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CALIFORNIA COASTAL COMMISSION

Thursday, July 15, 1999, Item 4.

ENERGY & OCEAN RESOURCES REPORT. Report by the Deputy Director on permit waivers, emergency permits, immaterial amendments & extensions, matters not requiring public hearings, and status report on offshore oil & gas exploration & development. (SMH-SF)

Recent correspondence regarding federal and state oil and gas leases.

- ◆ June 18, 1999. Letter to Dr. J. Lisle Reed, Minerals Management Service from Peter M. Douglas, California Coastal Commission.
- ◆ June 25, 1999. Letter to Mr. Peter M. Douglas, California Coastal Commission from J. Lisle Reed, Minerals Management Service.
- ◆ June 16, 1999. Letter to The Honorable Bruce Babbitt, Secretary of the Interior from Dianne Feinstein, United States Senator.
- ◆ June 22, 1999. Letter to Walter R. Rosenbusch, Minerals Management Service from Barbara Boxer, United States Senator; Dianne Feinstein, United States Senator; and Lois Capps, Member of Congress.
- ◆ June 18, 1999. Letter to Mr. John Patton, County of Santa Barbara Planning and Development from Paul D. Thayer, State Lands Commission.
- ◆ June 11, 1999. Letter to Mr. Paul Thayer, State Lands Commission from John Patton, County of Santa Barbara Planning and Development.
- ◆ June 14, 1999. Letter to The Honorable Cruz Bustamante, The Honorable Kathleen Connell, and The Honorable Annette Porini from John Patton, County of Santa Barbara Planning and Development.

CALIFORNIA COASTAL COMMISSION

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SAN FRANCISCO, CA 94105-2219
VOICE AND TDD (415) 904-5200
FAX (415) 904-5400



June 18, 1999

Dr. J. Lisle Reed
Regional Director
Minerals Management Service
770 Paseo Camarillo
Camarillo, CA 93010

Dear Dr. *Lisle*

I am writing concerning the pending decision by the Minerals Management Service on requests for suspensions affecting the 40 undeveloped oil and gas leases located on the Outer Continental Shelf offshore California. I want to express our appreciation to you and your staff for the assistance you provided to our staff in the preparation of the status report we presented to the Coastal Commission regarding offshore oil and gas development. I also want to thank you for your presentation to the Commission at its June 8, 1999, meeting and your responses to questions Commissioners had. I think everyone found the session to be most informative.

During the Commission's meeting on June 8 and after public input and discussion among Commissioners, the Commission directed its staff to take all necessary and appropriate steps to ensure complete and thorough Commission review, pursuant to the federal Coastal Zone Management Act ("CZMA") and California's coastal management program, of all actions that could affect coastal resources relating to the potential exploration and development of the 40 OCS tracts. In addition, Governor Davis, through Resources Agency Secretary Mary Nichols, asked the Commission to identify all legal and administrative actions that are available to fully address potential impacts of exploration and development of these undeveloped tracts.

It is our expectation that in dealing with the suspensions of production and suspensions of operations ("SOPs/SOOs"), MMS will fully comply with the requirements of the CZMA. However, among the actions which the Commission is now evaluating is whether it will assert its authority under the CZMA to review the MMS decision to grant the SOPs/SOOs. The Commission will make its decision on this matter at its meeting in July which is the earliest that it could consider the issue. The Commission could not have acted any sooner because staff only received copies of the SOPs/SOOs on June 4, and thus there was insufficient time for staff to review these materials and to prepare a briefing, a report, and a recommendation to the Commission at the June 8, 1999 meeting.

In order to allow the Commission to complete its review while minimizing the disruption to the MMS process, we respectfully ask that MMS postpone granting the presently pending suspension requests until the Commission has determined whether it will review the SOPs/SOOs for consistency. The Commission's legal staff, the energy staff, and the attorney general's office now are reviewing this matter, and, as noted above, the Commission will make its determination at its July meeting. It is our understanding that none of the leases for the 40 undeveloped tracts will expire in the immediate future, and thus, delaying the grants of the SOPs/SOOs for this brief period will not prejudice MMS or any of the lease holders. However, if MMS should grant the SOPs/SOOs on July 1, 1999, and the Commission thereafter asserts its consistency authority, MMS would be in the position of having to rescind its decisions which would be much more disruptive both for MMS and for the lease holders.

We wish to emphasize that by this letter, the Commission preserves all of its options to require full compliance with the CZMA.

The Coastal Commission staff will continue to coordinate and work closely with the Minerals Management Service staff on the review of the suspension requests as well as any future OCS activities which will affect the California coastal zone. Please contact me (415) 904-5201 or Susan Hansch, Chief Deputy Director (415) 904-5244 if you have any questions. We look forward to your response to our request to postpone granting the suspensions.

Sincerely,



Peter M. Douglas
Executive Director

cc: Governor Gray Davis
Lt. Governor Cruz Bustamante
Secretary for Resources Mary Nichols
Thomas Kitsos, Acting MMS Director
Coastal Commissioners
Senator Jack O'Connell
Assemblyman Abel Maldonado
Assemblywoman Hannah-Beth Jackson
Patricia Schifferley, Speaker's Office

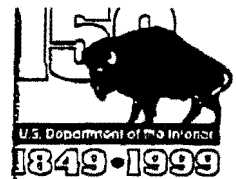
Mary Shallenberger, Senate Rules Committee
Linda Adams, Governor's Legislative Office
Paul Thayer, Executive Officer, State Lands Commission
Anne Notthoff, Natural Resource Defense Council
Susan Jordan, League for Coastal Protection
Warner Chabot, Center for Marine Conservation
Linda Kropp, Environmental Defense Center
Frank Holmes, Western States Petroleum Association



IN REPLY REFER TO: 7000

United States Department of the Interior

MINERALS MANAGEMENT SERVICE

Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010-6064

June 25, 1999

Mr. Peter M. Douglas
Executive Director
California Coastal Commission
45 Fremont Street, Suite 2000
San Francisco, CA 94105-2219

RECEIVED
JUN 25 1999
CALIFORNIA
COASTAL COMMISSION

Dear Mr. Douglas:

Thank you for your letter of June 18, 1999, requesting a delay in our decision on the requested suspensions for the undeveloped leases and units in the Pacific OCS Region. I appreciated the opportunity to speak at the June 8, 1999, Coastal Commission meeting and to respond to your questions. I look forward to our organizations continuing to work closely together.

For reasons independent of your request, we have directed a suspension of operations on all of the undeveloped leases until August 16, 1999, to allow us additional time to evaluate the new suspension requests. This additional time effectively provides you with the time you requested.

I would like to make it clear that, in our view, the decision to approve or disapprove a particular request for a suspension does not itself grant the operator any required permit nor does it grant the operator authority to conduct any activities. The requested suspensions we are reviewing, if approved, will only have the effect of maintaining the status quo and continuing the lease rights currently in effect. The CCC previously concurred in activities outlined in previously approved Exploration Plans and Development and Production Plans. The CCC will have the opportunity to review changes to those plans and new plans. Thus, granting or denying a new suspension will not affect any land or water use or any natural resource of the coastal zone.

We appreciate the opportunity to work with you and your staff as each of our organizations deal with these very important decisions. We have provided your staff with information concerning the requests and are prepared to discuss this material with you and your staff if it will be of assistance.

Sincerely,

J. Lisle Reed
Regional Director
Pacific OCS Region

DIANNE FEINSTEIN
CALIFORNIA**United States Senate**

WASHINGTON, DC 20510-0504

June 16, 1999

The Honorable Bruce Babbitt
Secretary of the Interior
1849 C Street N.W.
Washington, D.C. 20240

Dear Mr. Secretary:

I am writing to indicate my strong opposition to any extension by the Minerals Management Service of leases for the 40 undeveloped underwater tracts off the coast of California. No matter the size, shape, or number of offshore oil platforms, Californians strongly oppose oil drilling off our coast.

The value that Californians place on the coastline is unlimited. We can try to measure the economic value of our coast: ocean-dependent industry is estimated to contribute \$17 billion per year to our state economy. But we cannot measure the value placed on our quality of life: in 1991, the California Department of Parks and Recreation found that almost 70% of Californians had participated in beach activities, and that 25% of Californians had participated in saltwater fishing. One oil spill could dramatically endanger this national treasure.

As a matter of fact, one oil spill from offshore oil wells almost did destroy the vast California coastline. In 1969 an oil spill in federal waters off the coast of Santa Barbara killed thousands of birds, as well as dolphins, seals and other animals. Estimates of the amount of oil released range up to 200,000 barrels. Within days, oil spread from California's Channel Islands to the Mexican border, an area of approximately 800 square miles.

The people of California were so concerned that shortly thereafter they voted to create the California Coastal Commission. There was also a nationwide impact - a new movement towards stronger environmental protections, including the National Marine Sanctuaries Act.

Since the 1969 spill, there have been more than thirty additional significant oil spills off the California coast. Each spill has imperiled the environment, the economy, and the beautiful landscape of California. California's offshore currents are such that our coast should not be explored or developed any more.

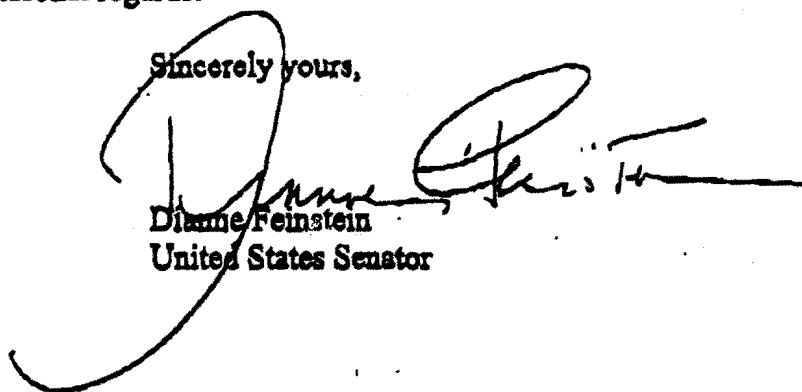
In this case, additional exploration and development of offshore oil sources is not only risky, but is not necessary. The oil that will be produced under these leases is of low quality, and limited in use. It is not worth gambling with one of our most precious national resources.

Congress acknowledged the negative effects that offshore oil drilling has on the environment when it established the Land and Water Conservation Fund. As you know, this fund collects fees from offshore gas and oil drilling leases in order to mitigate negative environmental impacts. There is widespread agreement that oil drilling presents environmental dangers, and I urge you to terminate these leases without any further extensions.

Thank you very much for your consideration of this matter.

With warmest personal regards.

Sincerely yours,

A large, stylized handwritten signature in black ink, which appears to read "Dianne Feinstein". The signature is written over the printed name and title.

Dianne Feinstein
United States Senator

DF:am

United States Senate

HART SENATE OFFICE BUILDING
SUITE 112
WASHINGTON, DC 20510-0505
(202) 224-3553

senator@boxer.senate.gov
http://boxer.senate.gov

June 22, 1999

Walter R. Rosenbusch
Director
Minerals Management Service
Department of the Interior
Washington, DC 20240

Dear Mr. Rosenbusch:

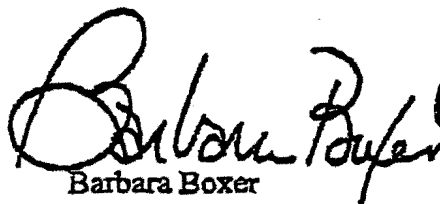
On June 18, 1999, the California Coastal Commission wrote to your California Regional Director, Dr. J. Lisle Reed, regarding the 40 undeveloped oil and gas leases located off the coast of California. We are writing to express our support for the Commission's request to postpone any decision on the pending suspension requests until the Commission has determined the extent of its legal authority over this decision.

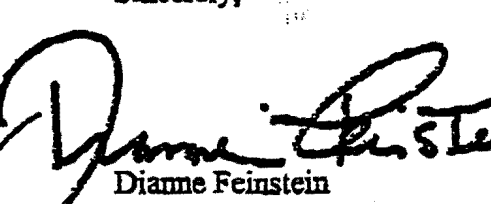
The 40 leases in question were purchased between 1968 and 1984. In the fourteen years since, many important changes in laws to protect our ocean and coastal environment have been enacted at both the state and the federal level, including a moratorium on drilling in state waters in 1994, the Oil Pollution Act of 1990, new air pollution standards, new oil spill contingency standards, and the establishment of two new National Marine Sanctuaries -- the Channel Islands and Monterey Bay National Marine Sanctuary, in close vicinity to the possible oil and gas development.


Given these changes and the potential effects on the State of California, we strongly believe that the State of California must be fully involved in any decisions regarding these leases. We are encouraged by the interest of the California Coastal Commission and hopeful that you will agree to the Commission's request for this necessary delay.

Thank you for your attention to this critical matter.

Sincerely,


Barbara Boxer
United States Senator


Dianne Feinstein
United States Senator


Lois Capps
Member of Congress

**CALIFORNIA STATE
LANDS COMMISSION**

CRUZ M. BUSTAMANTE, *Lieutenant Governor*
KATHLEEN CONNELL, *Controller*
B. TIMOTHY GAGE, *Director of Finance*



June 18, 1999

EXECUTIVE OFFICE
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

PAUL D. THAYER, *Executive Officer*
(916) 574-1800 Fax (916) 574-1810
California Relay Service from TDD Phone 1-800-735-2922
from Voice Phone 1-800-735-2929

Mr. John Patton, Director
Planning and Development
County of Santa Barbara
123 East Anapamu Street
Santa Barbara, CA 93101-2058

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JUN 21 1999

CALIFORNIA
COASTAL COMMISSION

Dear Mr. Patton:

I am writing in regard to the letters you wrote to me on June 11, 1999 and to the State Lands Commissioners on June 14, 1999, as well as the letter from Dianne Meester to Al Willard on June 10, 1999. These letters contain requests for information regarding oil and gas leases in state waters off Santa Barbara County.

At the June 14, 1999 meeting of the State Lands Commission, staff was also directed by the Commission to prepare additional analysis of the status of these leases. The information requested by the Commission appears to be similar to that which your department has requested. Therefore, it is our intent to gather comprehensive information to respond to all of these requests. I have requested our staff to expedite this process.

Please let me know if I can be of further assistance.

Very truly yours,

PAUL D. THAYER
Executive Officer

cc: Honorable Cruz M. Bustamante, Lt. Governor, Chair
Honorable Kathleen Connell, Controller, Member
Honorable Tim Gage, Director for Finance, Member
Susan Hansch, California Coastal Commission



County of Santa Barbara Planning and Development

John Patton, Director

June 11, 1999

Mr. Paul Thayer, Executive Director
State Lands Commission
100 Howe Ave., Suite 100 South
Sacramento, CA 95825-8202

RE: Status of State Tideland Leases Offshore Santa Barbara County

Dear Mr. Thayer:

Thank you for the status report that your staff jointly authored about the status of oil and gas leases offshore California. Although informative overall, the report raises several additional questions and points in need of further clarification regarding the status of state tideland leases and due diligent obligations. I have indicated this problem in written testimony to the State Lands Commission for its June 14 hearing, stating that my department would work with your staff to obtain essential information and understanding.

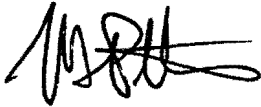
Towards that end, I would like to obtain the following information, along with an appropriate staff contact to direct further questions about the status of offshore leases.

1. Copies of all lease agreements and related amendments for state tideland leases situated offshore Santa Barbara County.
2. Copies of all deferments of development for leases offshore Santa Barbara County.
3. Copy of the drilling moratorium established by the State Lands Commission in 1969 that suspended certain obligations for due diligence in development resources underlying state tideland leases.
4. A more detailed status of leases than that provided in Appendix 2 which, among other things, explains why so many leases that have been dormant for so long are still envisioned by the State Lands Commission to have potential for development. The recent COOGER study projects a less optimistic potential for some of these leases (e.g., 2725, 2991, 3503, 3004, 3150, and 3133). Consequently, it would be helpful if this detailed status reconcile any inconsistencies with the COOGER projections.
5. A more detailed description of the process applied by the State Lands Commission for terminating leases in a timely fashion, including leases that have already yielded years of oil and gas production.
6. Any other codified requirements beyond the lease agreements themselves that address requirements to due diligence towards development of resources by lessees.

Mr. Paul Thayer
June 11, 1999
Page 2

Thank you for the report and for any clarification you may be able to offer about the status of the state tideland leases off our coast. Any questions about this request can be directed to Ms. Dianne Meester or Mr. Doug Anthony of my staff.

Sincerely,

A handwritten signature in black ink, appearing to read 'JP' with a stylized flourish extending to the right.

John Patton
Director



County of Santa Barbara Planning and Development

John Patton, Director

June 14, 1999

The Honorable Cruz Bustamante, Chair
The Honorable Kathleen Connell
The Honorable Annette Porini

Hand Delivered

RE: Hearing of June 14, 1999, agenda item no. 77

Dear Commissioners:

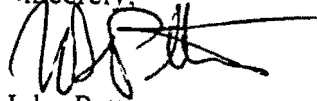
I wish to thank the State Lands Commission and Secretary Mary Nichols for bringing forth pertinent information about offshore leases to the public's attention. As you are aware, most of the active and inactive offshore leases in state and federal waters are situated offshore Santa Barbara County. Many of these leases have existed for several decades, particularly those in state waters which were leased between 1944 and 1968.

The report before you today addresses the status of those leases and gives some indication as to the requirements lessees have to develop the underlying resources in a timely, diligent fashion. While the report is informative overall, we are unclear about the lease terms and requirements for due diligence related to leases offshore Santa Barbara County and the intention of the Commission for the future of these idle leases. The report devotes a single paragraph to this issue on page 25, section 6.3.2. This paragraph appears to indicate that obligations to develop resources in a timely manner were and remain suspended by the 1969 drilling moratorium. Appendix 2 of the report shows that only five state tideland leases are expected to be quit claimed in the foreseeable future, although several other leases have been inactive for many years.

At last week's meeting of the Coastal Commission, your representative suggested that the remaining leases are not going to be developed, presumably because there has been some previous level of development. The most recent draft of the COOGER report projects very little development from the state tidelands leases in the future (specifically, the Point Conception, Molino, and South Ellwood fields). Considering this information, we are somewhat puzzled as to the purpose of retaining those offshore leases where that have been developed previously and/or where future production is not projected (e.g., lease numbers 3150, 3133, 4000, 3004, 3503, 2991, and 2725. We are also unclear as to expected timing for quit-claiming leases 1824, 2726, 2206, 2793, and 3499, which the report before you today characterizes as likely candidates for termination.

Thank you for examining and reporting the status of offshore leases. We look forward to working with your staff to bring additional clarification to this topic.

Sincerely,

A handwritten signature in black ink, appearing to be 'JP' followed by a long horizontal stroke.

John Patton
Director

cc: California Coastal Commission
Members, Santa Barbara County Board of Supervisors