	Conoco	Platform Hermosa	
Rocky Point	452, 453	Chevron	Point Arguello Platforms*	
Bonito	443, 445, 446, 449, 499, 500	Nuevo	Possibly tie into Platform Irene via pipeline	Likely
Santa Maria	420, 424, 425, 429, 430, 431, 433, 434	AERA	No	1 new platform likely to access both of these units
Purissima Point	426, 427, 432, 435	AERA	No	
Point Sal	415, 416, 421, 422	AERA	No	1 new platform likely to access both of these units
Lion Rock	396, 397, 402, 403, 408, 414, 409**	AERA	No	

* Harvest, Hermosa, Hidalgo

** Lease 409 is adjacent to but is not currently part of the Lion Rock Unit

6.2.4 Coastal Commission Role in Reviewing Future Plans of Exploration/Development of the OCS

Newly Proposed Activities

The CZMA provides that OCS exploration plans ("EP") or development and production plans ("DPP") shall be consistent with the federally approved coastal management programs of affected states in order for those oil and gas plans to be approved. Accordingly, any newly proposed EP or DPP is subject to Coastal Commission federal consistency review. Lease 409 could potentially be developed under the previously approved DPP. The remaining 39 leases will need MMS approval and Coastal Commission consistency review before development can occur. The federal consistency review process is discussed in greater detail in Section 2.9 of this report.

Renewals or Major Amendments for Activities not Previously Reviewed

The regulations that implement the CZMA provide that renewals or major amendments to federal permits or licenses for activities not previously reviewed by the state that effect the coastal zone are subject to federal consistency review (*15 CFR §930.51(b)(1)*).

Previously Reviewed Activities

With respect to the 34 OCS EPs and the one DPP for which the Coastal Commission has granted consistency certification, the Coastal Commission retains federal consistency review over any renewals or major amendments. However, the CZMA's regulations in *15 CFR §§ 930.51* and *930.71* limit consistency of activities previously reviewed by the State agency to renewals or modification that will cause coastal zone effects substantially different than those originally reviewed.

In addition, *15 CFR § 930.86* authorizes the Coastal Commission to monitor previously reviewed activities. **The Commission may request from the MMS an additional consistency review if it determines that an MMS-approved activity either is not being conducted in accordance with an approved EP or DPP, or is having coastal zone effects substantially different than described in the original review.** The Coastal Commission may appeal to the Secretary of Commerce a refusal by the MMS to grant a request for such an additional review. In either case, the Coastal Commission or its staff must determine that the activities are causing coastal zone effects **substantially** different than those originally reviewed by the Coastal Commission in order to have an opportunity for a new consistency review.

Re-Leasing

As discussed in Section 3.1.8 above, the Coastal Zone Reauthorization Act of 1990 clarified that OCS lease sales are subject to the federal consistency review process. Therefore, the proposed

re-leasing of any previously expired OCS leases would trigger Coastal Commission federal consistency review. If any of the 40 undeveloped OCS leases were to expire, their re-leasing would be subject to Coastal Commission review.

6.3 State Waters

6.3.1 Development Potential

Of 42 total active state leases, 25 are not currently producing oil or gas. Of the 25 non-producing leases, the State Lands Commission estimates that 20 have future development potential. However, it is unlikely that all of these 20 leases will be developed. (Please see Maps 1-4 for lease locations and Appendix 2 for additional details on state leases).

Although the five remaining state leases may have exploratory prospects, the lack of readily available onshore or offshore drill sites or industry interest indicates that there will be no active exploration program on these leases and that they will most likely be returned to the state.

6.3.2 Lease Terms/Due Diligence Requirements

State leases generally provide for an initial drilling term within which time the lessee must initiate drilling operations. Most of the leases provide for the drilling term to be three years from the date of issuance of the lease. The lessee may start and stop drilling operations at any time within this period. Beyond the three years in which the lessee has to initiate drilling the leases call for new wells to be drilled, with no more than 120 days between wells, until the lease is completely developed. The drilling moratorium established by the State Lands Commission in 1969 suspended this obligation.

6.3.3 Coastal Commission Role in Reviewing Future Plans of Exploration/Development in State Tidelands

A lessee who proposes to explore or develop a state lease must obtain a coastal development permit if the project is proposed in state waters or onshore within the coastal zone. The Coastal Commission has coastal development permit jurisdiction over development activities in state waters. The Coastal Commission also has permit jurisdiction over onshore projects located in areas where the local government does not have a certified local coastal program ("LCP"). The standard of review is the Chapter 3 policies of the Coastal Act.

If a project is proposed onshore in an area where the local government has a certified LCP, the local government has coastal development permit issuance authority. The standard of review for a project that requires a coastal development permit from a local government with a certified LCP is the policies and implementing ordinances of the certified LCP. However, major energy projects are appealable to the Coastal Commission.

7.0 APPROVALS NECESSARY TO DEVELOP OIL AND GAS LEASES

Pursuant to *Section 307(c)(3)(B) of the Coastal Zone Management Act (16 U.S.C. § 1456(c)(3)(B))*, all applicants for MMS approval of a plan for development of or production from an area leased under the OCS Lands Act shall provide to the Coastal Commission a "consistency certification" that the proposed activity complies with and will be conducted in a manner consistent with policies and standards contained in California's federally-approved Coastal Management Program ("CCMP"). In addition, other federal, state and local approvals will be required depending on the configuration of the development plan. Examples of these are:

- The United States Army Corps of Engineers
- U.S. Coast Guard
- U.S. Environmental Protection Agency
- U.S. Fish and Wildlife Service
- U.S. National Marine Fisheries Service
- California State Lands Commission
- Local Air Pollution Control District
- Local government in the county where the oil is being brought ashore.

Since 1973 approvals from a variety of state and local governmental agencies have facilitated development on state leases. To develop the five remaining undeveloped state leases, or expand existing developed leases, would require similar approvals from agencies such as the following:

- California State Lands Commission
- Coastal Commission
- Department of Fish and Game
- Office of Oil Spill Prevention and Response
- Department of Oil, Gas and Geothermal Resources
- Regional Water Quality Control Board
- Local Air Pollution Control District
- Local government
- US Army Corps of Engineers if a new platform is placed in State waters
- Minerals Management Service if a federal platform is used as a drill site

8.0 POTENTIAL NEXT STEPS FOR THE COASTAL COMMISSION

The Coastal Commission has regulatory responsibilities under the California Coastal Act and the federal Coastal Zone Management Act that it must adhere to in further actions regarding the 40 non-producing OCS leases. A key element of the Commission's regulatory responsibility is to review each proposed oil and gas development or activity on a case-by-case basis. The Coastal Commission staff will take the following next steps to continue the Coastal Commission's involvement in reviewing potential further exploration and development on the 40 non-producing OCS leases:

8.1 Review Requests for Suspensions

The Coastal Commission staff will work with MMS to actively review (in consultation with other interested parties) the requests for suspensions and respond to the MMS on whether the lessees' suspension proposals have appropriate environmental analysis and safeguards built into the schedules of activities prior to MMS' June 30, 1999 action.

8.2 Request that the MMS Notify the Commission of All Changes Proposed to Past Consistency Approvals

Review all suspension requests to determine if there is adequate information currently available to determine if a new federal consistency certification for the exploration plans and other activities specified in the suspension request is appropriate. Staff will work with MMS to try to come to agreement on the consistency review process for all activities specified in any suspension granted by the MMS.

8.3 Hold a Coastal Commission Workshop in Late Summer or Fall 1999

The Coastal Commission staff proposes to schedule a follow-up Commission workshop to discuss the Coastal Act issues that the activities proposed by the lessees of the 40 non-producing leases raise. A workshop will allow all parties to discuss some of the critical Coastal Act issues including but not limited to:

- ▲ Oil spill prevention and clean-up
- ▲ Marine resources
- ▲ Air quality
- ▲ Onshore pipeline transportation of oil to refinery destinations
- ▲ Visual impacts
- ▲ Policies of the LCPs of affected local governments
- ▲ Commercial and sport fishing
- ▲ Consolidation of facilities
- ▲ Protected species

Identification and discussion of these issues in a public forum prior to submission of individual consistency certifications would be valuable to all parties.

8.4 Determine for Each Lease Whether Additional Consistency Review will be required

It is necessary to conduct a case-by-case review of past Coastal Commission consistency actions and compare that action with the lessees' proposed activities and schedule to determine if a new consistency review will be required.

8.5 Conduct Federal Consistency Review of All New Proposed Seismic Surveys

The Coastal Commission staff will process all proposals for high energy seismic surveys pursuant to the agency review process agreed to by the High Energy Seismic Survey ("HESS") Team. Since 1996, the Coastal Commission and State Lands Commission have participated in an MMS-sponsored HESS Team to develop a recommendation for improving the process that regulatory agencies follow in reviewing high energy seismic surveys. A seismic survey proposed in federal waters will require federal consistency review.

8.6 Conduct Federal Consistency Review of All Proposed Exploration Plans

As they are submitted over the next few years, the Coastal Commission staff will review and schedule public hearings for Commission review and action on each consistency certification for exploration plans. Commission staff will work closely with the MMS, local governments, and other interested parties to share information as it becomes available about proposed activities.

8.7 Conduct Federal Consistency Review of All Proposed Development and Production Plans

As they are submitted over the next few years, the Coastal Commission staff will review and schedule public hearings for Commission review and action on each consistency certification for development and production plans. Commission staff will work closely with the MMS, local governments, and other interested parties to share information as it becomes available about proposed activities.

9.0 GLOSSARY OF TERMS

Barrel (BBL) — A barrel of oil equals 42 gallons.

Block — A geographical area having a square dimension of approximately three miles on a side (nine square miles, 5,760 acres, or 2,331 hectares) on the California (Lambert) Plane Coordinate System and 5,693 acres (2,304 hectares) on the Universal Transverse Mercator System (used north of Point Conception and southwest of San Diego). It is used in official MMS protraction diagrams or leasing maps (see Tract).

BPD (bpd) — Barrels per day.

California Coastal Act — A law enacted by the California legislature in 1976 which regulates development within the coastal zone from the Oregon border to the border of Mexico. The policies of the Act are aimed at protection and preservation of coastal environmental resources as well as the protection and promotion of public use and enjoyment of coastal resources. The Coastal Commission established under the Act regulates development in the zone through a coastal permit process until local governments in the zone establish their local coastal programs (LCPs). The Commission retains permit and appeal authority over certain areas and/or over certain types of development.

California Coastal Management Program (CCMP) — The management program for the coastal zone of the state of California that the NOAA approved in 1978 pursuant to section 306 of the CZMA. The term "management program" is defined in section 304(12) of the CZMA.

Christmas Tree — The assembly of pipes, valves, and fittings at the top of the casing which is used to control the flow of oil and gas from a producing well.

Coastal Zone Boundary — The specific mapped area of the State of California established by the Coastal Act of 1976 from the Oregon border to the border of the Republic of Mexico which extends seaward to the State's outer limit of jurisdiction, including all offshore islands, and extending inland generally 1,000 yards from the mean high tide line of the sea. In significant coastal estuarine, habitat, and recreational areas it extends inland to the first major ridgeline paralleling the sea or five miles from the near high tide line of the sea, whichever is less, and in developed urban areas the zone generally extends inland less than 1,000 yards.

Coastal Zone Management Act (CZMA) — A federal law enacted in 1972 to "protect, preserve, develop and, where possible, restore, or enhance the resources of the nation's coastal zone," through encouragement and assistance to states and through state participation in decisions affecting the coastal zone. The states establish coastal management programs subject to federal review and approval which outline principles for development and protection. Federal actions must be consistent with State Coastal Management Plans to the maximum extent

practicable. Applicants for federal licenses and permits must submit consistency certifications. A 1976 amendment provides that OCS lessees must submit a consistency certification on exploration and development and production plans for State review and concurrence. An objection can be appealed to the Secretary of Commerce.

Development — Activities that take place following exploration for, discovery of, and delineation of hydrocarbons in commercially recoverable quantities (including but not limited to geophysical activity, drilling, platform construction, placement, and operation of all directly related onshore support facilities) and that are for the purpose of ultimately producing the hydrocarbons discovered.

Development and Production Plan (DPP) — A plan describing the specific work to be performed on an offshore lease or leases, including all development and production activities that the operator proposes to undertake during the time period covered by the plan and all actions to be undertaken up to and including the commencement of sustained production. The plan also includes descriptions of facilities and operations to be used; well locations; current geological and geophysical information; environmental safeguards; safety standards and features; time schedules; and other relevant information. Under 30 CFR 250.34, all lease operators are required to formulate and obtain approval of such plans by MMS. Before final approval by MMS, the operator must receive a consistency certification by the California Coastal Commission or an override to a Commission objection by the Secretary of Commerce. If the plan is for development in state tidelands, then the lease operation must receive approval from the State Lands Commission as well as coastal permit approval from the Coastal Commission.

Exploration — The process of searching for hydrocarbons. Exploration activities include (1) geophysical surveys where magnetic, gravity, seismic, or other systems are used to detect or infer the geologic conditions conducive to the accumulation of such minerals; and (2) any drilling, except development drilling, whether on or off known geological structures. Exploration also includes the drilling of a well in which a discovery of oil or natural gas in paying quantities is made and the drilling of any additional well after such a discovery that is needed to delineate a reservoir and to enable the lessee to determine whether to proceed with development and production.

Exploration Plan (EP) — A plan based on all available relevant information about a leased area that identifies, to the maximum extent possible, all the potential hydrocarbon accumulations and wells that the operator proposes to drill to evaluate the accumulations within the entire area of the lease(s) covered by the plan. Under 30 CFR 250.33, all lease operators are required to formulate and obtain approval of such plans by the Regional Director of MMS before exploration activities can commence. Before final approval by MMS, the operator must receive a consistency certification by the California Coastal Commission or an override to a Commission objection by the Secretary of Commerce. If the plan is for development in state tidelands, then the lease operator must receive approval from the State Lands Commission as well as a coastal

permit approval from the Coastal Commission and any other applicable state, federal, and local permits.

Field — An area within which hydrocarbons have been concentrated and trapped in economically producible quantities in one or more structural or stratigraphic related reservoirs.

Lease — A contract authorizing exploration for and development and production of minerals; the land covered by such a contract.

Lease Sale — The public opening of sealed bids made after competitive submittal for leases granting companies or individuals the right to explore for and develop certain minerals within a defined period of time.

Local Coastal Program (LCP) — Individual county and city coastal programs mandated by the California Coastal Act of 1976, each consisting of a land-use plan and zoning implementation ordinances.

OCS Lands Act (OCSLA) — A federal law enacted in 1953 which gave primary control to the federal government of submerged lands beyond the three-mile limit of the territorial sea. The Act was amended in 1978 to require the Secretary of Interior (DOI) to select the size, timing, and location of lease sales in a manner that balances the potential for oil discovery and adverse impacts on the coastal zone. The Act was amended again in 1986 to require the distribution of a portion of the receipts from the leasing of mineral resources of the OCS to coastal states.

OCS Orders — Orders issued by the Minerals Management Service (MMS) for each OCS area. These orders govern oil and **gas lease operations and specify procedures and practices** that are required by the MMS during exploration and development and production activities. In 1988, MMS consolidated and restructured the regulations at 30 CFR 250 Parts 250 and 256, which govern oil, gas, and sulphur exploration, development, and production on the OCS. At that time, OCS Orders were incorporated into these regulations.

Outer Continental Shelf (OCS) — All submerged lands lying seaward of the state tidelands. Jurisdiction and control over these lands was asserted in 1945 by President Truman. The so-called Truman Proclamations were incorporated into domestic law by enactment of Congress in 1953 of the Submerged Lands Act (67 Stat. 29) and the Outer Continental Shelf Lands Act (67 Stat. 462).

Platform — A fixed steel or concrete structure from which offshore development wells are drilled and produced oil/gas/water is processed. It consists of a jacket or welded frame which is positioned almost totally underwater and attached to the ocean floor with piles driven through hollow legs. The deck section where drilling activities occur is welded to the top of the jacket.

Produced Water — Salt water produced from the oil from a well.

Production — Activities that take place after the successful establishment of means for the removal of hydrocarbons, including such removal, field operations, transfer of hydrocarbons to shore, operation monitoring, maintenance, and workover drilling.

Seismic Survey — The investigation of underground strata by recording and analyzing shock waves artificially produced and reflected from subsurface bodies of rock.

Stipulations — Conditions of leases under which the federal offshore leases must be developed.

Submerged Lands — As defined in section 13577(e) of the Commission's regulations, "submerged lands" are "lands which lie below the line of mean low tide."

Submerged Lands Act — A federal statute comprising Chapter 29 of Title 43, United States Code. Subchapter III of the Submerged Lands Act is also known as the Outer Continental Shelf Lands Act (OCSLA).

Subsea Completion — A production well in which the Christmas tree assembly is located at or near the ocean bottom rather than on a platform. The produced liquids or gases are then transferred from the well head either to a nearby fixed platform or to a shore facility for processing.

Tide Lands — As defined in section 13577(d) of the Commission's regulations, "tidelands" are "lands which are located between the lines of mean high tide and mean low tide."

Tract — An areal unit usually consisting of a single block from an official protraction diagram. Groups of tracts, having sale-specific numbers, were selected and offered for lease prior to implementation of areawide leasing. Through Lease Sale 80, this was an identification number assigned to a block for a particular lease sale. In the future, MMS will not use tract numbers (see Block).

Unitization — A process by which two or more leaseholders allow one company to serve as the operator for exploration, development, and/or production of the affected leases.

Appendix 1: Federal Undeveloped Lease Table *Note regarding status: the California Coastal Commission will make a case-by-case review of each.*

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
N/A	409	Aera ⁷ Delta ⁸ Ogle ⁹ OLAC ¹⁰ Samedan ¹¹	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86–6/87 SOP* for proposed installation of Platform Julius. ▲ 7/87–6/89 SOP to obtain permits for construction and installation of Platform Julius. ▲ 6/89–6/90 SOP to obtain permits, reinterpret 3D seismic data, participate in cooperative effort to secure a drilling rig (IROCC). ▲ 7/90–6/94 SOP to reinterpret 3D seismic data, participate in rig cooperative, unitize with Lion Rock Unit. ▲ 1/93–3/99 Directed SOO[†] for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	<ul style="list-style-type: none"> ▲ 9 exploratory wells approved by CCC. ▲ 6 wells drilled between 11/82 and 3/84. ▲ 3 previously approved wells have not been drilled.
Lion Rock Unit	396 402 408 414	Aera Norcen ¹²	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/90 SOP to drill unit well by 1/90. ▲ 7/90–6/94 SOP to participate in rig cooperative (IROCC). Drill and test well. Unitize with 0409. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	<ul style="list-style-type: none"> ▲ 24 exploratory wells approved by CCC for Lion Rock Unit. ▲ 6 wells drilled between 6/82-4/85. ▲ 18 previously approved wells have not been drilled. <p>continued to next page</p>

⁷ Aera Energy, LLC⁸ Delta Petroleum Corporation⁹ Ogle Petroleum, Inc.¹⁰ OLAC Resources, LLC¹¹ Samedan Oil Corporation

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Lion Rock Unit	397 403	Aera Norcen Nuevo ¹³	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/90 SOP to drill unit well by 1/90. ▲ 7/90–6/94 SOP to participate in rig cooperative (IROCC). Drill and test well. Unitize with 0409. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (c). ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	see previous
Point Sal Unit	415 421	Aera Delta Nuevo Ogle OLAC Samedan	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–12/87 SOP to acquire and interpret 3D seismic data; simulation of Monterey reservoir. ▲ 12/87–12/89 SOP to drill unit well by 6/89, finalize 3D analysis. ▲ 7/89–6/94 SOP to participate in rig cooperative (IROCC), drill and test well, evaluate results, commence development planning. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	<ul style="list-style-type: none"> ▲ 14 exploratory wells approved by CCC for Point Sal Unit. ▲ 4 wells drilled between 1/84 and 9/85. ▲ 10 previously approved wells have not been drilled. <p>continued to next page</p>

¹² Norcen Explorer, Inc.¹³ Norcen Energy Company

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Point Sal Unit	416 422	Aera Delta Nuevo Ogle OLAC Samedan	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–12/87 SOP to acquire and interpret 3D seismic data; simulation of Monterey reservoir. ▲ 12/87–12/89 SOP to drill unit well by 6/89, finalize 3D analysis. ▲ 7/89–6/94 SOP to participate in rig cooperative (IROCC), drill and test well, evaluate results, commence development planning. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (c). ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Drilling Restrictions near State Boundary. 	see previous
Purisima Point Unit	426	Aera	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/90 SOP to drill unit well by 1/90. Analyze 3D data. ▲ 7/90–6/94 SOP to reinterpret 3D seismic, redefine unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. ▲ Drilling Restrictions near State Boundary. 	<ul style="list-style-type: none"> ▲ 21 exploratory wells approved by CCC for Purisima Point Unit. ▲ 3 wells drilled between 11/82 and 9/83. ▲ 18 previously approved wells have not been drilled. <p>continued to next page</p>

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Purissima Point Unit	427 432	Aera Nuevo Ogle OLAC Pennzoil ¹⁴ Samedan	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/90 SOP to drill unit well by 1/90. Analyze 3D data. ▲ 7/90–6/94 SOP to reinterpret 3D seismic, redefine unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (c). ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustment. ▲ Drilling Restrictions near State Boundary. 	see previous
	435	Aera Nuevo	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/90 SOP to drill unit well by 1/90. Analyze 3D data. ▲ 7/90–6/94 SOP to reinterpret 3D seismic, redefine unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. ▲ Drilling Restrictions near State Boundary. 	

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Santa Maria Unit	420 424 425	Aera Elf ¹⁵	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86–11/86 Unit held by drilling. ▲ 11/86–11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. ▲ 11/87–11/89 SOP for 3D seismic interpretation. ▲ 11/89–6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	<ul style="list-style-type: none"> ▲ 31 exploratory wells approved by CCC for Santa Maria Unit. ▲ 5 wells drilled between 5/82 and 6/86. ▲ 26 previously approved wells have not been drilled.
	429	Ogle OLAC Nuevo RAM Samedan	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86–11/86 Unit held by drilling. ▲ 11/86–11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. ▲ 11/87–11/89 SOP for 3D seismic interpretation. ▲ 11/89–6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	

¹⁵ Elf Aquitaine Oil Programs

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Santa Maria Unit	430	Aera Elf	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86-11/86 Unit held by drilling. ▲ 11/86-11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. ▲ 11/87-11/89 SOP for 3D seismic interpretation. ▲ 11/89-6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93-3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. 	see previous
	431	Aera Elf	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86-11/86 Unit held by drilling. ▲ 11/86-11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. ▲ 11/87-11/89 SOP for 3D seismic interpretation. ▲ 11/89-6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93-3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. ▲ Drilling Restrictions near State Boundary. 	

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Santa Maria Unit	433	Ogle OLAC Nuevo RAM ¹⁶ Samedan	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86–11/86 Unit held by drilling. ▲ 11/86–11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. ▲ 11/87–11/89 SOP for 3D seismic interpretation. ▲ 11/89–6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. 	see previous
	434	Aera Elf	Aera	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 7/86–11/86 Unit held by drilling. ▲ 11/86–11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. ▲ 11/87–11/89 SOP for 3D seismic interpretation. ▲ 11/89–6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. ▲ Drilling Restrictions near State Boundary. 	

¹⁶ RAM Energy, Inc.

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Bonito Unit	443	Nuevo Poseidon ¹⁷	Chevron Nuevo	53	5/81	5/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/89 SOP to interpret 3D seismic data. ▲ 6/89–12/89 SOP to complete 3D analysis, resolve permitting problems. ▲ 12/89–12/94 SOP to process and interpret 3D seismic data, permitting delays at Gaviota, participate in rig cooperative (IROCC), spud unit well in first quarter 1994. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (b) ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. 	<ul style="list-style-type: none"> ▲ 24 wells approved by CCC for Bonito Unit. ▲ 10 wells drilled between 4/82 and 9/85. ▲ 14 previously approved wells have not been drilled.
	445 449 500	Nuevo Poseidon	Nuevo	53	5/81	5/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/89 SOP to interpret 3D seismic data. ▲ 6/89–12/89 SOP to complete 3D analysis, resolve permitting problems. ▲ 12/89–12/94 SOP to process and interpret 3D seismic data, permitting delays at Gaviota, participate in rig cooperative (IROCC), spud unit well in first quarter 1994. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (b) ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. 	continued to next page

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Bonito Unit	446	Nuevo Poseidon	Nuevo	53	5/81	5/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/89 SOP to interpret 3D seismic data. ▲ 6/89–12/89 SOP to complete 3D analysis, resolve permitting problems. ▲ 12/89–12/94 SOP to process and interpret 3D seismic data, permitting delays at Gaviota, participate in rig cooperative (IROCC), spud unit well in first quarter 1994. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (b) ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. ▲ Drilling Restrictions near State Boundary. 	see previous
	499	Nuevo	Nuevo	RS2	5/81	5/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to acquire and interpret 3D seismic data. ▲ 6/88–6/89 SOP to interpret 3D seismic data. ▲ 6/89–12/89 SOP to complete 3D analysis, resolve permitting problems. ▲ 12/89–12/94 SOP to process and interpret 3D seismic data, permitting delays at Gaviota, participate in rig cooperative (IROCC), spud unit well in first quarter 1994. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards, Part (b) ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Royalty Rate Adjustments. 	

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Rocky Point Unit	452 453	Whiting ¹⁸	Chevron	53	7/81	7/86	<ul style="list-style-type: none"> ▲ 6/86–6/88 SOP to drill from Hermosa to 451. ▲ 6/88–6/90 SOP for extended production test for well B-7. ▲ 3/90–12/94 SOP for one year production test, permitting problems at Gaviota. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Drilling Restrictions near State Boundary. 	<ul style="list-style-type: none"> ▲ 6 wells approved by CCC. ▲ 4 wells drilled between 9/82 and 6/84. ▲ 2 previously approved wells have not been drilled.
Sword Unit	319	Amber ¹⁹ Conoco ²⁰ Fina ²¹ Nuevo Ogle OLAC Petrofina ²² Samedan	Conoco	48	9/79	9/84	<ul style="list-style-type: none"> ▲ 8/84–8/85 SOP to evaluate seismic data, spud unit well by 1/85. ▲ 2/85–5/85 Drilling delineation well. ▲ 8/85–11/85 SOP to analyze well test results. ▲ 11/85–12/87 SOP to spud well by 7/87. ▲ 12/87–6/89 SOP to process and interpret 3D seismic data. ▲ 6/89–6/94 SOP to continue seismic interpretation, drill 3 wells, participate in rig cooperative (IROCC), develop technology for heavy oil, submit development plan. ▲ 1/93–3/99 Directed SOO for COOGER study. 	<ul style="list-style-type: none"> ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Protection of Cultural Resources. ▲ Wells and Pipelines. ▲ Protection of Biological Resources. ▲ Transportation of Hydrocarbon Products. 	<ul style="list-style-type: none"> ▲ 11 wells approved by CCC. ▲ 3 wells drilled between 3/82 and 2/85. ▲ 8 previously approved wells have not been drilled. <p style="text-align: right;">continued to next page</p>

¹⁸ Whiting Petroleum Corporation¹⁹ Amber Resources, LLC²⁰ Conoco Inc.²¹ Fina & Chemical Company

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Sword Unit	320 322 323A	Amber Colton ²³ Conoco Delta Elf Fina Nuevo Ogle OLAC Petrofina Pioneer ²⁴ Samedan	Conoco	48	9/79	9/84	<ul style="list-style-type: none"> ▲ 8/84–8/85 SOP to evaluate seismic data, spud unit well by 1/85. ▲ 2/85–5/85 Drilling delineation well. ▲ 8/85–11/85 SOP to analyze well test results. ▲ 11/85–12/87 SOP to spud well by 7/87. ▲ 12/87–6/89 SOP to process and interpret 3D seismic data. ▲ 6/89–6/94 SOP to continue seismic interpretation, drill 3 wells, participate in rig cooperative (IROCC), develop technology for heavy oil, submit development plan. ▲ 1/93–3/99 Directed SOO for COOGER study. 	<ul style="list-style-type: none"> ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Protection of Cultural Resources. ▲ Wells and Pipelines. ▲ Protection of Biological Resources. ▲ Transportation of Hydrocarbon Products. 	see previous page
Gato Canyon Unit	460 462	Amber Delta Norcen Nuevo Nycal ²⁵ Ogle OLAC Samedan	Samedan	68	8/82	8/87	<ul style="list-style-type: none"> ▲ 8/87–7/89 SOP for interpretation of 3D seismic data, drill and test unit well. ▲ 1/89–4/89 Drilling delineation well. ▲ 7/89–7/91 SOP for acquisition and interpretation of 3D seismic data to delineate western portion of unit, participate in rig cooperative (IROCC). ▲ 6/90–7/94 SOP to complete 3D interpretation, spud unit well by 12/93. ▲ 1/93–3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Drilling Restrictions near State Boundary. 	<ul style="list-style-type: none"> ▲ 4 wells approved by CCC. ▲ 2 wells 5/85 and 1/89. ▲ 2 wells have not been drilled. <p>continued to next page</p>

²² Petrofina Delaware, Inc.²³ Colton Gulf Coast, Inc.²⁴ Pioneer Resources & Producing, L.P.²⁵ Nycal Corporation

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Gato Canyon Unit	464	Amber Delta Norcen Nuevo Nycal Ogle OLAC Samedan	Samedan	68	8/82	8/87	<ul style="list-style-type: none"> ▲ 8/87-7/89 SOP for interpretation of 3D seismic data, drill and test unit well. ▲ 1/89-4/89 Drilling delineation well. ▲ 7/89-7/91 SOP for acquisition and interpretation of 3D seismic data to delineate western portion of unit, participate in rig cooperative (IROCC). ▲ 6/90-7/94 SOP to complete 3D interpretation, spud unit well by 12/93. ▲ 1/93-3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Potential Geologic Hazards. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Drilling Restrictions near State Boundary. 	see previous page
Cavern Point Unit	210	Poseidon	Chevron	P4	4/68	4/73	<ul style="list-style-type: none"> ▲ 3/73-7/90 Lease 0210 was in the Santa Clara Unit and held by unit production. ▲ 11/89-7/90 Lease 0527 was in the Santa Clara Unit and held by unit production. ▲ 7/90-12/94 SOO to complete permitting for exploration plan, reinterpret seismic data, participate in rig cooperative (IROCC), spud unit well. ▲ 1/93-3/99 Directed SOO for COOGER Study. 	Federal Register, Vol.32, No. 250	▲ No wells drilled.

Unit	Lease	Owner(s)	Operator	Lease Sale	Lease Date	Original 5-Year Term	Lease Term Extensions	Major Stipulations	Status
Cavern Point Unit	527	Poseidon	Chevron	80	12/84	12/89	<ul style="list-style-type: none"> ▲ 3/73-7/90 Lease 0210 was in the Santa Clara Unit and held by unit production. ▲ 11/89-7/90 Lease 0527 was in the Santa Clara Unit and held by unit production. ▲ 7/90-12/94 SOO to complete permitting for exploration plan, reinterpret seismic data, participate in rig cooperative (IROCC), spud unit well. ▲ 1/93-3/99 Directed SOO for COOGER Study. 	<ul style="list-style-type: none"> ▲ Protection of Biological Resources. ▲ Protection of Cultural Resources. ▲ Operational Controls, electromagnetic Emissions, and Evacuation. ▲ Hold Harmless. ▲ Transportation of Hydrocarbon Products. ▲ Wells and Pipelines. ▲ Fisheries and Wildlife Training Program. ▲ Protection of Important Biological Resources, Parts (a), and (b). ▲ Testing of Oil Spill Containment Equipment. ▲ Onshore Oil Processing. ▲ Protection of Commercial Fisheries. ▲ Protection of Marine Biota. ▲ Protection of Air Quality. 	<ul style="list-style-type: none"> ▲ No wells drilled.

Appendix 2: Status of Active State Leases

LEASE	OPERATOR	COUNTY	ACREAGE	DATE ISSUED	BONUS \$	PRIMARY LEASE TERM	DUE DILIGENCE REQUIREMENTS	FUTURE POTENTIAL	ANTICIPATE Q/C	DEVELOPMENT FROM EXISTING FACILITIES	MORATORIUM STILL IN EFFECT
3455	ARCO Long Beach	Los Angeles	592	3/11/66	None	L.B. Unit	None	Development	No	Yes	No
91	Aera	Orange	589	5/21/43	None	20 yrs +	None	Development	No	Yes	No
163	Aera	Orange	640	11/15/44	None	20 yrs +	None	Development	No	Yes	No
1392	Aera	Orange	835	9/20/38	None	20 yrs +	None	Development	No	Yes	No
425	Aera	Orange	835	2/10/50	None	20 yrs +	None	Development	No	Yes	No
426	Aera	Orange	640	2/10/50	None	20 yrs +	None	Development	No	Yes	No
4736	Aera	Orange	70	1/25/73	None	CEQ	None	Development	No	Yes	N/A
1482	Braitburn	Orange	54	1/21/55	None	Drainage/CEQ	None	Development	No	Yes	N/A
186	Exxon	Orange	1255	9/24/45	None	20 yrs +	None	Development	No	Yes	No
3033	Torch	Orange	2113	7/25/63	\$6,110,000.00	20 yrs +	None	Development	No	Yes	No
3055	Torch	Orange	3360	1/30/64	\$4,066,676.00	20 yrs +	Yes	Development	No	Yes	No
3413	Torch	Orange	1871	12/1/65	None	20 yrs +	None	Development	No	Yes	Yes
2793	ARCO	Santa Barbara	4250	10/26/61	\$2,101,875.00	20 yrs +	Yes	Exploration	Likely	Yes	Yes
2199	Benton	Santa Barbara	3840	7/25/58	\$12,423,598.05	20 yrs +	Yes	Development	No	Yes	No
2894	Benton	Santa Barbara	4250	6/28/62	\$1,502,020.00	20 yrs +	Yes	Development	No	Yes	No
2920	Benton	Santa Barbara	4250	8/28/62	\$14,080,713.82	20 yrs +	Yes	Development	No	Yes	No
1824	Chevron	Santa Barbara	5500	1/10/57	\$7,250,606.95	20 yrs +	Yes	None	Likely	No	No
3150	Chevron	Santa Barbara	4012	7/28/64	\$18,666,555.66	20 yrs +	Yes	Exploration	No	No	No
3133	Exxon	Santa Barbara	5535	5/28/64	\$22,002,500.00	20 yrs +	Yes	Development	No	Yes	No
3499	Exxon	Santa Barbara	1340	6/15/66	\$335,000.00	20 yrs +	Yes	Exploration	Likely	No	No
2933	Phillips	Santa Barbara	4250	10/25/62	\$6,100,000.00	20 yrs +	Yes	Development	No	Yes	No
4000	POOL	Santa Barbara	204	8/28/68	\$361,408.00	20 yrs +	Yes	Development	No	Yes	No

LEASE	OPERATOR	COUNTY	ACREAGE	DATE ISSUED	BONUS \$	PRIMARY LEASE TERM	DUE DILIGENCE REQUIREMENTS	FUTURE POTENTIAL	ANTICIPATE Q/C	DEVELOPMENT FROM EXISTING FACILITIES	MORATORIUM STILL IN EFFECT
7911	POOI	Santa Barbara	1541	11/1/96	None	20 yrs +	Yes	Development	No	Yes	No
2206	Texaco	Santa Barbara	3840	7/25/58	\$23,711,538.24	20 yrs +	Yes	Exploration	Likely	Yes	No
2725	Texaco	Santa Barbara	4250	5/4/61	\$9,550,000.00	20 yrs +	Yes	Exploration	No	No	Yes
2726	Texaco	Santa Barbara	4250	5/4/61	\$1,355,111.00	20 yrs +	Yes	Exploration	Likely	Yes	Yes
2879	Unocal	Santa Barbara	5653	4/26/62	\$3,047,740.00	20 yrs +	Yes	Development	No	No	No
2991	Unocal	Santa Barbara	4250	2/28/63	\$267,000.00	20 yrs +	Yes	Exploration	No	No	Yes
3004	Unocal	Santa Barbara	3150	4/25/63	\$612,840.00	20 yrs +	Yes	Exploration	No	Yes	Yes
3503	Unocal	Santa Barbara	1660	6/28/66	\$1,320,760.00	20 yrs +	Yes	Exploration	No	Yes	Yes
129	Venoco	Santa Barbara	254	1/27/44	None	20 yrs +	Yes	Development	No	Yes	No
208	Venoco	Santa Barbara	1920	1/18/46	None	20 yrs +	Yes	Development	No	Yes	No
421	Venoco	Santa Barbara	68	10/22/49	None	20 yrs +	None	Development	No	Yes	No
3120	Venoco	Santa Barbara	3324	4/29/64	\$352,111.15	20 yrs +	Yes	Development	No	Yes	No
3242	Venoco	Santa Barbara	4290	4/8/65	\$3,667,111.00	20 yrs +	Yes	Development	No	Yes	No
735	Berry	Ventura	220	6/30/52	None	20 yrs +	None	Development	No	Yes	No
3314	Berry	Ventura	5430	7/2/65	\$3,299,685.00	20 yrs +	Yes	Development	No	Yes	No
427	Mobil	Ventura	148	5/19/50	None	10 yrs +	None	Development	No	Yes	No
145	RILP	Ventura	326	7/3/44	None	20 yrs +	None	Development	No	Yes	No
410	RILP	Ventura	50	4/17/49	None	10 yrs +	None	Development	No	Yes	No
429	RILP	Ventura	80	4/21/51	None	10 yrs +	None	Development	No	Yes	No
1466	RILP	Ventura	1175	8/29/55	None	20 yrs +	None	Development	No	Yes	No

RILP — Rincon Island Limited Partners
CEQ — Continuing Economic Quantities
POOI — Pacific Operators Offshore, Inc.

Note: For further explanation of column headings, see attachment.

Shaded areas are currently oil producing leases.

STATUS OF STATE OFFSHORE LEASES: Explanation of Headings

Acreage: The current tide and submerged lands included in the state lease. The acreage, in most cases, determines the rental; rental is fixed at \$1.00 per acre.

Date Issued: The date of issuance of the present lease. Several of the older leases (pre-1955) were issued as extension and renewal of certain leases entered into pursuant to Chapter 303, Statutes of 1921.

Bonus: The bonus represents the cash payment received by the state, pursuant to competitive public bidding, as consideration for award of the lease. Leasing has also been conducted wherein the biddable factor was a factor to be applied to a specified scale of oil royalties (sliding scale).

Primary Lease Term: Leases are issued for a fixed primary term and for so long thereafter as oil or gas is produced in paying quantities, or the lessee is diligently conducting production, drilling, or other necessary lease or well maintenance operations on the leases lands.

Due Diligence Requirements for State Leases: The leases generally provide an initial drilling term within which time the lessee must initiate drilling operations. Most state leases provided for this term to be three years from the date of issuance of the lease. The lessee may start and stop drilling operations at any time within this period. Beyond this period the lessee has an obligation to continue drilling operations, with no more than 120 days between wells until the lease is fully developed. The drilling moratorium established by the State Lands Commission in 1969, provided for tolling of these obligations during the term of the moratorium.

Future Potential: Based on geological and engineering information available to the State Lands Commission's staff, "Development" represents leases with probable commercial oil and/or gas resources and "Exploration" represents leases which warrant further geophysical or exploratory drilling operations.

Anticipated Q/C (Quitclaim): The leases identified as "Likely" to be quitclaimed indicates that there is little likelihood the lease will be either returned to production by the present lessee or assigned to another operator for further development.

Development from Existing Facilities: Existing facilities include state and federal platforms or presently permitted onshore locations such as the consolidated facilities in Santa Barbara County.

Moratorium Still in Effect: On January 28, 1969, a Union Oil Company well located on Platform "A" in federal waters in the Santa Barbara Channel blew out. In response to the well blowout the State Lands Commission, on February 1, 1969, established a moratorium on all further development on state leases. Since December 1973, the moratorium has been lifted on a lease by lease basis following a detailed review of the proposed development program and completion of the CEQA review process.

Appendix 3

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March 1, 1990

Mr. J. W. Seymour
Chevron U.S.A. Inc.
P. O. Box 5050
San Ramon, CA 94583-0905

Re: Subsequent Plan of Operation
Suspension of Production
Leases OCS-P 0317, 0318, 0447,
0448, 0451, 0452, and 0453
Rocky Point Unit
Offshore California

Dear Mr. Seymour:

Reference is made to Chevron's letter dated November 20, 1989 in which Chevron requested a Suspension of Production (SOP) for the Rocky Point Unit, Leases OCS-P 0317, 0318, 0447, 0448, 0451, 0452, and 0453 for a period of five years ending December 31, 1994. Approval was also requested for a subsequent Plan of Operation on the Rocky Point Unit. The SOP is to allow time to resolve the Gaviota Oil and Gas Plant permitting situation, to integrate the proposed B-7 well testing with the Point Arguello operating plan, and to perform extended production testing of Well B-7. A revised schedule of events leading to the commencement of production from the Rocky Point Unit was also included in your request.

Pursuant to Article 9 of the Rocky Point Unit Agreement, we hereby approve the subsequent Plan of Operation on the Rocky Point Unit. The approved subsequent Plan of Operation, which will expire on December 31, 1994, will be attached to and made part of the Rocky Point Unit Agreement. A copy of the approved plan is enclosed with this letter.

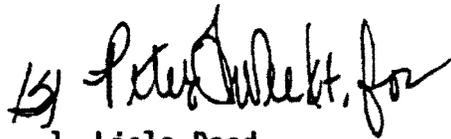
We have reviewed the information that you have submitted and we are satisfied that you have met the conditions stipulated in 30 CFR 250.10 for a Suspension of Production. Therefore, the MMS hereby approves your request for a Suspension of Production for the Rocky Point Unit, Leases OCS-P 0317, 0318, 0447, 0448, 0451, 0452, and 0453 for a five-year period ending December 31, 1994.

The establishment of a Participating Area for the Rocky Point Unit will not be required for this temporary test production operation. All production from the well is to be allocated to Lease OCS-P 0451 for royalty sales purposes. Production from Well B-7 is to be commingled with Point Arguello production and will require periodic well tests to be provided to the Minerals Management Service (MMS) to justify the allocation to Lease OCS-P 0451. Furthermore,

following the conclusion of the long-term testing, Well B-7 will be either abandoned or suspended. The intent of this well is for exploratory purposes only. Commencement of sustained production in accordance with the Rocky Point Unit Agreement will not be triggered by Well B-7 test production. At a later time Well B-7 can be further produced, if appropriate, after the formation of a Participating Area in the Rocky Point Unit.

If you have any questions, please contact Mr. William A. Adent at (213) 894-5095.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Lisle Reed, for". The signature is written in a cursive style with a large initial "J" and "R".

J. Lisle Reed
Regional Director

June 29, 1989

Mr. Michael W. Thompson
Conoco Inc.
P. O. Box 2197
Houston, TX 77252

Re: Suspension of Production
Subsequent Plan of Operation
Sword Unit
Leases OCS-P 0319, 0320, 0322, and 0323
Offshore California

Dear Mr. Thompson:

Reference is made to Conoco's letter dated June 27, 1989 which was transmitted by Conoco's letter dated June 28, 1989 wherein you requested Minerals Management Service (MMS) approval of a Suspension of Production (SOP) for 5-year period on the Sword Unit, Leases OCS-P 0319, 0320, 0322, and 0323. The proposed suspension is to allow time to complete the 3-D seismic survey, to drill 3 new test wells, to develop the necessary technology to efficiently produce the field, and to submit a Development and Production Plan (DPP) as outlined in your enclosed Plan of Operation and schedule of events leading to production.

MMS has reviewed the information that you have submitted and is satisfied that you have met the conditions stipulated in 30 CFR 250.10 for a Suspension of Production for a 5-year period. Therefore, the MMS hereby approves your request for a Suspension of Production for the Sword Unit, Lease OCS-P 0319, 0320, 0322 and 0323 for a 5-year period ending June 30, 1994. Furthermore, MMS approves Conoco's Subsequent Plan of Operation for the Sword Unit for the period July 1, 1989 to June 30, 1994.

This approval is granted with the condition that Conoco is to submit final reports on the 3-D interpretation, the emulsion analysis, Phase I test results, and Phase II test results. The reports will be due at the completion of each milestone but no later than 6 months after the scheduled deadline as outlined in Conoco's Plan of Operation.

Should you have any questions, please contact Mr. Steven Wolfson at (213) 894-5094.


J. Lisle Reed
Regional Director

Enclosures

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July 2, 1990

Mr. J. W. Seymour
Chevron U.S.A. Inc.
P.O. Box 5050
San Ramon, CA 94583-0905

Re: Proposed Cavern Point Unit-
Unit Agreement
Initial Plan of Operation
Suspension of Operation
Leases OCS-P 0210 and 0527
Santa Barbara Channel
Offshore California

Dear Mr. Seymour:

Reference is made to your letters of May 22, June 1, June 25, and June 28, 1990, concerning the formation of the proposed Cavern Point Unit to include Leases OCS-P 0210 and 0527. These leases are currently part of the Santa Clara Unit. The proposed formation of the Cavern Point Unit formation and Santa Clara Unit contraction requests are in the form of a dual concurrent request, with a proposed effective date of July 1, 1990. Chevron has requested approval of a Suspension of Operation (SOO) for Leases OCS-P 0210 and 0527 for a four and one half year period in order to complete permitting for the Plan of Exploration (POE), reinterpret the seismic data and spud a unit well by the third quarter of 1992. Also requested was approval of an Initial Plan of Operation.

In regards to the formation of the proposed Cavern Point Unit, Chevron delivered to the Minerals Management Service (MMS) the following documents:

June 1, 1990 Letter:

1. Six fully executed copies of the proposed Cavern Point Unit Agreement;

June 25, 1990, Letter:

2. Six copies of Exhibit "B" of the proposed Cavern Point Unit Agreement; and

June 28, 1990, Panafax Letter:

3. One fully executed copy of the proposed Cavern Point Unit Operating Agreement.

The MMS has previously acknowledged receipt of the other relevant applicable documents and requests to forming the proposed Cavern Point Unit in letters to Chevron dated May 23, 1990 and June 20, 1990.

Chevron has the option of refileing with the MMS either a revised draft POE to the May 1990, Cavern Point version or a revised POE to the Lease OCS-P 0210, Santa Clara Unit version that was approved by MMS in December, 1984. The above POE will need to be revised and refiled to the MMS by October 1, 1991, and needs to be in a format consistent with 30 CFR 250.33 and NTL 88-05 and any applicable lease stipulations. An acceptable final draft POE that can be deemed submitted is a condition of approval for the Suspension of Operations (SOO).

The MMS has designated the lands covered by Leases OCS-P 0210 and 0527 as logically subject to unitized operations pursuant to 30 CFR 250.190 and 250.192. We hereby approve the Cavern Point Unit Agreement to be effective July 1, 1990. Please note that we have assigned Contract No. 490001 to the unit document. The July 1, 1990, effective date is consistent with Chevron's requested date as specified in Article 16 of the Cavern Point Unit Agreement and your May 22, 1990 letter.

Pursuant to Article 9 of the Cavern Point Unit Agreement, we hereby approve the Initial Plan of Operation which provides for the spudding of a unit well no later than the third quarter of 1992. This approved Plan of Operation, which will expire on December 31, 1994 will be attached to and made a part of the Cavern Point Unit Agreement.

We have also reviewed the information that you have submitted and are satisfied that you have met the conditions stipulated in 30 CFR 250.10 for a Suspension of Operation (SOO). Therefore, MMS hereby approves your request for a Suspension of Operation for the Cavern Point Unit, Leases OCS-P 0210 and 0527, for the period ending December 31, 1994. This approval is granted with the condition that Chevron is to provide final reports of any revised geologic and geophysical interpretations along with post-drilling geologic and engineering reports which are due upon completion of the interpretation or operation. An acceptable final draft POE is to be provided by October 1, 1991.

Enclosed are two ratified copies of the Cavern Point Unit Agreement including the approved Plan of Operation.

Sincerely,

P. J. Reed

J. Lisle Reed
Regional Director

7200

June 8, 1990

Mr. Dan O. Dinges
Vice President, Division General Manager
Samedan Oil Corporation
5464 Carpinteria Avenue, Room 220
Carpinteria, CA. 93013

Re: Subsequent Plan of Operation
Suspension of Production
Gato Canyon Unit, Leases
OCS-P 0460, 0462, and 0464
Offshore California

Dear Mr. Dinges:

Reference is made to your letter of May 25, 1990 in which you requested the approval of the Minerals Management Service (MMS) for a subsequent Plan of Operation (POO) pursuant to Article 9 of the Gato Canyon Unit Agreement, which will replace the existing POO expiring July 31, 1991. Your reasons for not being able to fulfill the current approved plan included failed negotiations for the purchase of additional 3-D seismic data within your existing data set. In your subsequent POO you are proposing to acquire approximately 95 miles of 2-D data to add to your existing 3-D coverage, reprocess all of these lines, and commit to drilling a unit well prior to December 31, 1993. Furthermore, you are requesting our approval for a Suspension of Production (SOP) for the Gato Canyon Unit, Leases OCS-P 0460, 0462, and 0464, until July 31, 1994. You provided MMS with a reasonably designed schedule of events leading to the commencement of production of oil and gas from the Gato Canyon Unit, a copy of which is enclosed.

We have reviewed the information that you have submitted and are satisfied that you have met the conditions stipulated in 30 CFR 250.10 for a Suspension of Production to allow time to acquire, reprocess and reinterpret the aforementioned seismic data and to drill a unit well. The MMS hereby approves your request for a Suspension of Production for the Gato Canyon Unit, Leases OCS-P 0460, 0462, and 0464, for the period ending July 31, 1994. The proposed subsequent Plan of Operation for the Gato Canyon Unit is also approved. As provided in the plan, the seismic data acquisition and reprocessing will be completed by the end of 1990 and a unit well will be spudded by December 31, 1993. The approved plan will be attached to and made a part of the Gato Canyon Unit Agreement. A copy is enclosed.

These approvals are granted with the condition that Samedan will submit two copies of the completed geophysical map and report resulting from the 2-D seismic data reprocessing and integration with 3-D seismic data. According to your approved subsequent Plan of Operation, this will be completed by December 31, 1991.

If you have any questions, please contact Mr. William A. Adent at (213) 894-5095.

Sincerely,

/s/ P. Tweedt for
J. Lisle Reed
Regional Director

December 22, 1989

Mr. J. W. Seymour
Chevron U.S.A. Inc.
P. O. Box 5050
San Ramon, CA 94583-0905

Re: Suspension of Production
Leases OCS-P 0443, 0445, 0446, 0449,
0450, 0499, 0500, and 0510
Bonito Unit
Offshore California

Dear Mr. Seymour:

Reference is made to the meeting between Chevron and Minerals Management Service (MMS) personnel on November 20, 1989 and Chevron's request letter dated November 20, 1989. Chevron requested a Suspension of Production (SOP) for the Bonito Unit, Leases OCS-P 0443, 0445, 0446, 0449, 0499, and 0500, for a five-year period ending December 31, 1994. The Chevron SOP request includes the spudding of a well no later than the first quarter of 1994. A schedule of events leading to the commencement of production from the Bonito Unit and a subsequent Plan of Operation were also included in your request.

We have reviewed the information that you have submitted and we are satisfied that you have met the conditions stipulated in 30 CFR 250.10 for a Suspension of Production. Therefore, the MMS hereby approves your request for a Suspension of Production for the Bonito Unit, Leases OCS-P 0443, 0445, 0446, 0449, 0499, and 0500, for the period ending December 31, 1994. Please note that Lease OCS-P 0450 is currently held with a SOP due to a permitting delay related to Platform Hidalgo. Lease OCS-P 0510 also does not require a suspension by virtue of a portion of the lease being within the producing Point Pedernales Unit.

Pursuant to Article 9 of the Bonito Unit Agreement, we hereby approve the Subsequent Plan of Operation on the Bonito Unit which provides for the spudding of a well no later than the first quarter of 1994. The approved Plan of Operation, which will expire on December 31, 1994, will be attached to and made part of the Bonito Unit Agreement. A copy of the approved plan is enclosed with this letter.

If you have any questions, please contact Mr. William A. Adent at (213) 894-5095.

Sincerely,



J. Lisle Reed
Regional Director

July 28, 1989

Mr. T. W. Broom
Shell Western E&P Inc.
P. O. Box 11164
Bakersfield, CA 93389

Re: Suspensions of Production
Subsequent Plan of Operation
Lease OCS-P 0409, Lion Rock Unit,
Point Sal Unit, Purisima Point Unit
and Santa Maria Unit
Offshore California

Dear Mr. Broom:

Reference is made to a letter from Shell Western E&P Inc. dated July 28, 1989, requesting Minerals Management Service (MMS) approval of Suspensions of Production (SOP) through June 30, 1994 for each of the following:

- Lease OCS-P 0409
- Lion Rock Unit - Leases OCS-P 0396, 0397, 0402, 0403, 0408, and 0414
- Point Sal Unit - Leases OCS-P 0415, 0416, 0421, and 0422
- Purisima Point Unit - Leases OCS-P 0426, 0427, 0432, and 0435
- Santa Maria Unit - Leases OCS-P 0420, 0424, 0425, 0429, 0430, 0431, 0433, and 0434.

You provided in your request Plans of Operation for the above mentioned units. Also included was a schedule of events leading to the commencement production on these units and Lease OCS-P 0409.

We have reviewed the information that you have submitted and we are satisfied that you have met the conditions specified in 30 CFR 250.10 for a Suspension of Production. Therefore, MMS hereby approves your request for Suspensions of Production for Lease OCS-P 0409, Lion Rock Unit, Point Sal Unit, Purisima Point Unit, and Santa Maria Unit ending June 30, 1994. Further, your subsequent Plans of Operation are also approved. Copies of the approved Plans are enclosed.

As these units and lease are held by SOP's of different expiration dates, the new SOP's will be for varying periods in order to align the SOP's to one common expiration date of June 30, 1994. The purpose of choosing one expiration date is that the five SOP's will be held by a common Offshore Northern Santa Maria Basin schedule of work events leading to production.

These approvals are granted with the stipulations that Shell submit progress reports every six (6) months and copies of any relevant reports of completed activities.

If you have any questions, please contact Mr. William A. Adent at (213) 894-5095.

15/ *J. Lisle Reed*
J. Lisle Reed
Regional Director

Appendix 4

COASTAL ACT: ARTICLE 7 INDUSTRIAL DEVELOPMENT

Section 30260.

Coastal-dependent industrial facilities shall be encouraged to locate or expand within existing sites and shall be permitted reasonable long-term growth where consistent with this division. However, where new or expanded coastal-dependent industrial facilities cannot feasibly be accommodated consistent with other policies of this division, they may nonetheless be permitted in accordance with this section and Sections 30261 and 30262 if (1) alternative locations are infeasible or more environmentally damaging; (2) to do otherwise would adversely affect the public welfare; and (3) adverse environmental effects are mitigated to the maximum extent feasible.

Section 30261.

Multicompany use of existing and new tanker facilities shall be encouraged to the maximum extent feasible and legally permissible, except where to do so would result in increased tanker operations and associated onshore development incompatible with the land use and environmental goals for the area. New tanker terminals outside of existing terminal areas shall be situated as to avoid risk to environmentally sensitive areas and shall use a monobuoy system, unless an alternative type of system can be shown to be environmentally preferable for a specific site. Tanker facilities shall be designed to (1) minimize the total volume of oil spilled, (2) minimize the risk of collision from movement of other vessels, (3) have ready access to the most effective feasible containment and recovery equipment for oilspills, and (4) have onshore deballasting facilities to receive any fouled ballast water from tankers where operationally or legally required.

(Amended by Ch. 855, Stats. 1977.)

(Amended by Ch. 182, Stats. 1987.)

Section 30262.

Oil and gas development shall be permitted in accordance with Section 30260, if the following conditions are met:

(a) The development is performed safely and consistent with the geologic conditions of the well site.

(b) New or expanded facilities related to such development are consolidated, to the maximum extent feasible and legally permissible, unless consolidation will have adverse environmental consequences and will not significantly reduce the number of producing wells, support facilities, or sites required to produce the reservoir economically and with minimal environmental impacts.

Appendix 4

(c) Environmentally safe and feasible subsea completions are used when drilling platforms or islands would substantially degrade coastal visual qualities unless use of such structures will result in substantially less environmental risks.

(d) Platforms or islands will not be sited where a substantial hazard to vessel traffic might result from the facility or related operations, determined in consultation with the United States Coast Guard and the Army Corps of Engineers.

(e) Such development will not cause or contribute to subsidence hazards unless it is determined that adequate measures will be undertaken to prevent damage from such subsidence.

(f) With respect to new facilities, all oilfield brines are reinjected into oil-producing zones unless the Division of Oil and Gas of the Department of Conservation determines to do so would adversely affect production of the reservoirs and unless injection into other subsurface zones will reduce environmental risks. Exceptions to reinjections will be granted consistent with the Ocean Waters Discharge Plan of the State Water Resources Control Board and where adequate provision is made for the elimination of petroleum odors and water quality problems.

Where appropriate, monitoring programs to record land surface and near-shore ocean floor movements shall be initiated in locations of new large-scale fluid extraction on land or near shore before operations begin and shall continue until surface conditions have stabilized. Costs of monitoring and mitigation programs shall be borne by liquid and gas extraction operators.

Section 30263.

(a) New or expanded refineries or petrochemical facilities not otherwise consistent with the provisions of this division shall be permitted if (1) alternative locations are not feasible or are more environmentally damaging; (2) adverse environmental effects are mitigated to the maximum extent feasible; (3) it is found that not permitting such development would adversely affect the public welfare; (4) the facility is not located in a highly scenic or seismically hazardous area, on any of the Channel Islands, or within or contiguous to environmentally sensitive areas; and (5) the facility is sited so as to provide a sufficient buffer area to minimize adverse impacts on surrounding property.

(b) New or expanded refineries or petrochemical facilities shall minimize the need for once-through cooling by using air cooling to the maximum extent feasible and by using treated waste waters from inplant processes where feasible.

(Amended by Ch. 535, Stats. 1991)

Section 30264.

Notwithstanding any other provision of this division, except subdivisions (b) and (c) of Section 30413, new or expanded thermal electric generating plants may be constructed in the coastal zone if the

Appendix 4

proposed coastal site has been determined by the State Energy Resources Conservation and Development Commission to have greater relative merit pursuant to the provisions of Section 25516.1 than available alternative sites and related facilities for an applicant's service area which have been determined to be acceptable pursuant to the provisions of Section 25516.

Section 30265.

The Legislature finds and declares all of the following:

(a) Offshore oil production will increase dramatically in the next 10 years from the current 80,000 barrels per day to over 400,000 barrels per day.

(b) Transportation studies have concluded that pipeline transport of oil is generally both economically feasible and environmentally preferable to other forms of crude oil transport.

(c) Oil companies have proposed to build a pipeline to transport offshore crude oil from central California to southern California refineries, and to transport offshore oil to out-of-state refiners.

(d) California refineries would need to be retrofitted if California offshore crude oil were to be used directly as a major feedstock. Refinery modifications may delay achievement of air quality goals in the southern California air basin and other regions of the state.

(e) The County of Santa Barbara has issued an Oil Transportation Plan which assesses the environmental and economic differences among various methods for transporting crude oil from offshore California to refineries.

(f) The Governor should help coordinate decisions concerning the transport and refining of offshore oil in a manner which considers state and local studies undertaken to date, which fully addresses the concerns of all affected regions, and which promotes the greatest benefits to the people of the state.

(Added by Ch. 1398, Stats. 1984.)

Section 30265.5.

(a) The Governor, or the Governor's designee, shall coordinate activities concerning the transport and refining of offshore oil. Coordination efforts shall consider public health risks, the ability to achieve short- and long-term air emission reduction goals, the potential for reducing California's vulnerability and dependence on oil imports, economic development and jobs, and other factors deemed important by the Governor, or the Governor's designees.

(b) The Governor, or the Governor's designee, shall work with state and local agencies, and the public, to facilitate the transport and refining of offshore oil in a manner which will promote the greatest public health and environmental and economic benefits to the people of the State.

Appendix 4

(c) The Governor, or the Governor's designee, shall consult with any individual or organization having knowledge in this area, including, but not limited to, representatives from the following:

- (1) State Energy Resources Conservation and Development Commission.
- (2) State Air Resources Board.
- (3) California Coastal Commission
- (4) Department of Fish and Game.
- (5) State Lands Commission.
- (6) Public Utilities Commission.
- (7) Santa Barbara County.
- (8) Santa Barbara County Air Pollution Control District.
- (9) Southern California Association of Governments.
- (10) South Coast Air Quality Management Districts.
- (11) Oil industry.
- (12) Public interest groups.
- (13) United States Department of the Interior.
- (14) United States Department of Energy.
- (15) United States Environmental Protection Agency.
- (16) National Oceanic and Atmospheric Administration.
- (17) United States Coast Guard.

(d) This act is not intended, and shall not be construed, to decrease, duplicate, or supersede the jurisdiction, authority, or responsibilities of any local government, or any state agency or commission, to discharge its responsibilities concerning the transportation and refining of oil.

(Added by Ch. 1398, Stats. 1984.)

The Resources Agency

Attachment 1

Gray Davis
Governor



of California

Mary D. Nichols
Secretary

California Conservation Corps • Department of Boating & Waterways • Department of Conservation
Department of Fish & Game • Department of Forestry & Fire Protection • Department of Parks & Recreation • Department of Water Resources

January 14, 1999

Honorable Rusty Areias, Chairman
California Coastal Commission
45 Fremont Street, Suite 2000
San Francisco, CA 94105

Dear Mr. Areias:

With the Commission's concurrence, I would like to request a staff report on a number of issues relating to offshore oil and gas development along the California coast. As you know, in his State of the State address, Governor Davis announced his intention to seek to an extension of the moratorium on oil drilling to all undeveloped tracts off the California coast. The Governor's concerns range from oil spills, air emissions, degradation of scenic resources, effects on fisheries and other marine resources, and other adverse impacts that could result from oil exploration, production, or transportation activities. My questions on this matter are as follows:

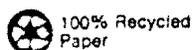
- What is the status of all current moratoria on oil and gas leasing in both state and federal waters off the California coast? What actions, if any, need to and can be taken to make permanent the moratoria on such leasing activities?

- What is the status of all undeveloped offshore tracts in state and federal waters off the California coast that have been leased? Please include the following key information:

- The date of lease issuance;
- The date of lease termination;
- Any major lease stipulations such as "due diligence" requirements applicable to development; and
- The status of activity (i.e., has exploration occurred and have any governmental approvals been acted upon).

The Resources Agency 1416 Ninth Street, Suite 1311 Sacramento, CA 95814 (916) 653-5656 FAX (916) 653-8102
<http://ceres.ca.gov/cra/>

California Coastal Commission • California Tahoe Conservancy • Coacheila Valley Mountains Conservancy • San Joaquin River Conservancy
Santa Monica Mountains Conservancy • Colorado River Board of California • Energy Resources, Conservation & Development Commission
State Coastal Conservancy • State Lands Commission • State Reclamation Board • Native American Heritage Commission
San Francisco Bay Conservation & Development Commission



Honorable Rusty Areias, Chairman

JAN 14 1999

Page Two

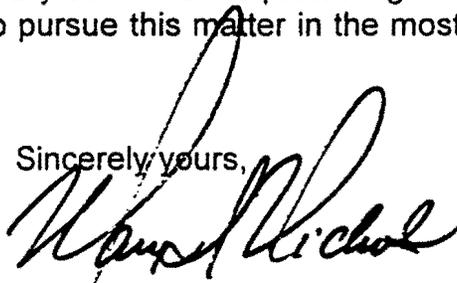
- Regarding the 40 existing undeveloped OCS leases off the coast:
 - How many of these leases have been reviewed by the Commission and what was the nature of the review?
 - Is there any information available to indicate whether oil and gas resources within these tracts could be developed from existing production platforms?
 - What approvals from state and federal agencies are needed before oil exploration, development, and transportation activities can proceed?
 - What standards or criteria for review would be applicable to the Commission's review of any proposed exploration and/or development plans?

- With respect to any OCS lease tract on which the Commission has taken an action, is there a factual basis, (i.e. changed circumstances, new information) for the Commission to ask for a new review?

In responding to this inquiry, it is also important that staff work with the Minerals Management Service, the State Lands Commission, and other local, state, or federal agencies having authority over the approval of coastal oil and gas development in the preparation of this report.

Thank you very much for your assistance. Governor Davis and I fully intend to take this issue up with our federal counterparts, and the information you are providing will be vital to that effort. I assure you we are fully committed to protecting our magnificent California coastline, and intend to pursue this matter in the most expeditious manner possible.

Sincerely yours,



Mary D. Nichols
Secretary for Resources

The Resources Agency

Attachment 2

Y Davis
Governor



of California

Mary D. Nichols
Secretary

California Conservation Corps • Department of Boating & Waterways • Department of Conservation
Department of Fish & Game • Department of Forestry & Fire Protection • Department of Parks & Recreation • Department of Water Resources

March 17, 1999

Ms. Sara Wan, Chair
California Coastal Commission
45 Fremont Street, Suite 2000
San Francisco, CA 94105

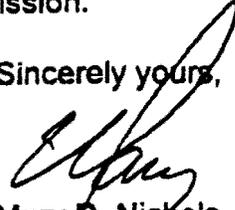
Dear Ms. Wan:

First, I would like to congratulate you on your election as Chair of the California Coastal Commission. I know that you have been working for years on coastal issues and policies. Your election is a tribute to that past work and your abilities to coordinate the Commission's approach in the future.

In a January 14, 1999 letter, I asked the Commission to prepare a report which would provide information on the status and future of offshore oil leasing and development. My letter asked the Commission to take the lead on preparation of this report and to consult with the State Lands Commission and other appropriate agencies. Upon further reflection on the roles of the various state agencies, I would like the Coastal Commission and the State Lands Commission to jointly develop this report. I believe that the Coastal Commission is uniquely suited to respond to the questions posed in my letter with respect to oil leases in federal waters and that the State Lands Commission is similarly positioned for leases in state waters. I am separately writing to the State Lands Commission asking its staff to partner with the Coastal Commission on this report.

Thank you for your assistance on this matter. Please let me know if I can ever be of help to you and your work at the Coastal Commission.

Sincerely yours,


Mary D. Nichols
Secretary for Resources

The Resources Agency 1416 Ninth Street, Suite 1311 Sacramento, CA 95814 (916) 653-5656 FAX (916) 653-8102
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California Coastal Commission • California Tahoe Conservancy • Conchella Valley Mountains Conservancy • San Joaquin River Conservancy
Santa Monica Mountains Conservancy • Colorado River Board of California • Energy Resources, Conservation & Development Commission
State Coastal Conservancy • State Lands Commission • State Reclamation Board • Native American Heritage Commission
San Francisco Bay Conservation & Development Commission





United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240

MAY 14 1999



RECEIVED
MAY 24 1999

CALIFORNIA
COASTAL COMMISSION

Honorable Barbara Boxer
United States Senate
Washington, D.C. 20510-0505

Dear Senator Boxer:

Thank you for your letter of May 7, 1999, to Secretary of the Interior Babbitt concerning the status of the 40 undeveloped leases offshore southern California. Secretary Babbitt asked me to respond. The Department of the Interior fully appreciates your continued interest in this matter. An identical letter is being sent to the Honorable Lois Capps.

Any Departmental decisions concerning the 40 undeveloped leases are framed by the rather complicated nature of our statutory authorities. The lessees possess conditional lease rights subject to a myriad of statutory provisions intended to ensure safety, environmental protection, due diligence, and responsiveness to State and local interests. While the Secretary's authorities provide broad discretion to administer the leases and achieve a statutorily guided balance between development and environmental protection, after leases are issued the scope of that discretion may be channeled and narrowed somewhat. Until we are able to analyze fully the specific proposed activities for these leases, it is difficult to predict and address fully all the possible criteria and options available.

Background

All of the 40 leases were issued with 5-year primary lease terms. Lessees have maintained their leases through a series of suspensions either granted by Minerals Management Service following a lessee request, or directed by the bureau (as was the case for the COOGER study), to allow time for the orderly development of the leases, pursuant to the criteria in our regulations.

The current directed suspension imposed by the MMS on these leases expires on June 30, 1999. We have advised the lessees that, if they wish to maintain the leases, they need to provide by mid-May written requests for suspension to either:

- (1) revise previously approved Exploration Plans (EPs) under our regulations at 30 CFR 250.203,
- (2) propose new EPs under 30 CFR 250.203, or
- (3) propose Development and Production Plans (DPPs) under 30 CFR 250.204.

The requests for suspensions must provide a proposed schedule of activities to include a timetable for submission of EPs or DPPs. The MMS will review these proposed schedules and justifications to evaluate whether to grant the suspensions and for a certain period of time.

Regulations Governing Requests for Suspensions

The MMS will use the criteria in 30 CFR 250.110 and determine whether a Suspension of Production (SOP) or Suspension of Operation (SOO) is appropriate in each case.

When MMS receives a request for a suspension, its options are to either approve or deny the request based upon our regulatory criteria. Because state and local officials will have an important role in reviewing the subsequent EP's and DPP's, MMS plans to provide a summary of the suspension requests to the State of California, the California Coastal Commission, the three adjacent counties, and interested members of the California congressional delegation. We are also prepared to provide copies of nonproprietary information on request.

In reviewing any request for suspensions, we will apply the criteria in 30 CFR 250.110, and the following guidelines derived from the regulations:

- Requests for an SOP must include a well capable of producing in paying quantities.
- Requests for an SOP must include a schedule leading to production on the lease.
- The schedule for an SOP must provide for proper and prudent development and must not include any extra time to hold a lease for speculative purposes.
- SOPs apply only to leases in units that include a portion of the reservoir proposed for production.
- Requests for an SOO do not require a producible well but would be reviewed on the more restrictive criteria for SOO in 30 CFR 250.110.

Phased Decision Process for Consideration of Plans

If suspensions are granted, companies must then pursue approval of EPs or DPPs as part of our phased decision process. In contrast to the suspension approval process, which mostly involves a determination of whether such proposals provide for due diligence on the part of lessees, the review process for EPs or DPPs involves a broader determination concerning impacts and provides for multiple consultation points to consider comments from the State and local governments and other interested parties.

All but one of the units that consist of the undeveloped leases have previously approved EPs. To minimize the need for infrastructure and facilities and to maximize the consolidation of effort, the 40 leases have been organized into nine development and production units. The MMS

approved the EPs and the State of California determined that each of the plans was consistent with its Coastal Management Program before MMS directed the January 1993 suspensions. The unit operators have performed some exploratory drilling and conducted seismic surveys under those plans. The enclosed table provides detailed information on the EPs and completed wells (Enclosure 1). In each of these cases, wells have resulted in the determination of resources capable of producing oil or gas in paying quantities. Operators of these units are likely to submit schedules of activities that will include drilling of delineation wells and additional seismic surveys which will enable the operators to plan for the development of the units. They may propose some additional surveys (archeological, shallow hazards, biological) to gather information for development. We expect that operators will propose to contract a single drilling vessel for delineation wells. The operators would likely need to retrofit such a drilling vessel to comply with the air quality controls of the local California Air Pollution Control Districts.

Any proposed actions which constitute significant revisions of previously approved plans require a determination about whether it "could result in a significant change in the impacts previously identified and evaluated or requires additional permits" [30 CFR 250.204 (n)(2)] which would require a new Coastal Zone Management Act (CZMA) consistency review. The MMS believes that the revised EP's may well constitute significant changes and will likely require a new CZMA consistency review. The process and criteria for CZMA consistency are specified by the State and by the Department of Commerce.

Commitment to Consultation

Throughout the various processes described above, we will work closely with other Federal and State, and local authorities. As Enclosure 2 indicates, there are a host of related processes and approvals which apply to any proposed activities. All involve consultation with interested parties. The MMS has an excellent history of working with the agencies and the operators to evaluate such proposals and ensure that all appropriate safety and environmental protection measures are considered during the various associated review and approval processes.

Please let us know if you have further questions. We look forward to a continued dialogue with you on this matter, and will keep you informed as issues evolve.

Sincerely,



Thomas R. Kitsos
Acting Director

Enclosures



United States Department of the Interior

MINERALS MANAGEMENT SERVICE
Washington, DC 20240

MAY 14 1999

Honorable Lois Capps
House of Representatives
Washington, D.C. 20515

Dear Ms. Capps:

Thank you for your letter of May 7, 1999, to Secretary of the Interior Babbitt concerning the status of the 40 undeveloped leases offshore southern California. Secretary Babbitt asked me to respond. The Department of the Interior fully appreciates your continued interest in this matter. An identical letter is being sent to the Honorable Barbara Boxer.

Any Departmental decisions concerning the 40 undeveloped leases are framed by the rather complicated nature of our statutory authorities. The lessees possess conditional lease rights subject to a myriad of statutory provisions intended to ensure safety, environmental protection, due diligence, and responsiveness to State and local interests. While the Secretary's authorities provide broad discretion to administer the leases and achieve a statutorily guided balance between development and environmental protection, after leases are issued the scope of that discretion may be channeled and narrowed somewhat. Until we are able to analyze fully the specific proposed activities for these leases, it is difficult to predict and address fully all the possible criteria and options available.

Background

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The current directed suspension imposed by the MMS on these leases expires on June 30, 1999. We have advised the lessees that, if they wish to maintain the leases, they need to provide by mid-May written requests for suspension to either:

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- SOPs apply only to leases in units that include a portion of the reservoir proposed for production.
- Requests for an SOO do not require a producible well but would be reviewed on the more restrictive criteria for SOO in 30 CFR 250.110.

Phased Decision Process for Consideration of Plans

If suspensions are granted, companies must then pursue approval of EPs or DPPs as part of our phased decision process. In contrast to the suspension approval process, which mostly involves a determination of whether such proposals provide for due diligence on the part of lessees, the review process for EPs or DPPs involves a broader determination concerning impacts and provides for multiple consultation points to consider comments from the State and local governments and other interested parties.

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Ms. Lois Capps

3

approved the EPs and the State of California determined that each of the plans was consistent with its Coastal Management Program before MMS directed the January 1993 suspensions. The unit operators have performed some exploratory drilling and conducted seismic surveys under those plans. The enclosed table provides detailed information on the EPs and completed wells (Enclosure 1). In each of these cases, wells have resulted in the determination of resources capable of producing oil or gas in paying quantities. Operators of these units are likely to submit schedules of activities that will include drilling of delineation wells and additional seismic surveys which will enable the operators to plan for the development of the units. They may propose some additional surveys (archeological, shallow hazards, biological) to gather information for development. We expect that operators will propose to contract a single drilling vessel for delineation wells. The operators would likely need to retrofit such a drilling vessel to comply with the air quality controls of the local California Air Pollution Control Districts.

Any proposed actions which constitute significant revisions of previously approved plans require a determination about whether it "could result in a significant change in the impacts previously identified and evaluated or requires additional permits" [30 CFR 250.204 (n)(2)] which would require a new Coastal Zone Management Act (CZMA) consistency review. The MMS believes that the revised EP's may well constitute significant changes and will likely require a new CZMA consistency review. The process and criteria for CZMA consistency are specified by the State and by the Department of Commerce.

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Throughout the various processes described above, we will work closely with other Federal and State, and local authorities. As Enclosure 2 indicates, there are a host of related processes and approvals which apply to any proposed activities. All involve consultation with interested parties. The MMS has an excellent history of working with the agencies and the operators to evaluate such proposals and ensure that all appropriate safety and environmental protection measures are considered during the various associated review and approval processes.

Please let us know if you have further questions. We look forward to a continued dialogue with you on this matter, and will keep you informed as issues evolve.

Sincerely,



Thomas R. Kitsos
Acting Director

Enclosures

HISTORY OF UNDEVELOPED LEASES/UNITS IN THE PACIFIC OCS
(presented in geographical order from north to south)

Unit # Leases Date Formed Current Operator	Lease	Date Issued (5 Year Term)	Discovery Date on Lease or Unit	Lease Term Extensions	Approved E P's, with State of California Coastal Commission consistency concurrence	Wells Approved*	Wells Drilled
Individual Lease - not Part of a Unit 1 Lease Aera Energy LLC	OCS-P 0409 **	7/81	1/83	7/86 - 6/87 SOP for proposed installation of Platform Julius. 7/87 - 6/89 SOP to obtain permits for construction and installation of Platform Julius. 6/89 - 6/90 SOP to obtain permits, reinterpret 3D seismic data, participate in cooperative effort to secure a drilling rig (IROCC). 7/90 - 6/94 SOP to reinterpret 3D seismic data, participate in rig cooperative, unitize with Lion Rock Unit. 1/93 - 6/99 Directed SOO for COOGER Study.	1 EP approved, with State of California Coastal Commission consistency concurrence DPP submitted, approved, with State of California Coastal Commission consistency concurrence.	9	6
Lion Rock Unit 6 leases 6/86 Aera Energy LLC	OCS-P 0396	7/81	3/84	6/86 - 6/88 SOP to acquire and interpret 3D seismic data. 6/88 - 6/90 SOP to drill unit well by 1/90. 7/90 - 6/94 SOP to participate in rig cooperative (IROCC). Drill and test well. Unitize with 0409. 1/93 - 6/99 Directed SOO for COOGER Study.	4 EPs approved, with State of California Coastal Commission consistency concurrence	30	6
	OCS-P 0397	7/81					
	OCS-P 0402	7/81					
	OCS-P 0403	7/81					
	OCS-P 0408	7/81					
	OCS-P 0414	7/81					

May 14, 1999

Unit, # Leases, Date Formed, Current Operator	Lease	Date Issued (5 year term)	Discovery Date on Lease or Unit	Lease Term Extensions	Approved E P's, with State of California Coastal Commission consistency concurrence	Wells Approved*	Wells Drilled
Point Sal Unit <i>4 leases</i> 12/85 Aera Energy LLC	OCS-P 0415 *	7/81	9/84	6/86 - 12/87 SOP to acquire and interpret 3D seismic data; simulation of Monterey reservoir. 12/87 - 12/89 SOP to drill unit well by 6/89, finalize 3D analysis. 7/89 - 6/94 SOP to participate in rig cooperative (IROCC), drill and test well, evaluate results, commence development planning. 1/93 - 6/99 Directed SOO for COOGER Study.	1 EP approved, with State of California Coastal Commission consistency concurrence	14	4
	OCS-P 0416*	7/81					
	OCS-P 0421	7/81					
	OCS-P 0422*	7/81					
Purisima Point Unit <i>4 leases</i> 6/86 Aera Energy LLC	OCS-P 0426*	7/81	1/84	6/86 - 6/88 SOP to acquire and interpret 3D seismic data. 6/88 - 6/90 SOP to drill unit well by 1/90. Analyze 3D data. 7/90 - 6/94 SOP to reinterpret 3D seismic, redefine unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. 1/93 - 6/99 Directed SOO for COOGER Study.	3 EPs approved, with State of California Coastal Commission consistency concurrence	21	3
	OCS-P 0427*	7/81					
	OCS-P 0432*	7/81					
	OCS-P 0435*	7/81					

Unit, # Leases, Date Formed, Current Operator	Lease	Date Issued (5 year term)	Discovery Date on Lease or Unit	Lease Term Extensions	Approved E P's, with State of California Coastal Commission consistency concurrence	Wells Approved*	Wells Drilled
Santa Maria Unit 8 leases 6/86 Aera Energy LLC	OCS-P 0420	7/81	8/86	7/86 - 11/86 Unit held by drilling. 11/86 - 11/87 SOP for heavy oil study, acquisition and interpretation of 3D seismic data. 11/87 - 11/89 SOP for 3D seismic interpretation. 11/89 - 6/94 SOP for 3D seismic interpretation, redefining unit boundaries, participate in rig cooperative (IROCC), drill and test well, evaluate results. 1/93 - 6/99 Directed SOO for COOGER Study.	4 EPs approved, with State of California Coastal Commission consistency concurrence	31	5
	OCS-P 0424	7/81					
	OCS-P 0425	7/81					
	OCS-P 0429	7/81					
	OCS-P 0430	7/81					
	OCS-P 0431 *	7/81					
	OCS-P 0433	7/81					
	OCS-P 0434*	7/81					
Bonito Unit 6 leases 6/86 Nuevo Energy Company	OCS-P 0443	7/81	6/82	6/86 - 6/88 SOP to acquire and interpret 3D seismic data. 6/88 - 6/89 SOP to interpret 3D seismic data. 6/89 - 12/89 SOP to complete 3D analysis, resolve permitting problems. 12/89 - 12/94 SOP to process and interpret 3D seismic data, permitting delays at Gaviota, participate in rig cooperative (IROCC), spud unit well in first quarter 1994. 1/93 - 6/99 Directed SOO for COOGER Study.	5 EPs approved, with State of California Coastal Commission consistency concurrence	24	10
	OCS-P 0445	7/81					
	OCS-P 0446*	7/81					
	OCS-P 0449	7/81					
	OCS-P 0499	7/81					
	OCS-P 0500	7/81					

Unit, # Leases, Date Formed, Current Operator	Lease	Date Issued (5 year term)	Discovery Date on Lease or Unit	Lease Term Extensions	Approved E P's, with State of California Coastal Commission consistency concurrence	Wells Approved*	Wells Drilled
Rocky Point Unit 2 leases 2/85 Chevron	OCS-P 0452*	7/81	5/83	6/86 - 6/88 SOP to drill well from Hermosa to 451. 6/88 - 6/90 SOP for extended production test for well B-7. 3/90 - 12/94 SOP for one year production test, permitting problems at Gaviota. 1/93 - 6/99 Directed SOO for COOGER Study.	1 EP approved, with State of California Coastal Commission consistency concurrence	11	6
	OCS-P 0453*	7/81					
Sword Unit 4 leases 7/84 Conoco	OCS-P 0319	9/79	2/83	8/84 - 8/85 SOP to evaluate seismic data, spud unit well by 1/85. 2/85 - 5/85 Drilling delineation well. 8/85 - 11/85 SOP to analyze well test results. 11/85 - 12/87 SOP to spud well by 7/87. 12/87 - 6/89 SOP to process and interpret 3D seismic data. 6/89 - 6/94 SOP to continue seismic interpretation, drill 3 wells, participate in rig cooperative (IROCC), develop technology for heavy oil, submit development plan. 1/93 - 6/99 Directed SOO for COOGER Study.	4 EPs approved, with State of California Coastal Commission consistency concurrence	11	3
	OCS-P 0320	9/79					
	OCS-P 0322	9/79					
	OCS-P 0323A	9/79					

Unit # Leases, Date Formed, Current Operator	Lease	Date Issued (5 year term)	Discovery Date on Lease or Unit	Lease Term Extensions	Approved E P's, with State of California Coastal Commission consistency concurrence	Wells Approved*	Wells Drilled
Gato Canyon Unit 7/87 Samedan	OCS-P 0460*	8/82	9/85	8/87 - 7/89 SOP for interpretation of 3D seismic data, drill and test unit well. 1/89 - 4/89 Drilling delineation well. 7/89 - 7/91 SOP for acquisition and interpretation of 3D seismic data to delineate western portion of unit, participate in rig cooperative (IROCC). 6/90 - 7/94 SOP to complete 3D interpretation, spud unit well by 12/93. 1/93 - 6/99 Directed SOO for COOGER Study.	1 EP approved, with State of California Coastal Commission consistency concurrence	4	2
	OCS-P 0462*	8/82					
	OCS-P 0464*	8/82					
Cavern Point Unit 2 leases 7/90 Venoco	OCS-P 210	4/68	No wells drilled on unit.	3/73 - 7/90 Lease O210 was in the Santa Clara Unit and held by unit production. 11/89 - 7/90 Lease 0527 was in the Santa Clara Unit and held by unit production. 7/90 UNIT FORMED. 7/90 - 12/94 SOO to complete permitting for exploration plan, reinterpret seismic data, participate in rig cooperative (IROCC), spud unit well. 1/93 - 6/99 Directed SOO for COOGER Study.	No EP approved. One was submitted but withdrawn from State of California Coastal Commission consistency review	0	0
	OCS-P 0527*	12/84					

- * Received MMS approval and California Coastal Commission consistency concurrence
- ** Lease is subject to the provisions of Section 8(g) of the OCSLA.

TOTAL of 40 leases in 9 units, plus one single lease.

8 of 9 units (Cavern Point Unit is the exception) have approved Exploration Plans with State of California Coastal Commission consistency concurrence; the single lease, 0409, has an approved EP and an approved DPP.

undevun2a.wpd 5/14/99

Consultation Processes

New or Modified Exploration Plan Review - The Minerals Management Service and operator will be providing Federal, State and local agencies with an opportunity for early coordination regarding the proposed project prior to the submittal of an Exploration Plan. Once the operator submits the EP, the MMS provides the State time to comment on technical and environmental concerns. Based on this and our own internal review, the MMS determines whether the EP can be approved, disapproved or modified. If approved by MMS, the EP then proceeds through further agency review with the California Coastal Commission consistency review, including a public hearing.

Local Air Pollution Control District (APCD) Process - Section 328 of the Clean Air Act Amendments of 1990 transferred authority to regulate stationary sources of air pollution on the Pacific OCS from the Minerals Management Service to the Environmental Protection Agency (EPA). The EPA promulgated 40 CFR Part 55 delegating air regulatory authority to the corresponding State and local onshore air agencies and required Pacific OCS sources to be in full compliance with provisions of the OCS Air Regulations by September 4, 1994. The local air agencies are responsible for ensuring the protection of health and welfare resulting from air pollution for their jurisdictions through their permit approval and enforcement programs which entails a 30 day public review and comment period. MMS consults and coordinates with the applicable local County air agencies on all OCS projects commencing prior to application submittal through the end of the project. This coordination ensures that air emissions associated with proposed exploration activities do not result in violations of any State or Federal ambient air standard, do not contribute substantially to an existing or projected air quality violation, or expose sensitive receptors to substantial pollutant concentrations.

HESS Review Process - The High Energy Seismic Survey review is a coordinated process triggered by the operators submission of a high energy seismic survey permit application for the geographic area from Monterey Bay National Marine Sanctuary south to the Mexican border in State and Federal waters. The process is a product of a two-year consensus-building effort among stakeholders convened by the Minerals Management Service. The process provides a roadmap to applicants and the public regarding each agency's role and requirements, improves communication and coordination among the participating agencies during each phase of the process and clearly identifies and provides opportunities for the public to give input to the agencies on issues.

Hard Bottom (Habitat) Review Process - The MMS and operator participate in a previously agreed-to review process to determine how to protect hard bottom biological communities. The process includes early coordination with fishermen and local, State, and Federal agencies to determine the presence of hard bottom in the vicinity of proposed activities. Following this determination, MMS coordinates with these parties to require the operator to prepare an avoidance plan or a biological survey.

State Historic Preservation Officer (SHPO) Review - MMS is required to initiate a SHPO consultation when features of archaeological concern are identified, and could be impacted, in the area of proposed exploration activities. The MMS works closely with the State to identify any needed mitigation measures.

Endangered Species Act Consultations - Pursuant to Section 7 of the Endangered Species Act, MMS enters into consultation with both the Fish and Wildlife Service (FWS) and National Marine Fisheries Service (NMFS) for agency activities. Historically, draft Biological Assessments and Biological Opinions have circulated only between the agencies. The FWS recently did circulate their draft Biological Opinion on the southern sea otter containment program for broad public review, but this was for one of their own projects.

Incidental Harassment Authorizations (IHA) - Incidental harassment authorizations for marine mammals are issued by NMFS under the Marine Mammal Protection Act. Notice of receipt of the application for an IHA is published in the Federal Register. This is followed by a 30-day public review period, after which NMFS must issue or deny the IHA within 45 days. Although, in most cases, the actual applicant for an IHA will be an operator, MMS cooperates with NMFS (and other agencies where necessary) throughout this process. In the Pacific OCS Region, the protocol has been formalized through the High-Energy Seismic Survey (HESS) process.

Local Planning Agencies - Land use in the California coastal zone for development of onshore facilities and pipelines have been regulated by local governments under the provisions of State Planning and Zoning Law. This enabling legislation mandates local governments to prepare general plans and zoning ordinances to ensure orderly physical growth and development within their jurisdictions. Each county and city along the California coast is required by the California Coastal Act to prepare a Local Coastal Program (LCP). The LCP consists of a local government's land use plans, zoning ordinances, zoning district maps, and implementing actions. Once these land use plan and zoning ordinances components of the LCP have been certified by the California Coastal Commission, the review authority for new development within the coastal zone is returned to local government. These local governments, in issuing coastal development permits and Final Development Permits (FDP), must make the finding that the development is in conformity with the approved LCP.

BARBARA BOXER
CALIFORNIA

COMMITTEES:
BUDGET
ENVIRONMENT
AND PUBLIC WORKS
FOREIGN RELATIONS

United States Senate

HART SENATE OFFICE BUILDING
SUITE 112
WASHINGTON, DC 20510-0505
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senator@boxer.senate.gov
http://www.senate.gov/~boxer

May 7, 1999

The Honorable Bruce Babbitt
Secretary
Department of the Interior
Washington, DC 20240

Dear Mr. Secretary:

We are writing to you once again about the threatened development of 40 leases off the coast of Ventura, Santa Barbara and San Luis Obispo counties in California.

Last week, staff from the Minerals Management Service briefed our staffs on scheduled actions to be taken on these leases. It is our understanding that the directed suspensions will expire on June 30, 1999, and that prior to this date, the Interior Department will determine whether or not to grant a "suspension of production" for each of the 40 tracts.

Given the imminent decision by the Interior Department, we request that you to respond to the following questions at your earliest convenience, but no later than May 14, 1999:

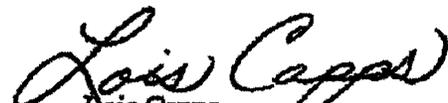
- What is the process that will be followed by the Interior Department in evaluating these leases?
- Except for the provisions of CFR section 250.110, what specific criteria will be used to evaluate:
 - a) the documents and "exploration and development schedules" submitted by the lease holders;
 - b) what constitutes adequate due diligence;
 - c) and whether further "suspensions" will be granted? If there are any additional guidelines for this review, will you please provide us copies.
- What are the specific options available to the Interior Department for action on the undeveloped leases and the documents submitted by industry?

We also request that officials from the State of California and our offices be kept informed of any proposed actions by industry or the Interior Department. We believe the State must also be involved in any decisions being made regarding these leases.

Thank you for your prompt attention to this important matter.

Sincerely,


Barbara Boxer
United States Senator


Lois Capps
Member of Congress

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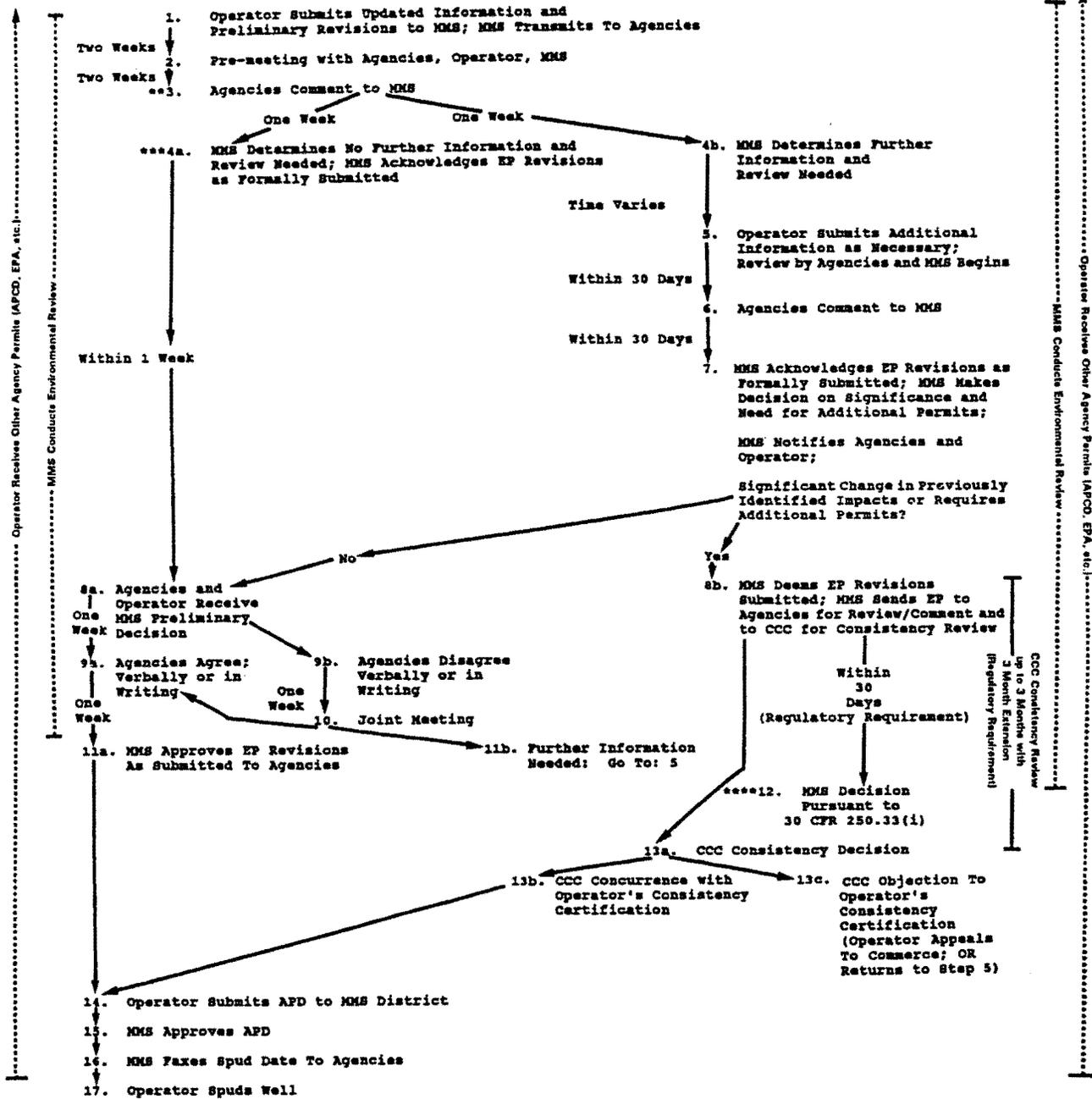
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MMS
Pacific OCS Region
Approved Exploration Plan Review Process

JUL 29 1994

Attachment 5

- A. MMS Sends Annual Letter Requesting Operator's Updated Information on Schedules and Procedures
- B. Operator Responds to MMS Request
- C. MMS Sends Annual Summary of Intended Drilling to Agencies
- *D. MMS Determines, in Consultation with Agencies, that Updates and Revisions to the Exploration Plan (EP) are Needed



FOOTNOTES:

- * STEP D. This determination is based on the following criteria which may result in a potential change in impacts:
 - changes in environmental regulations
 - changes in onshore and offshore conditions
 - changes in available information
 - new mitigation measures are available
- ** STEP 3 to 4A/4B. If MMS and agencies have no issues or no need for additional information, the process proceeds to step 4A. If MMS and agencies need additional information or have issues that are not resolved, the process proceeds to 4B.
- *** STEP 4A. MMS determines revisions will not result in significant change in impacts; No Additional Permits Needed; and No Further Review Needed. MMS Sends Letter to Agencies and Operator Describing MMS Preliminary Decision, Including Proposed Conditions of Approval, and Copy of All Agency Comments.

****STEP 12. MMS has three options: approve the plan; require modifications to the plan; or, disapprove the plan.
 If MMS approves the plan, proceed to Step 14, however, MMS may not approve any APD until the CCC has concurred or has conclusively presumed to concur with the operator's consistency certification, or the Secretary of Commerce has made the finding authorized by Section 307(c)(3)(B)(iii) of the Coastal Zone Management Act (Refer to 30 CFR 250.33(p)).
 If MMS requires modifications, proceed to Step 5;
 If MMS disapproves the plan, the AEPRP is discontinued.

Approved Exploration Plan (EP) Review Frequency: If more than two years have passed since the last major agency approval of an EP, the EP must be reviewed according to the AEPRP prior to commencement of exploratory drilling. The last major agency approval is defined as the last of the following EP approvals: MMS approval, California Coastal Commission consistency certification concurrence Environmental Protection Agency National Pollutant Discharge Elimination System (NPDES) permit, or air quality permit issued by the appropriate air quality agency. Any subsequent, major agency permit, revision, or extension will not change the date for the next review.

After an EP has been through the AEPRP at least twice, the 4A path will most likely be used.

MMS Pacific OCS Region
Approved Exploration Plan Review Process (AEPRP)
Summary Flowchart Narrative
August 17, 1994

I. Introduction

This process applies only to MMS review of EP's in the Pacific OCS Region. It does not address procedures that may be required by other agencies for permits related to proposed exploratory drilling in the Pacific OCS Region. The review of an Exploration Plan (EP) using the AEPRP will be conducted by the MMS when an operator intends to drill an exploratory well pursuant to an approved EP that is over 2 years old. This narrative, the flowchart (Figure 1), and the list of agencies (Table 1) provide a summary and highlight key steps of the AEPRP. The goals of the process are:

- To assess changes that may have occurred since MMS approved the EP, such as changes in exploratory project components and schedules; environmental conditions and impacts, mitigation measures, regulations, technology, or other pertinent information.
- To ensure that concerns associated with these changes are resolved before exploratory drilling is approved.
- To allow interested agencies an opportunity to participate in reviewing these changes.

On an annual basis, the MMS will request that Pacific OCS Region operators provide MMS with general updated information on the operators' intended schedules and procedures for exploratory drilling pursuant to an EP(s) over the next 2-year period. The MMS will share this information with the agencies so that MMS, the agencies, and the operator may begin early coordination efforts.

II. The Review Process

The AEPRP is designed to allow interested agencies to participate in the review by providing them opportunities during the process to review and comment on the operator's proposal and on MMS decisions. At all points in the process, MMS will work toward achieving consensus among the reviewing agencies. The process begins when the operator submits draft EP revisions to the MMS for review. MMS will send the EP revisions to the agencies listed in Table 1 as appropriate, depending on the location of the proposed exploratory drilling. In the initial steps of the process, MMS and the agencies will review the operator's EP revisions and meet with the operator to discuss the EP revisions in detail. After this meeting, MMS will decide in consultation with the agencies if the EP revisions are complete or if there are any issues or concerns that require further information and review.

At this point, the process can proceed along one of two basic paths: a "short path" on the left-hand side of the chart and a "long path" on the right-hand side of the chart. In either case, the MMS will conduct an environmental analysis of the EP revisions prior to making a final decision. It should be noted that several opportunities are provided for the process to proceed back and forth between these two paths. This narrative does not indicate how long the review will take for every possible option. However, timeframes are provided for the four most likely options.

- A. Short Path (left-hand side) - The short path is an expedited process that will be followed when the MMS, in consultation with the agencies, decides that the EP revisions as submitted are complete and that no additional information and review are required. MMS will notify the agencies and operator of this decision and provide the agencies an opportunity to agree or disagree. If the agencies agree, MMS will approve the EP revisions. The timeframe for the review process from the beginning to this point is approximately 8 weeks.

If the agencies disagree, MMS will hold a meeting to resolve any outstanding issues or concerns. After the meeting, MMS, in consultation with the agencies, will decide if the issues are resolved or if further information and review are needed. MMS will approve the EP if no additional information and review are needed to resolve the issues. The timeframe for the review process from the beginning to this point is approximately 10 weeks. If, after the meeting, MMS, in consultation with the agencies, decides that more information and review are needed, the process will proceed to the long path on the right-hand side of the chart.

- B. Long Path (right-hand side) - The initial steps of the process are the same for the long path as those for the short path. The review process proceeds along the long path when MMS notifies an operator that more information and review are needed. In this path, MMS and the agencies review the additional information submitted by the operator for up to 60 days. MMS, in consultation with the agencies, will then decide whether the EP revisions could result in a significant change in impacts previously identified or evaluated or need additional permits. If the decision is no, the process proceeds back to the short path, where MMS notifies the agencies and operator. The process then proceeds as previously described. In this case, the timeframe for the process along the long path from the beginning of the review process to the MMS approval is approximately 5 months. This timeframe assumes that it takes the operator one month to provide the additional information.

If the decision on impacts and permits is yes, MMS will initiate the consistency review process by deeming the EP revisions submitted and sending them to the CCC for a consistency review and to the agencies for further review. Within 30 days, MMS, in consultation with the agencies, will make a decision to: 1) approve, 2) require modifications, or 3) disapprove the EP revisions. Within 3 months (with the possibility of

a 3-month extension) of the date the CCC receives the EP revisions after they have been deemed submitted, the CCC will either concur or object to the operator's consistency certification for the EP revisions. The timeframe for the process along the long path from the beginning of the review process to the CCC decision is approximately 5-10 months depending primarily on the time it takes for the consistency review. This timeframe assumes that it takes the operator one month to provide the additional information. If MMS should disapprove the plan, the CCC's consistency review would likely be discontinued.

If the EP revisions undergo a CCC consistency review, MMS may not approve any Application for Permit to Drill (APD) until the CCC has concurred or has conclusively been presumed to concur with the operator's consistency certification, or the Secretary of Commerce has made the finding authorized by Section 307(c)(3)(B)(iii) of the Coastal Zone Management Act (refer to the MMS regulations at 30 CFR 250.33(p)).

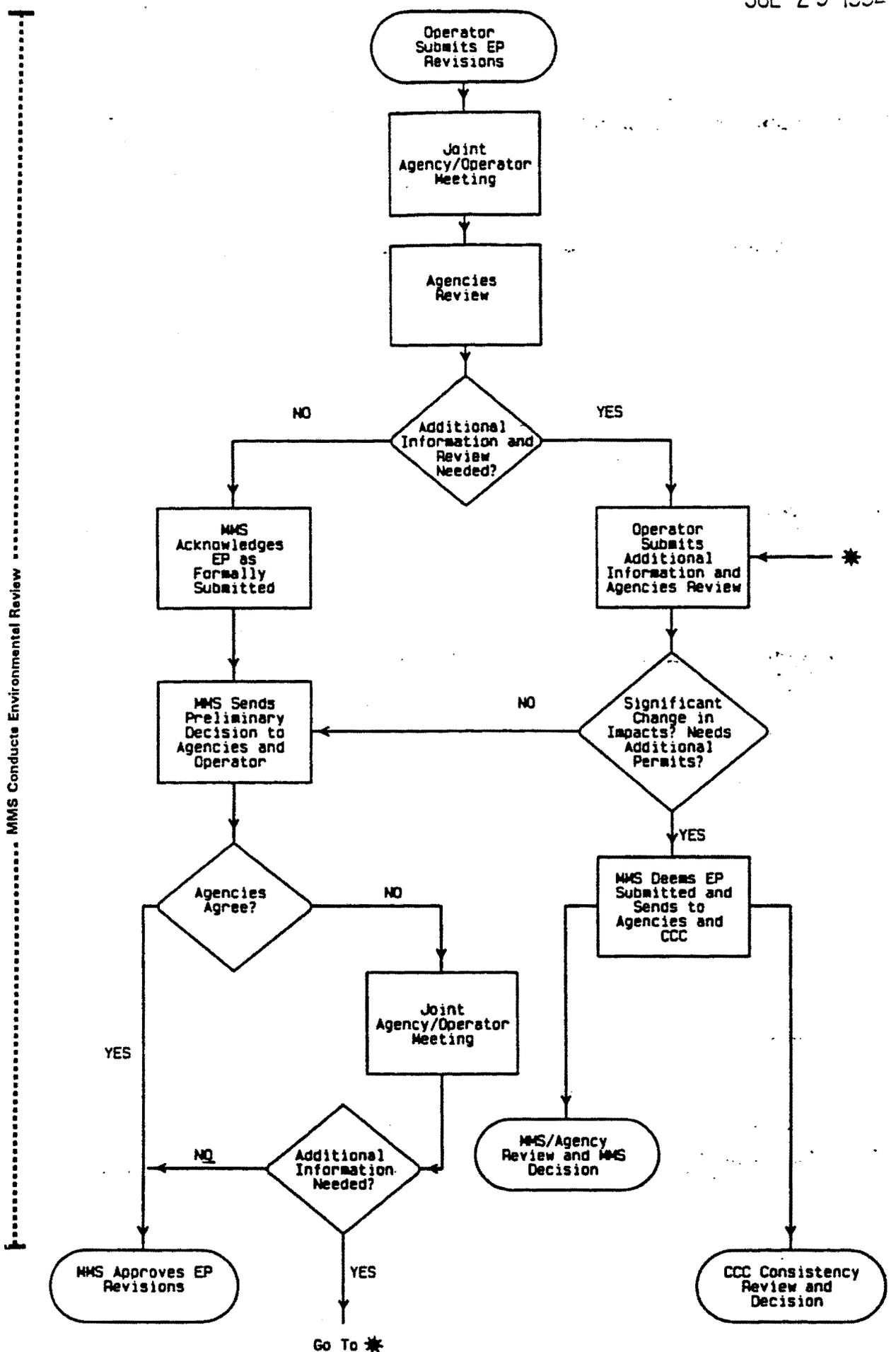


Figure 1. Summary flowchart of the Approved Exploration Plan Review Process. Refer to narrative

Table 1. Agency List. These agencies will be sent Exploration Plans for review as appropriate, depending on the location of the proposed exploratory drilling.

Federal Agencies

National Marine Fisheries Service
U. S. Coast Guard
Army Corps of Engineers
Environmental Protection Agency
Channel Islands National Marine Sanctuary
Channel Islands National Park
U.S. Fish and Wildlife Service
National Ocean and Atmospheric Administration
(Office Of Ocean and Coastal Resource Management)
Vandenberg Air Force Base
Naval Air Weapons Center, Pt. Mugu
U.S. Navy, San Diego

State Agencies

California Coastal Commission
California Air Resources Board
California Department of Fish and Game
California Office of Oil Spill Prevention and Response
California State Lands Commission
California Department of Conservation
California Division of Oil, Gas, and Geothermal Resources

Local Agencies/Governments

San Luis Obispo County Air Pollution Control District
Santa Barbara County Air Pollution Control District
Ventura County Air Pollution Control District
County of San Luis Obispo, Department of Planning and Building
Santa Barbara County, Energy Division
Ventura County, Planning Division
City of San Luis Obispo
City of Grover Beach
City of Pismo Beach
City of Arroyo Grande
City of Morro Bay
Port San Luis Harbor District
City of Santa Barbara
City of Carpinteria
City of Ventura
City of Oxnard
City of Pt. Hueneme
Oxnard Harbor District - Port of Hueneme

Other

Joint Oil/Fisheries Liaison Office, Santa Barbara

General Guidance for Revising Approved Exploration Plans
in the Pacific OCS Region
August 17, 1994

I. Introduction

The purpose of this document is to provide Pacific OCS Region lessees/operators with general guidance for revising Exploration Plans (EP's) previously approved by the Minerals Management Service (MMS), Pacific OCS Region. This guidance describes the important aspects of approved EP's that will need to be reviewed by the lessee/operator to determine what updates or revisions are necessary. This guidance is not intended to provide a comprehensive list or description of all required information, particularly information that may be project- or site-specific. Additional information may be required for proper review of individual EP's by MMS.

To identify additional information needs, the lessee/operator is encouraged to contact the MMS and other affected Federal, State, and local agencies prior to revising EP's. This initiation of early coordination and planning will benefit both the lessee/operator and all agencies. It will also help the review process proceed efficiently by ensuring that MMS and agencies have as much of the necessary information as possible at the beginning of the review. In some cases, a new or revised consistency certification may be required by the California Coastal Commission; early consultation with the Commission staff will also facilitate the consistency review.

This document only provides guidance for revising EP's previously approved by the MMS Pacific OCS Region and does not address information requirements related to permits from other agencies. The lessee/operator should contact the appropriate agencies to discuss information needs for other permits.

II. General Guidance

- A. The lessee/operator should consider all technical and environmental aspects of the EP and revise the EP with information on all aspects that need amending or updating. Such information should include all changes in project components as well as updates to appropriate technical, engineering, and geological analyses. Any changes in the biological or socioeconomic environment -- both onshore and offshore -- should also be included. Environmental impact analyses should be updated to address all project and environmental changes. Any proposed new and/or updated mitigation and monitoring programs should also be described. When revising the EP, the lessee/operator should consider and address present day environmental and technical concerns. The lessee/operator is advised that MMS may require additional mitigation to address these concerns.

It is the lessee/operator's responsibility to update the EP's in compliance with all current regulations and requirements. All EP's shall be revised in accordance with:

- Provisions of Outer Continental Shelf (OCS) Lands Act
- Current regulations for EP's at 30 CFR 250.33 and other pertinent MMS regulations and requirements
- ~~NTL 88-05 (Requirements for Exploratory Operations OCS California)~~ or subsequent revision
- NTL 80-02 (Minimum Requirements for Environmental Reports) or subsequent revision
- All lease stipulations and requirements
- All other applicable Federal, State, and local regulations and requirements, including but not limited to:

All applicable requirements of the Oil Pollution Act of 1990 and associated regulations

All applicable requirements of the Clean Air Act Amendments of 1990 and associated regulations

All applicable requirements of National Pollutant Discharge Elimination System (NPDES) regulations and permits

- B. The lessee/operator may choose to either modify the previously approved EP and Environmental Report or prepare a supplement. The lessee/operator should be aware that NTL 88-05 specifies that any major changes, additions, or supplements to an EP will require the submittal of a supplemental plan.

For approved EP's that are several years old, the level of detail provided in the original plan may be insufficient for current review standards. In this case, the lessee/operator may need to provide additional detail on many aspects of the EP in addition to the revisions.

- C. As stated in 30 CFR 250.33(o), additional surveys or monitoring programs may be required by the Regional Supervisor to ensure safety and environmental protection. The need for these additional surveys and monitoring programs may be identified prior to or during the review of the EP. In order for the lessee/operator to determine as early in the process as possible whether additional surveys or monitoring programs will be required, the lessee/operator is encouraged to consult with MMS, the counties, and other affected agencies prior to revising the EP.

- D. The lessee/operator should include a summary of the original EP consistency review findings (and subsequent findings, if any) made by the California Coastal Commission, any important issues, provisions, or restrictions identified in those findings, findings file number(s), and the date(s) of the findings. Additionally, a list of permits (including applicable permits for related onshore facilities) from other jurisdictions that are still valid or that will need to be obtained for the proposed exploratory drilling should be included.
- E. Since the EP revisions will be reviewed by MMS and other agencies, the lessee/operator should provide both proprietary (for MMS) and non-proprietary (for other agencies) copies. Before submitting the EP revisions, the lessee/operator should contact the MMS to determine how many copies will be required.
- F. Should the lessee/operator choose to drill exploratory wells under more than one EP, each EP must be reviewed and approved. The lessee/operator may submit more than one EP at a time for review. However, revisions to each EP should be addressed separately.

III. Guidance for Project/Technical Components of the EP

- A. Any change in the project components from the approved EP should be fully described in the EP revisions. It is the lessee/operator's responsibility to identify and describe all revisions to the activities proposed. Project component changes that the lessee/operator may need to revise include, but are not limited to, changes in:
- Lease holders and/or lease operator identification
 - The type and sequence of exploration activities including a timetable for their performance from commencement to completion
 - The type of mobile drilling unit to be used, including a discussion of the drilling program and important safety and pollution prevention features
 - Weather and other operational constraints to drilling, testing, and other exploratory activities
 - Identification of the maximum potential anchor radius under worst-case conditions so that MMS and other agencies can evaluate impacts to hard bottom areas and require appropriate mitigation (see the Environmental Component section below).
 - The location of each proposed exploratory well, including the surface location, water depth, and proposed well depth (a plat and table showing the proposed well locations in the original and the EP revisions should be included). An

anchor plan and the maximum anticipated anchor radius for each well location should also be provided.

- Description of new or unusual technology to be employed
 - The description of onshore support facilities to be utilized
 - The quantity, composition, and method of disposal of solid and liquid wastes and pollutants likely to be generated by offshore and onshore facilities and during transportation operations, including but not limited to the proposed drilling fluids and their chemical compositions, projected amounts, rates of the drilling fluid and cuttings discharge, and method(s) of disposal.
 - Oil spill prevention and clean-up equipment and methods (this should be addressed in the Oil Spill Contingency Plan - see item D below)
- B. In addition to EP project component changes, new or revised supporting technical information and analyses that have led to or resulted from the project component changes should be provided, including new or revised:
- Structure maps or interpreted seismic sections and related supporting information and interpretations
 - Plat(s) showing data coverage of lease, highlighting any new data coverage on the lease(s)
- C. Other plans such as H₂S Plans or Oil Spill Contingency Plans that are associated with exploratory operations and required by MMS should be updated and submitted to the MMS for approval. These plans should be referenced in the EP revisions.
- D. As with all EP submissions in the Pacific Region, the EP revisions should include a proprietary (for MMS) and non-proprietary copy (for other agencies) of the APD for the first well to be drilled.
- IV. Guidance for Environmental Components of the EP
- A. The lessee/operator should review the previously approved EP and Environmental Report to determine the need to update and revise the environmental information and analyses based on changes in operational plans, changes in environmental conditions, changes in potential impacts or the need to modify approved mitigation measures or to adopt new measures.
- B. The lessee/operator's approved EP will have descriptions and environmental impact analyses that were current at the time the EP was deemed complete by the MMS:

This information may be several years old and will need to be updated. It is one of the goals of this review process to ensure that the EP to be reviewed by MMS and other agencies is current. Therefore, the lessee/operator should contact MMS, other agencies, and other users (e.g., fishermen) to obtain sources of information to update descriptions of environmental resources and current scientific research on environmental effects of exploratory drilling operations.

- C. It is critical that the EP revisions present a current description of environmental resources and associated impacts expected to occur as a result of proposed operations. This analysis will be based on the current environmental conditions, proposed operations, and/or regulations/policy which may have changed since the initial approval of the EP. At a minimum, the following critical environmental areas will need to be reviewed to determine the need for updates and new assessments:

- Commercial Fisheries
- Onshore Effects
- Hard Bottom Communities
- Air Quality
- Water Quality
- Threatened and Endangered Species
- Channel Islands National Marine Sanctuary
- Channel Islands National Park
- Vessel Traffic Separation Scheme, Vessel Traffic Corridors
- Military Uses
- Archaeological Resources
- Cumulative Effects
- Potential for Oil Spills and Related Impacts

An example of environmental conditions which may have changed since approval of an EP is commercial fishing. The location of a fishery resource, the catch method, the fishing season, or the economic value of the landings may change with time. The lessee/operator should contact the Joint Oil/Fisheries Liaison Office and MMS for assistance in the determination of such changes. If changes have occurred, the lessee/operator should develop an analysis of the changes with respect to its currently proposed operations. Where necessary, the lessee/operator should host a meeting with potentially affected fishermen and MMS to resolve conflicts that may occur. The results of this analysis and appropriate mitigation should be presented in the EP revisions.

- D. The Pacific OCS Region adopted the recommendations of the Regional Technical Working Group in November 1990. These recommendations proposed a new review process for protecting hard bottom communities and habitat in the vicinity of exploration drilling operations in the Pacific OCS Region. MMS will use this process in the review of both previously approved EP's and new EP's in the Pacific OCS Region. This new process represents an example of how policy conditions may have

changed since the approval of an EP. The lessee/operator will be required to follow the new hard bottom review process when:

- hard bottom is located within 1000 meters of any exploratory well location or hard bottom is located within the approved anchor radius (whichever is greater), or
- the lessee/operator proposes to move a previously approved well site to within 1000 meters or within the anchor radius (whichever is greater) of hard bottom.

Since the Hard Bottom Review Process could take additional coordination with MMS, the lessee/operator, agencies and other users (e.g., fishermen), the lessee/operator is encouraged to start the process prior to submitting EP revisions to the MMS. The results of this process could then be included in the EP revisions.

At a minimum, changes in location would need to be clearly described along with an anchor plan and maximum anticipated anchor radius for each well, accompanied by charts and an impact analysis in the EP revisions. In the situations described above, the lessee/operator, as part of the Hard Bottom Review Process, may need to collect additional data, in addition to the updated analyses or information described above. The lessee/operator would be required to develop either an Avoidance Plan (e.g., move the drilling unit, anchor relocation plan, no drilling discharges) or a Data Collection/Mitigation Plan (e.g., collection of biological data, monitoring plan, or mitigation plan). The MMS will make a determination of the need for such requirements as part of the Hard Bottom Review Process. This determination will be made in consultation with other users and Federal, State, and local agencies as provided in the new hard bottom review process. Since the results of this process are critical to a MMS decision on the EP revisions, their inclusion in the EP is encouraged.

- E. The lessee/operator should provide updated information on air emissions, air quality impacts and mitigation, and associated air quality permits, if required. Similarly, the lessee/operator should further discuss the status of its National Pollutant Discharge Elimination System (NPDES) permit issued by the Environmental Protection Agency.
- F. The lessee/operator should also review mitigation measures that they proposed or that MMS required for approval of the original EP. The lessee/operator should determine the need to adopt that mitigation, propose new, more effective mitigation measures, or propose different measures to mitigate impacts resulting from proposed changes to the EP. The lessee/operator should clearly identify in the EP revisions how it will meet the requirements of the mitigation measures.

APPROVED EXPLORATION PLAN REVIEW PROCESS - AGENCY DISTRIBUTION LIST

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Intergovernment Affairs Division
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Mr. John Turner
Supervisor
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County Government Center
San Luis Obispo, California 93408

Mr. Alex Hinds
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APPROVED EXPLORATION PLAN REVIEW
PROCESS - AGENCY DISTRIBUTION LIST
(continued)

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Rishi Tyagi
Jim Grant
Nabil Masri

(a) Each record title owner (lessee) or operating rights owner for a lease must provide the Regional Supervisor a designation of operator in each case where someone other than an exclusive record title and operating rights owner will conduct lease operations. The designated operator must not begin operations on the lease until the Regional Supervisor receives the designation of operator.

(1) This designation of operator is authority for the operator to act on behalf of each lessee and operating rights owner and to fulfill each of their obligations under the Act, the lease, and the regulations in this part.

(2) You must immediately notify the Regional Supervisor in writing if you terminate the designation of operator.

(3) If you terminate a designation of operator or a controversy develops between you and your designated operator, you and the operator must protect the lessor's interests.

(4) You or the lease operator must immediately notify the Regional Supervisor in writing of any change of address.

(b) Lessees and operating rights owners are jointly and severally responsible for performing nonmonetary lease obligations, unless otherwise provided in the regulations in this chapter. If the designated operator fails to perform any obligation under the lease or the regulations in this chapter, the Regional Director may require any or all of the co-lessees and operating rights owners to bring the lease into compliance.

[62 FR 27954, May 22, 1997. Redesignated at 63 FR 29479, May 29, 1998]

§250.109 Local agent.

When required by the Regional Supervisor or at the option of the lessee, the lessee shall designate a representative empowered to receive notices and comply with orders issued pursuant to the regulations in this part.

§250.110 Suspension of production or other operations.

(a) The Regional Supervisor may, on the Regional Supervisor's initiative or at the request of the lessee, suspend or temporarily prohibit production or any other operation or activity on all or

any part of a lease (suspension) when the Regional Supervisor determines that such suspension is in the national interest and that the suspension is necessary as follows:

(1) To facilitate proper development of a lease including reasonable time to construct production facilities;

(2) To allow for the construction or negotiation for use of transportation facilities;

(3) To allow reasonable time to enter into a sales contract for oil, gas, or sulphur, when good faith efforts to secure such contract(s) are being made;

(4) To allow reasonable time to commence drilling operations when good faith efforts are prevented by reasons beyond the lessee's control, such as unexpected weather or unavoidable accidents; or

(5) To avoid continued operations which would result in premature abandonment of a producing well(s) or would not be economic.

(b) The Regional Supervisor may also direct or, at the request of the lessee, approve a suspension of any operation or activity, including production, because of the following:

(1) The lessee failed to comply with a provision of any applicable law, regulation, or order, or provision of a lease or permit;

(2) There is a threat of serious, irreparable, or immediate harm or damage to life (including fish and other aquatic life), property, any mineral deposit, or the marine, coastal, or human environment;

(3) The suspension is in the interest of national security or defense;

(4) The suspension is necessary for the implementation of the requirements of the National Environmental Policy Act or to conduct an environmental analysis;

(5) The suspension is necessary to facilitate the installation of equipment necessary for safety and environmental reasons;

(6) The suspension is necessary to allow for inordinate delays encountered by the lessee in obtaining required permits or consents, including administrative or judicial challenges or appeals; or

(7) The suspension is necessary to comply with judicial decrees prohibiting production or any other operation or activity, or the permitting of those activities, effective the date set by the court for that prohibition.

(c) If provided for by lease stipulation, the Regional Supervisor shall suspend or temporarily prohibit production or any other operation or activity pursuant to a lease when such lease is in water depths of 400 to 900 meters, provided that the suspension or temporary prohibition shall be for such period of time as is necessary to complete the activities described in a Development and Production Plan approved by the Regional Supervisor in accordance with §250.204. However, in no case shall the suspension under this paragraph be for periods of time which exceed a total of 5 years.

(d)(1) A suspension of production pursuant to paragraph (a) (1), (2), or (3) of this section may not be issued unless a well on the lease for which the suspension is requested has been drilled and determined to be producible in paying quantities in accordance with §250.111.

(2) For sulphur operations, a suspension of production pursuant to paragraph (a) (1), (2), or (3) of this section may not be issued unless a deposit on the lease for which the suspension is requested has been drilled and determined to be producible in paying quantities in accordance with 30 CFR 250.1603.

(e) Except as provided in paragraph (c) of this section, suspensions under this section may be granted for periods of time each of which shall not exceed 5 years.

(f) When the Regional Supervisor orders or approves a suspension pursuant to paragraph (a), (b), or (c) of this section, the term of the lease shall be extended for a period of time equal to the period that the suspension is in effect, except that no lease shall be so extended when the suspension is the result of the lessee's gross negligence or willful violation of the lease or governing regulations.

(g) The Regional Supervisor may, at any time within the period prescribed for a suspension issued pursuant to paragraph (b)(2) of this section, require the lessee to submit a plan for ap-

proval, disapproval, or modification in accordance with subpart B, Exploration and Development and Production Plans.

(h)(1) When the Regional Supervisor directs or grants a suspension pursuant to paragraph (b)(2) of this section, the Regional Supervisor may require the lessee to conduct a site-specific study(s) to identify and evaluate the cause(s) of the hazard(s) generating the suspension, the potential damage from the hazard(s), and the measures available for mitigating the hazard(s). A reasonable scope of the study(s) shall be approved or prescribed by the Regional Supervisor. The lessee shall furnish copies and all results of the study(s) to the Regional Supervisor. The cost of the study(s) shall be borne by the lessee unless the Regional Supervisor arranges for the cost of the study(s) to be borne by a party(s) other than the lessee. The Regional Supervisor shall make such results available to interested parties and to the public.

(2) On the basis of the results of the study or studies conducted in accordance with paragraph (h)(1) of this section and other information available to and identified by the Regional Supervisor, the Regional Supervisor shall require the lessee to take appropriate measures to mitigate or avoid the damage or potential damage, which resulted in the suspension or temporary prohibition of production or of any other operation or activity, as a condition for permitting the resumption of exploration, development, or production activities on the lease. The lessee shall submit, when deemed appropriate by the Regional Supervisor, a revised Exploration Plan or a revised Development and Production Plan in accordance with §250.204 of this part. The revised plan shall incorporate the mitigating measures required by the Regional Supervisor. In choosing between alternative mitigating measures, the Regional Supervisor will balance the cost of the required measures against the reduction or potential reduction in damage or threat of damage or harm to life (including fish and other aquatic life), to property, to any mineral deposits (in areas leased or not leased), to the national security or defense, or to

the marine, coastal, or human environment.

(l) The lessee must submit with a request for a suspension of production the reasons for requesting the suspension, a schedule of work leading to the commencement or restoration of production or any other operation or activity, and any other information the Regional Supervisor may require.

(j) Any suspension may be terminated at any time when the Director determines that the circumstances which justified the granting of the suspension no longer exist. When the Director terminates a suspension prior to the end of the period of time for which the suspension was originally granted, the Director shall specify in the notice of termination the reason(s) for the termination and the effective date for the termination of the suspension.

(k) Any suspension shall terminate automatically upon the commencement of production or any other suspended operation or activity.

[53 FR 10690, Apr. 1, 1988 as amended at 56 FR 32099, July 15, 1991. Redesignated and amended at 63 FR 29479, 29484, May 29, 1998]

§ 250.111 Determination of well producibility.

Upon receiving a written request from the lessee, the District Supervisor will determine whether a well is capable of producing in paying quantities (production of oil, gas, or both in quantities sufficient to yield a return in excess of the costs, after completion of the well, of producing the hydrocarbons at the wellhead.) Such a determination shall be based upon the following:

(a) A production test for oil wells shall be of at least 2 hours' duration following stabilization of flow. A deliverability test for gas wells shall be of at least 2 hours' duration following stabilization of flow or a four-point back-pressure test. The lessee shall provide the District Supervisor a reasonable opportunity to witness all tests. Test data, accompanied by the lessee's affidavit, or third-party test data, may be accepted in lieu of a witnessed test, provided prior approval is obtained from the District Supervisor.

(b) In the Gulf of Mexico OCS Region, the following shall also be considered

collectively as reliable evidence that a well is capable of producing oil or gas in paying quantities:

(1) A resistivity or induction electric log of the well showing a minimum of 15 feet of producible sand in one section that does not include any interval which appears to be water-saturated. In some cases, wells with less than 15 feet of producible sand in one section may be approved by the District Supervisor. All of the section counted as producible shall exhibit the following properties:

(i) Electrical spontaneous potential exceeding 20-negative millivolts beyond the shale base line. If mud conditions prevent a 20-negative millivolt reading beyond the shale base line, a gamma ray log deflection of at least 70 percent of the maximum gamma ray deflection in the nearest clean water-bearing sand may be substituted.

(ii) A minimum true resistivity ratio of the producible section to the nearest clean water-bearing sand of at least 5:1.

(2) A log indicating sufficient porosity in the producible section.

(3) Sidewall cores and core analyses which indicate that the section is capable of producing oil or gas or evidence that an attempt was made to obtain such cores.

(4) A wireline formation test and/or mud-logging analysis which indicates that the section is capable of producing oil or gas, or evidence that an attempt was made to obtain such tests.

§ 250.112 Cancellation of leases.

(a)(1) The Secretary may terminate a suspension and cancel a lease as follows after notice and opportunity for a hearing when:

(i) Continued activity pursuant to the lease or permit would probably cause serious harm or damage to life (including fish and other aquatic life), property, other mineral deposits (in areas leased or not leased), or the marine, coastal, or human environment;

(ii) The threat of harm or damage will not disappear or decrease to an acceptable extent within a reasonable period of time;

(iii) The advantages of cancellation outweigh the advantages of continuing the lease or permit in force; and

(iv) The suspension has been in effect for at least 5 years, or the termination of suspension and lease cancellation are at the request of the lessee.

(2) If a lease is cancelled under this section or under part 256 of this title, the lessee shall be entitled to compensation pursuant to the provisions of this section.

(b) Whenever an Exploration Plan is disapproved because the Regional Supervisor determines that approval of the activities called for in the plan would probably cause serious harm or damage to life (including fish and other aquatic life), property, any mineral deposits (in areas leased or not leased), the national security or defense, or to the marine, coastal, or human environment and the proposed activity cannot be modified to avoid these dangers, the Secretary, once the primary lease term has been extended continuously for a period of 5 years following the disapproval or upon request of the lessee at an earlier time, may terminate the suspension or temporary prohibition and cancel the lease, and the lessee shall be entitled to compensation pursuant to paragraph (f) of this section.

(c)(1) Where a Development and Production Plan is submitted before the subsequent approval of a Coastal Zone Management (CZM) program for an affected State, pursuant to the CZMA, and the plan is disapproved by the Regional Supervisor pursuant to § 250.204(k)(3)(ii), the following may occur:

(i) The term of the lease shall be duly extended and, at any time within 5 years after such disapproval, the lessee may reapply for approval of the same or a modified plan, and the Regional Supervisor shall approve, disapprove, or require modification of the plan in accordance with the provisions in § 250.204.

(ii) Upon expiration of the 5-year period described in paragraph (c)(1)(i) of this section or, at the Secretary's discretion, at an earlier time upon request of the lessee, if the Regional Supervisor has not approved a plan or required the lessee to submit a Development and Production Plan for approval or modification, the Secretary shall cancel the lease, and the lessee shall be

entitled to compensation pursuant to paragraph (f) of this section.

(2) [Reserved]

(d) The lessee shall not be entitled to compensation when a lease expires.

(e) The lessee shall not be entitled to compensation when a lease is cancelled where the following circumstances exist:

(1) A Development and Production Plan submitted after approval of a State's CZM program, pursuant to the CZMA, is disapproved because the lessee does not receive concurrence by the State pursuant to section 307(c)(3)(B)(i) or (ii) of the CZMA, and the Secretary of Commerce does not make the finding authorized by section 307(c)(3)(B)(iii) of the CZMA;

(2) A lessee fails to submit a Development and Production Plan in accordance with § 250.204 or fails to comply with an approved plan;

(3) The owner of a nonproducing lease fails to comply with a provision of the Act, the lease, or the regulations issued under the Act, and the default continues for a period of 30 days after the mailing of a notice by registered letter to the lessee;

(4) A Development and Production Plan is disapproved because of a failure to demonstrate compliance with the requirements of applicable Federal law, or

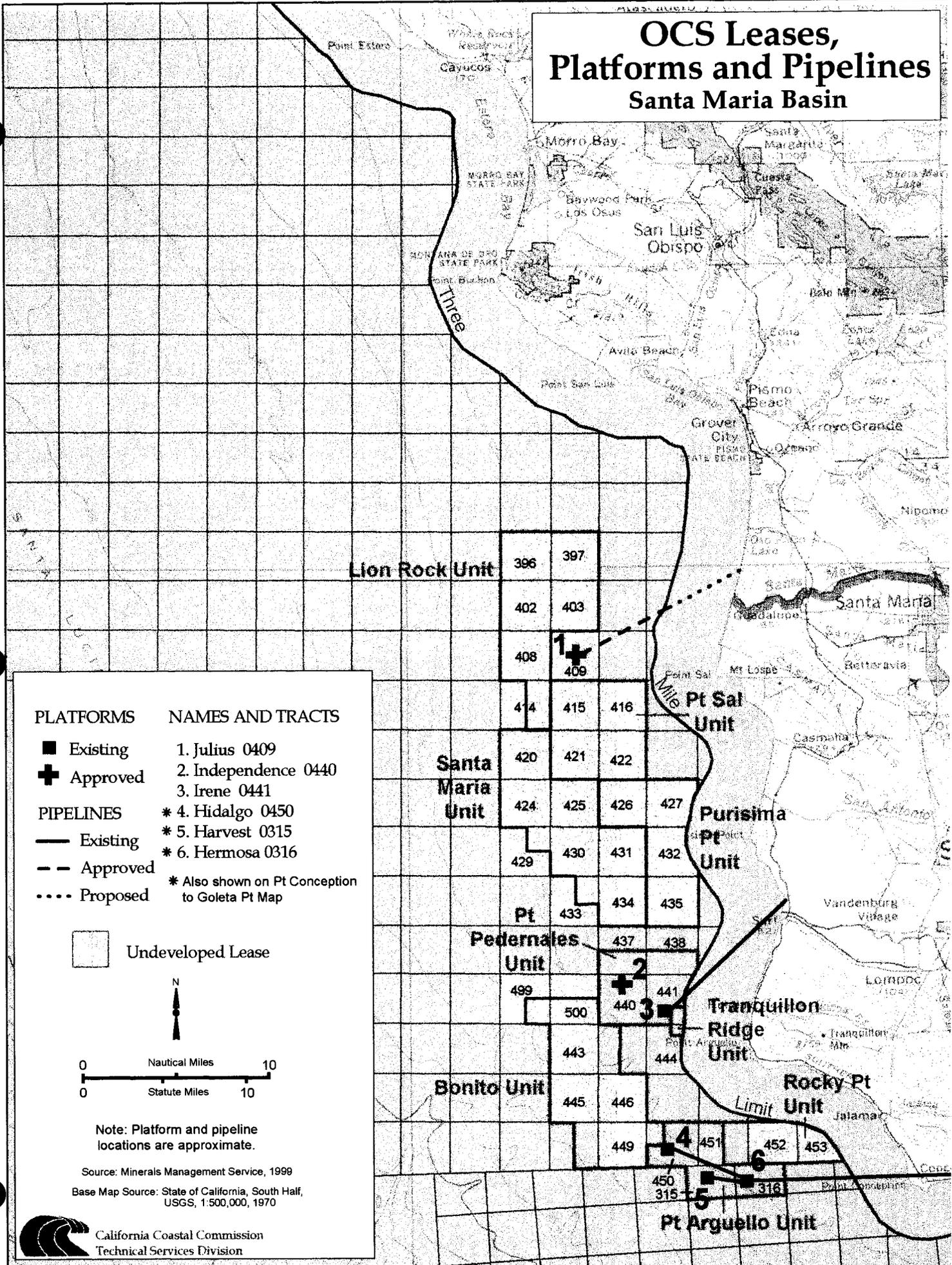
(5) A producing lease is forfeited or is cancelled pursuant to section (5)(d) of the Act.

(f) Cancellation of a lease under paragraphs (a), (b), and (c) of this section shall entitle the lessee to receive such compensation as the lessee shows the Director as being equal to the lesser of the following:

(1) The fair value of the cancelled rights as of the date of cancellation, taking into account both anticipated revenues from the lease and costs reasonably anticipated on the lease, including costs of compliance with all applicable regulations and operating orders and liability for cleanup costs or damages, or both, in the case of an oil spill; or

(2) The excess, if any, over the lessee's revenues from the lease (plus interest thereon from the date of receipt

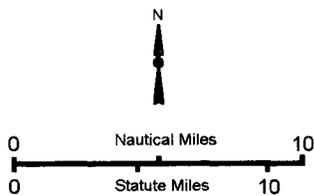
OCS Leases, Platforms and Pipelines Santa Maria Basin



PLATFORMS NAMES AND TRACTS

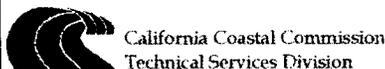
- Existing
 - ⊕ Approved
- PIPELINES
- Existing
 - - - Approved
 - Proposed
- * Also shown on Pt Conception to Goleta Pt Map

□ Undeveloped Lease

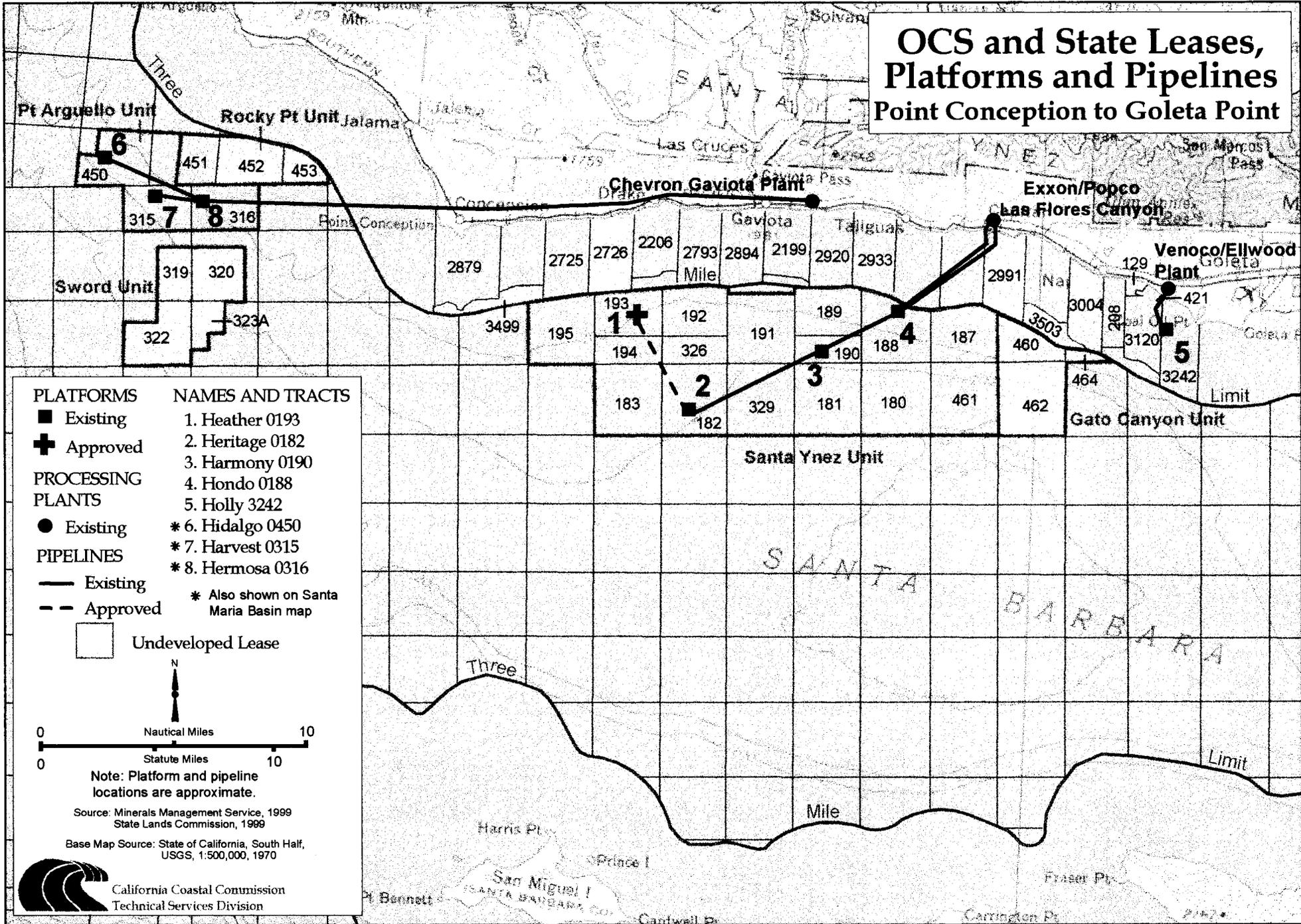


Note: Platform and pipeline locations are approximate.

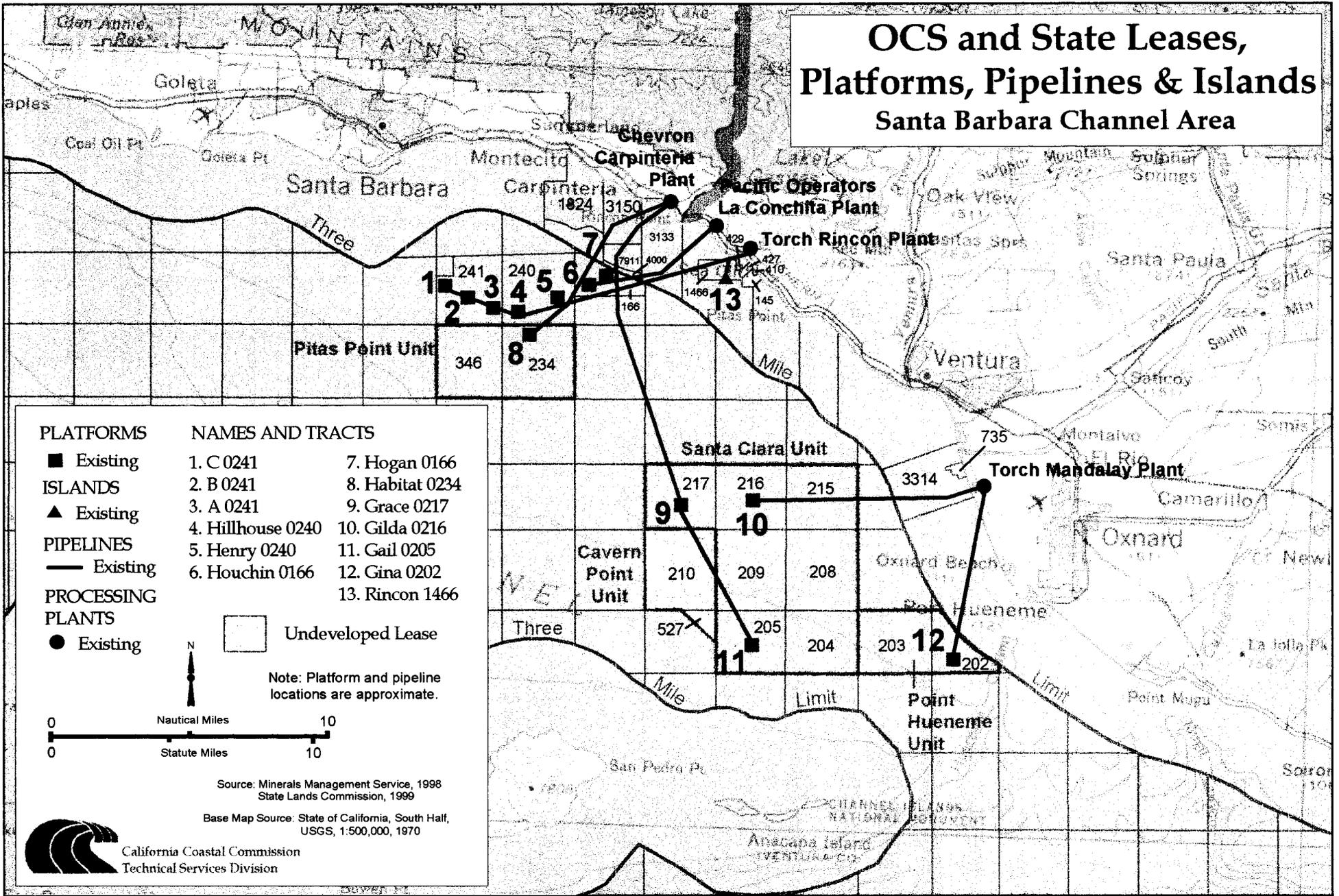
Source: Minerals Management Service, 1999
Base Map Source: State of California, South Half, USGS, 1:500,000, 1970



OCS and State Leases, Platforms and Pipelines Point Conception to Goleta Point



OCS and State Leases, Platforms, Pipelines & Islands Santa Barbara Channel Area



PLATFORMS

■ Existing

ISLANDS

▲ Existing

PIPELINES

— Existing

PROCESSING PLANTS

● Existing

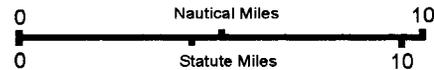
NAMES AND TRACTS

- | | |
|-------------------|-----------------|
| 1. C 0241 | 7. Hogan 0166 |
| 2. B 0241 | 8. Habitat 0234 |
| 3. A 0241 | 9. Grace 0217 |
| 4. Hillhouse 0240 | 10. Gilda 0216 |
| 5. Henry 0240 | 11. Gail 0205 |
| 6. Houchin 0166 | 12. Gina 0202 |
| | 13. Rincon 1466 |



Undeveloped Lease

Note: Platform and pipeline locations are approximate.



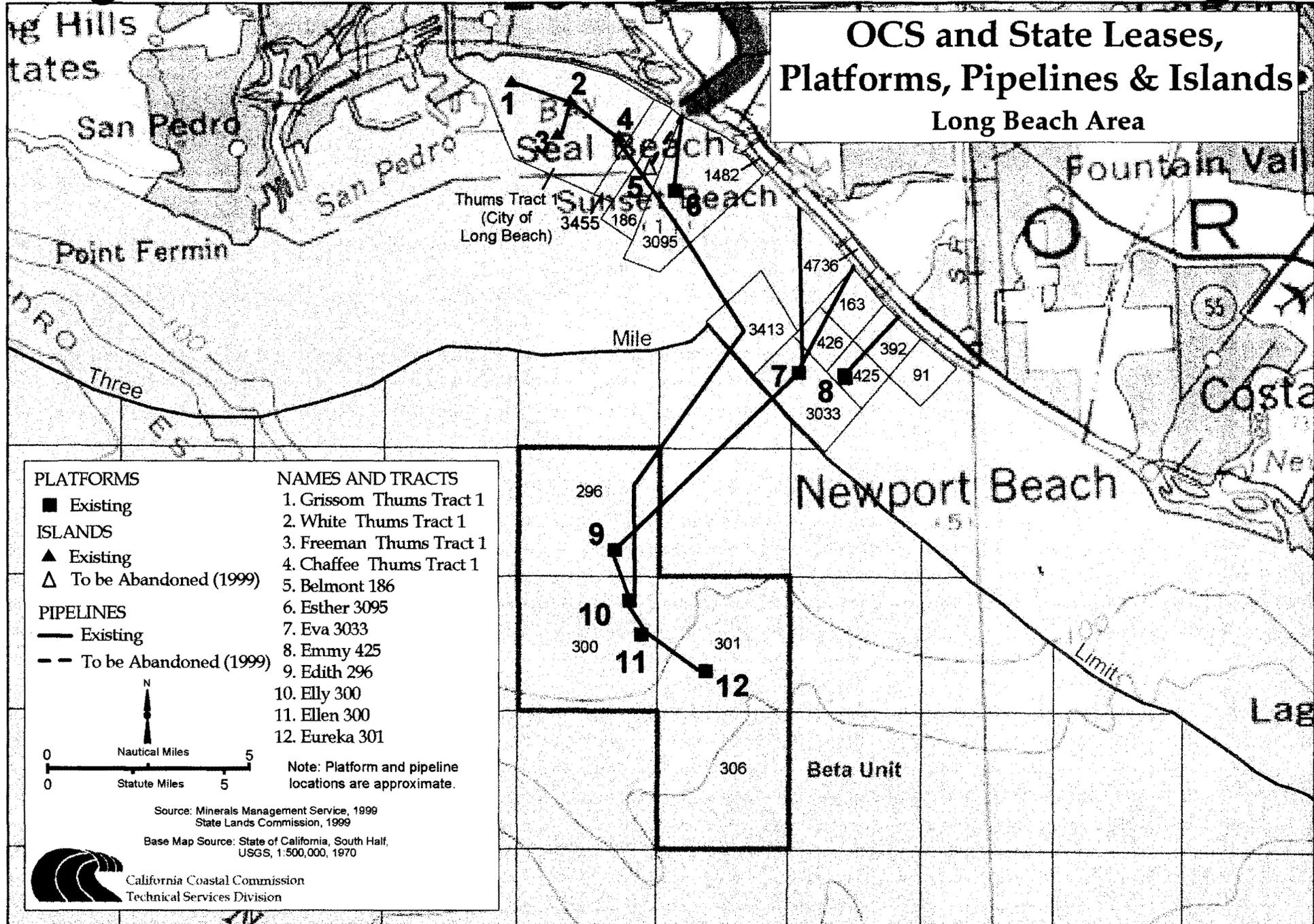
Source: Minerals Management Service, 1998
State Lands Commission, 1999

Base Map Source: State of California, South Half,
USGS, 1:500,000, 1970

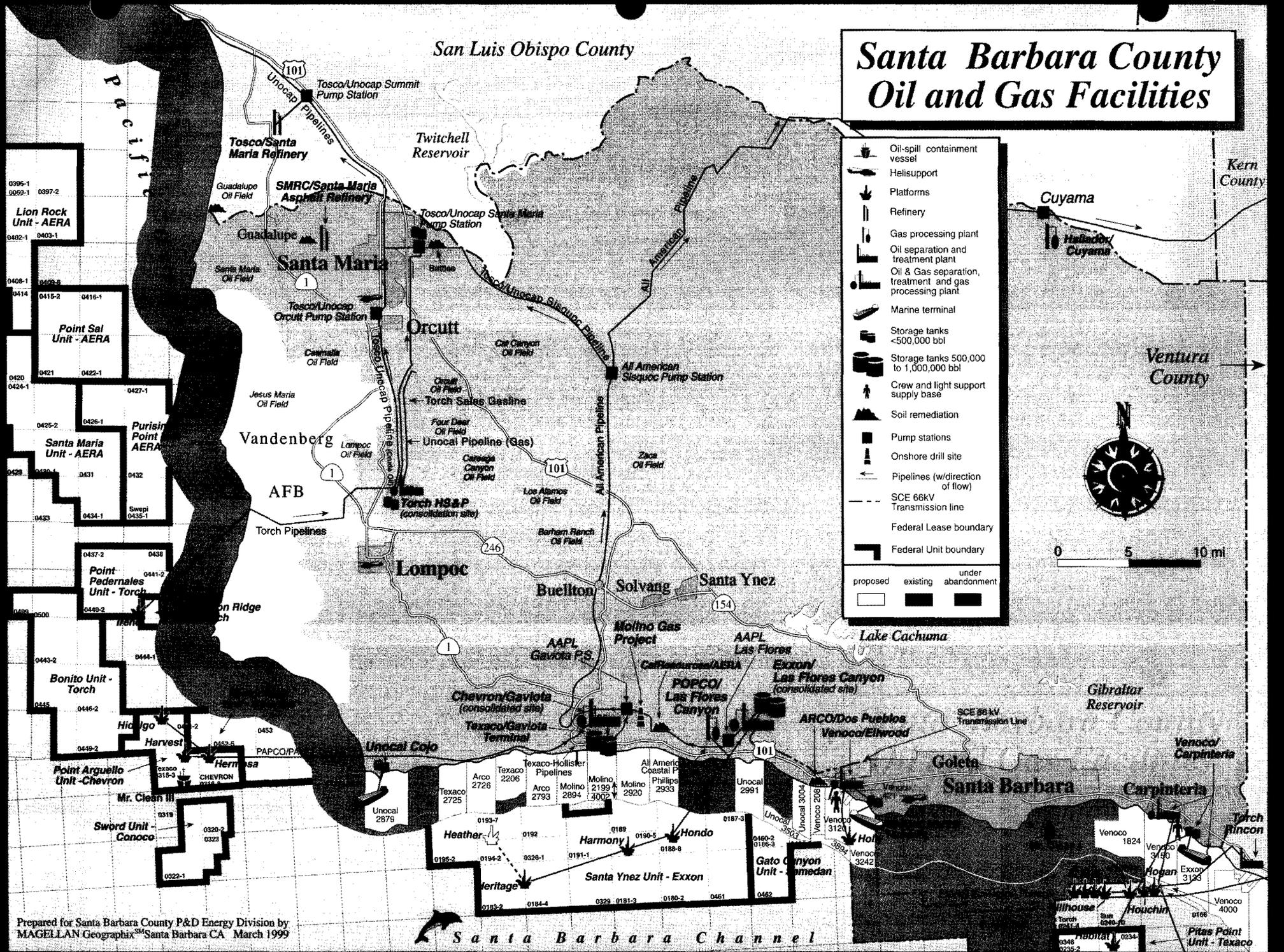


California Coastal Commission
Technical Services Division

OCS and State Leases, Platforms, Pipelines & Islands Long Beach Area



Santa Barbara County Oil and Gas Facilities



Legend

- Oil-spill containment vessel
- Helisupport
- Platforms
- Refinery
- Gas processing plant
- Oil separation and treatment plant
- Oil & Gas separation, treatment and gas processing plant
- Marine terminal
- Storage tanks <500,000 bbl
- Storage tanks 500,000 to 1,000,000 bbl
- Crew and light support supply base
- Soil remediation
- Pump stations
- Onshore drill site
- Pipelines (w/direction of flow)
- SCE 66kV Transmission line
- Federal Lease boundary
- Federal Unit boundary

proposed existing under abandonment

