

CALIFORNIA COASTAL COMMISSION

45 FREMONT, SUITE 2000
SAN FRANCISCO, CA 94105-2219
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**W10**

Date: July 27, 1999

To: Coastal Commissioners and Interested Parties

From: Jaime Kooser, Deputy Director
Alison Dettmer, Manager, Energy & Ocean Resources Unit
Ellen Fautot-Daniels, Supervisor, Oil Spill Program

Re: Oil Spill Program Update

This memorandum serves to summarize the issues currently being addressed by staff of the Oil Spill Program.

I. Platform Eureka (Beta Unit) pipeline spill.

On June 5, 1999, federal officials detected an oily sheen on the water near Platform Eureka. Platform Eureka¹ is one of three platforms in the Beta Unit, located about 14 miles southwest of Huntington Beach. The sheen was later attributed to leaks along a crude oil pipeline running between two of the Beta Unit platforms, Eureka and Elly. The Beta Production unit is operated by Aera Energy LLC, which Mobil Oil Corporation and Shell Oil Company jointly own. Immediately following the report of the sheen, Aera shut down Platform Eureka. Aera estimated that the sheen, about two miles long and 20-100 yards wide, was caused by a leak of about ½ barrel (21 gallons).

Dye infused into the crude oil line at Platform Eureka and monitored by a remotely-operated vehicle revealed seven ruptures, four at joints. It is not clear to investigators what caused the multiple failure points along the relatively new (15-year-old) pipeline. Investigations are hampered by the line not being "piggable", a technique that would have allowed the inside of the pipeline to be surveyed, and corrosion or other failure areas identified.

Aera is currently investigating the feasibility of using the 10" water line to transport the crude rather than repair the damaged oil line. However, early hydrostatic tests of the water line failed, and Aera is also having difficulty "pigging" the water line to evaluate its structural integrity. Aera has not completed its evaluations of the pipelines. Any solutions Aera proposes will go to the Minerals Management Service for evaluation. Should all existing lines fail their tests and be

¹ Platform Eureka produces about 4500 barrels (189,000 gallons) of crude per day. Three Platform Eureka pipelines lie along the ocean bottom in 700 feet of water and traverse a 2,500 foot distance between Platforms Eureka and Elly. A 12" diameter line carries crude oil, a 6" line carries "wet" gas, and a 10" line carries returned water.

irreparable, Aera may propose the construction and laying of new pipelines. Any repair work or laying of new pipelines would require federal consistency review by the Coastal Commission. Platform Eureka and its three pipelines will remain shut-in until the problems are fully investigated, solutions identified, and agency approvals secured.

II. Clean Seas proposal to remove an Oil Spill Response Vessel (OSRV) from its response fleet.

On June 30, 1999, Commission staff learned that Cleans Seas, an oil spill response cleanup cooperative that responds to spills off the counties of San Luis Obispo, Santa Barbara and Ventura, proposed to reduce its fleet of oil spill response vessels (OSRVs) from three to two. One vessel has been stationed at Avila Bay, one at Platform Harvest, and one in Santa Barbara. The three vessels provide response service to platforms and their associated facilities throughout the Avila – Santa Barbara region.

Clean Seas' plan was to move the OSRV currently based in Avila beach to Santa Barbara, and sell the one currently stationed in Santa Barbara. No vessel would replace the one moved from Avila Beach. The Clean Seas Board believed Chevron's abandonment of the Estero Bay marine terminal facility removed a need to keep a vessel stationed in the north part of their response region.

When Coastal Commission staff learned of the Clean Seas proposal, it sent a letter (*attached*) to the MMS clarifying the Coastal Commission staff's position that this reduction would represent a modification to Chevron's Development and Production Plan (DPP) for the Point Arguello Field/Platform Hermosa, the DPP for Platform Gail, and the Oil Spill Contingency Plans for Platforms Harvest, Hermosa, Hidalgo, and Grace and Gail. Further, the platforms' Oil Spill Contingency Plans clearly state that all three Clean Seas OSRVs will be available to provide an overall regional oil spill response capability for any potential spills at the platforms.

Subsequently, Clean Seas has decided to leave all three OSRVs in place pending further discussions among the federal, state and local agencies that have jurisdiction or concerns over this matter. Cleans Seas is currently revising its oil spill response plan in the hope of demonstrating to the satisfaction of the concerned agencies and public that it will be able to provide the same level of response capability with just two OSRVs.

It is the Coastal Commission staff's position that any proposed Clean Seas' changes to the disposition and location of its three OSRVs will require revisions to Chevron's development and production plans (DPPs) and approved oil spill contingency plans for its offshore platforms. These revisions will need to be evaluated by the Coastal Commission and its staff.

III. New issues related to Oil Spill Response Organization (OSRO) certification.

New regulations are due to be implemented by the Office of Spill Prevention and Response (OSPR) on September 1, 1999. These regulations will require nontank vessels greater than 300 gross tons to provide oil spill contingency plans and proof of financial responsibility sufficient to respond to a spill. Nontank vessel owners/operators may develop their own contingency plans, and within that they may contract with one or several Oil Spill Response Organizations (OSROs).²

OSROs that rely primarily on non-dedicated response equipment and personnel are getting the same approval rating in California by the US Coast Guard as the oil spill response cooperatives which have dedicated equipment and personnel. It is much more expensive for cooperatives with dedicated response equipment and 24-hour response personnel to operate. Without the same costs, the OSROs offering non-dedicated resources for their responses offer lower prices to members seeking contracts with OSROs. In order to remain competitive, the OSROs with dedicated resources are seriously considering selling off some of their dedicated equipment or laying off response personnel. This is the reason Clean Seas wants to sell its oil spill response vessel based in Avila Bay; Clean Seas believes the costs of maintaining the vessel and its crew are no longer reasonable or appropriate to response needs for the area served. Other California OSROs with dedicated resources are facing similar dilemmas.

The regulations as currently drafted allow non-tank companies to contract with OSROs having non-dedicated resources. However, there is no explicit provision in any federal or state regulations that require OSROs with non-dedicated resources to demonstrate they can actually deliver good and services as promised. They are, for now, able to offer demonstration on paper only. Coastal Commission staff has called for OSPR to conduct unannounced drills on these OSROs as part of non-tank regulatory requirements, but it is not clear if OSPR has the authority to do so. Even given the authority, OSPR may not have the financial or staff resources to conduct the unannounced drills.

OSPR is as concerned about this issue as Coastal Commission staff and has begun discussions with the USCG and the Director of the California Department of Fish and Game to discuss this issue. Commission staff will be working with OSPR and other interested parties to resolve this problem.

² Oil Spill Response Organizations (OSROs) are cooperatives formed to provide sufficient oil spill response equipment and trained personnel to meet the requirements of both federal and state law. OSROs may have either "dedicated" or "non-dedicated" equipment and personnel. Non-dedicated equipment is not actually owned by the OSRO, but can be accessed from local or distant sources if needed. Several OSROs may reference the same sources of non-dedicated equipment.



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July 1, 1999

Tom Dunaway
Regional Supervisor
Minerals Management Service
Pacific OCS Region
770 Paseo Camarillo
Camarillo, California 93010

**RE: Clean Seas' Proposal to Remove Permanently an Existing Oil Spill
Response Vessel from the San Luis Obispo/Santa Barbara Region**

Dear Mr. Dunaway:

Coastal Commission staff recently learned that Clean Seas is proposing to reduce its fleet of three oil spill response vessels ("OSRVs"), which currently provide oil spill response service to the platforms and their associated facilities in the Santa Barbara/San Luis Obispo region, to a fleet of two OSRVs for the entire region.

Clean Seas informed staff that it is planning to remove permanently the OSRV, Mr. Clean, from Avila Beach and will no longer station an OSRV there. Clean Seas plans to relocate Mr. Clean to Santa Barbara, as a replacement for the Mr. Clean II, which is currently stationed there. Clean Seas then intends to sell Mr. Clean II to another company, thereby permanently removing it from service for the Santa Barbara/San Luis Obispo region.

It is our understanding that this decision is based on research by the Clean Seas Board of Directors, which concluded that there were no regulations, or permit conditions that require Clean Seas' member companies to maintain three OSRVs or to specifically keep an OSRV stationed at Avila Beach. (This information was provided to Coastal Commission staff in a telephone conversation in early May with Daryle Waldron, President of Clean Seas and later confirmed in conversations with MMS staff, Craig Ogawa and Manny Saenz.)

Coastal Commission staff believes that Clean Seas' proposed reduction to two OSRVs represents a modification to Chevron's Development and Production Plan ("DPP") for the Point Arguello Field/Platform Hermosa¹ (dated December 1982) and the DPP for

¹ Staff also believes the proposed modification represents a change to the DPPs for the other two Point Arguello field platforms, Harvest and Hidalgo, which were clearly stated to be supplements to the Base DPP for the Point Arguello field.

Platform Gail (dated January 1986). Our conclusion is based on the fact that the proposed modification creates changes to the DPPs' Environmental Report and to the Oil Spill and Emergency Contingency Plans, all of which were incorporated directly into the DPPs.

Chevron's Development and Production Plans

Specifically, Section 6.5.4 of the Chevron DPP for the Point Arguello Field/Platform Hermosa states, in relevant part:

For a very detailed discussion of such a possibility as well as the proposed actions in case of an [oil spill] occurrence, *please refer to the Environmental Report for the Point Arguello Field and the Oil Spill and Emergency Contingency Plan for Platform Hermosa.*" [Emphasis added.] (Page VI-25.) (See attachment.)

Section 6.5.4 of the DPP for Platform Gail states, in relevant part:

For a detailed discussion of the proposed actions and oil spill equipment in case of an oil spill occurrence, *please refer to the Oil Spill and Emergency Contingency Plan for Platform Gail – Platform Grace, Santa Clara Unit (Reference 5.5.1).*" [Emphasis Added.] (Page VI-22.)

Chevron's Environmental Report for the Point Arguello Field

The Environmental Report for Chevron's Point Arguello field DPP (dated December 1982) clearly cites the availability of a "Mr. Clean" OSRV stationed in Avila Harbor for emergency response to oil spills at the Point Arguello field. It states, in relevant part:

"... Recent additions to the Clean Seas equipment inventory are oil spill recovery vessels moored in Santa Barbara and Avila Harbor. *"Mr. Clean" I and II ... can provide prompt response to the project area. Mr. Clean I is based in Carpinteria and can be on site in hours. Mr. Clean II is based in Avila Bay and can be to the project area in 5 hours. ...*" [Emphasis added.] (Page 2-33) (See Attachment.)

The proposed OSRV reduction also represents a modification to Chevron's Oil Spill Contingency Plan for Platforms Harvest, Hermosa, Hidalgo, Gail and Grace. Specifically, Chevron's Oil Spill Contingency Plan 1996 Update², which was approved by MMS in 1997, states, in relevant part:

² Chevron's Oil Spill Contingency Plan 1996 Update was approved by the MMS in 1997. This 1997 approved plan is the most recent MMS-approved Oil Spill Contingency Plan for platforms Harvest, Hermosa, Hidalgo, Grace and Gail.

... [T]he Clean Seas Oil Spill Response Vessel (OSRV) stationed at Santa Barbara, normally *Mr. Clean II*, can respond to an incident at either the Point Arguello Platforms, or Platforms Gail and Grace. ... [The] Clean Seas OSRV, normally *Mr. Clean III*, is stationed adjacent to Platform Harvest and is used as part of the initial response scenario of the Point Arguello Platforms. This OSRV can also be dispatched to Platforms Gail or Grace. ... *Another Clean Seas OSRV stationed near Avila Beach, normally Mr. Clean, can respond to an incident at the Point Arguello platforms or the Santa Barbara Channel platforms.* [Emphasis Added.] (Page 5-7.) (See attachment.)

This section of Chevron's Oil Spill Contingency Plan 1996 Update clearly indicates that all three Clean Seas OSRVs (Mr. Clean, Mr. Clean II, and Mr. Clean III) will be available to provide an overall regional oil spill response capability for any potential spills at Platforms Harvest, Hermosa, Hidalgo, Gail and Grace. Therefore, we request that the MMS require Chevron to submit an application to the MMS for an amendment to its DPPs to reflect Clean Seas' proposal to reduce regional response coverage from three OSRVs to two OSRVs.

Federal Consistency Review of Chevron's DPP Amendment

The Coastal Commission has previously reviewed and concurred in Chevron's consistency certification for the Point Arguello Platforms Hidalgo (CC-24-84), Hermosa (CC-12-83), and Harvest (CC-27-83) and for Platform Gail (CC-2-86 and CC-36-86), which includes commitments for the overall regional oil spill response capability currently specified in its Oil Spill Contingency Plan 1996 Update. A critical issue for the Coastal Commission during the federal consistency review process was the overall adequacy of oil spill response vessel capability for the Point Arguello platforms. As a result, in order to improve oil spill response capability, Chevron committed to locate a third OSRV, Mr. Clean III, at Platform Harvest to supplement the other two Mr. Clean I and II vessels. With the provision of this third OSRV, the Coastal Commission concurred with the consistency certifications for these platforms.

Pursuant to 15 CFR § 930.76 and 15 CFR §§ 930.51 and 930.71³, Chevron's DPP amendment/revision submittal to MMS is subject to the consistency review requirements of Section 307 (c)(3)(B) of the federal Coastal Zone Management Act (CZMA).


³ Pursuant to 15 CFR § 930.76, all applicants for MMS approval of a plan for the development and production from an area leased under the Outer Continental Shelf Lands Act (OCSLA) shall provide a "consistency certification" that the proposed activity complies with and will be conducted in a manner consistent with the State's approved management program. 15 CFR §§ 930.51 and 930.71 establish that this requirement includes renewals and major amendments of MMS-approved activities previously reviewed by the State agency which will cause coastal zone effects substantially different than those reviewed by the State agency.

Coastal Commission staff is concerned that the overall level of oil spill response capability and protection for the Santa Barbara Channel and Santa Maria Basin, that is currently provided in Chevron's DPP, will be significantly lessened if Clean Seas reduces its fleet to two OSRVs. Therefore, we would like the MMS to require Chevron, as part of Chevron's application for a DPP amendment, to provide an environmental assessment of the Clean Seas' proposal and its effect on Chevron's regional response capability to protect California's coastal zone resources in the Santa Barbara Channel and Santa Maria Basin regions in the event of an oil spill at its OCS platforms.

This environmental assessment is critical to enable the staff to determine if this change to the Chevron DPP Oil Spill Contingency Plan 1996 Update has the potential to cause coastal zone effects substantially different those originally reviewed in the Commission's federal consistency certification for Chevron's Point Arguello Platforms Hidalgo (CC-24-84), Hermosa (CC-12-83), and Harvest (CC-27-83) and for Platform Gail (CC-2-86 and CC-36-86).

Thank you for your assistance. If you have any questions, please call Robin Blanchfield at 415/904-5245 or me at 415/904-5246.

Sincerely,



ALISON J. DETTMER
Manager
Energy & Ocean Resources Unit

CC: Chevron
Clean Seas – Daryle Waldron, Manager
USCG – Capt. George Wright, Captain of the Port, Los Angeles Marine Safety Office
OSPR – Gary Gregory, Administrator; Bud Leland, Marine Safety Branch
Coastal Commissioners

BARBARA BOXER
CALIFORNIA

United States Senate

WASHINGTON, DC 20510-0505

July 28, 1999

W10

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

Dear Secretary Babbitt:

We are writing to express our support for the California Coastal Commission's decision to assert its authority under the Coastal Zone Management Act to review any decisions regarding the 40 undeveloped leases off the central coast of California. We are pleased that the Coastal Commission will use the full extent of its authority under the law to assure that no further harm can be done to our precious coastline.

The consistency authority provided in the Coastal Zone Management Act is designed to ensure that no state's efforts to protect its coast are undermined by a federal action. This authority is the linchpin of coordination between federal and state conservation activities, and must not be overlooked. California has implemented one of the strongest, most effective, Coastal Zone Management Plans in the country. The federal government must not be permitted to take any action that will cripple this effort.

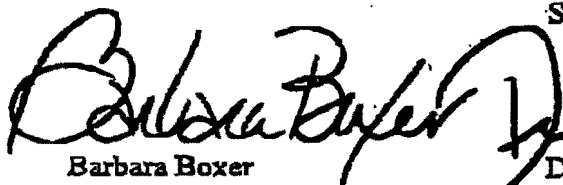
As you know, we have joined California residents in our outspoken opposition to any new oil development off the coast of California. In particular, we firmly believe that no drilling should occur on the 40 leases in question.

These 40 leases were purchased between 1968 and 1984. In the fifteen 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, the listing of federal endangered marine species, 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.

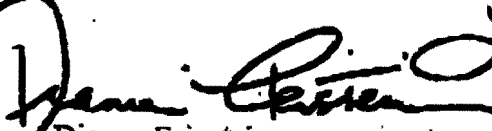
Given these changes and the potential effects on the State of California, we strongly believe that the State of California must be fully involved in any decisions regarding these leases. We are encouraged by the interest of the California Coastal Commission. We are hopeful that after a thorough review of the pending leases, the Commission will agree that this destructive activity should not occur off California's coast.

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

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W 10

July 27, 1999

Honorable Bruce Babbitt
Secretary of the Interior

Walt Rosenbusch, Director
Minerals Management Service

1849 C Street, N.W.
Washington, D.C. 20240

RE: 40 Undeveloped OCS Leases Offshore Central California

Dear Secretary Babbitt and Director Rosenbusch:

I am writing on behalf of the California Coastal Commission ("Commission") concerning the forty (40) undeveloped leases located on the Outer Continental Shelf offshore Central California. There are currently pending before the Minerals Management Service ("MMS") requests from the operators of these leases for suspensions of production ("SOPs") which would allow the operators to conduct planning activities leading either to further exploration of these tracts or to development and production from these tracts. In recent weeks, the Commission has discussed its authority pursuant to section 307(c)(3) of the Coastal Zone Management Act, 16 U.S.C. § 1456(c)(3). At its meeting on July 15, 1999, the Commission determined to assert that authority, and this letter is intended to notify the Department of the Interior of that action.

For a number of reasons, these undeveloped leases offshore California present a unique situation. First, these leases are very old. While most of these leases were awarded in the early 1980s in Lease Sales 53, 68 and 80, some of these leases were awarded in Sale 48 in 1979. Indeed, one lease was awarded in 1968 in Sale P4. While the operators have conducted some activities on these leases, they have also been subject to requested SOPs for lengthy periods during the 1980s. Those requested SOPs have had the effect of extending these leases far beyond their primary terms. Beginning in 1993, MMS has directed SOPs for these leases in order to allow MMS to complete its California Offshore Oil and Gas Energy Resources report. Because that report is expected to be completed this year, this Spring MMS directed the operators to submit plans for achieving production from these leases including further SOPs. In response, the operators have submitted requests for SOPs along with projections for achieving production. For many of these leases, the operators do not plan to achieve production for another 8 to 10 years. It is

unprecedented that MMS should grant SOPs that would, in effect, allow the operators to take 20 to 30 years to reach production.

Second, much of the oil that may be produced from these tracts is of very poor quality. At the Commission's June 8, 1999 meeting, MMS informed the Commission that the oil that can be produced from many of these tracts is of such low quality that it can be used only to produce asphalt. Obviously, the Commission, as well as other California governmental entities, is very concerned about the impacts which would occur from development of these tracts. However, that concern is heightened when the product of that development is asphalt.

Third, all of the 40 leases are located in relatively close proximity either to the Monterey Bay National Marine Sanctuary or to the Channel Islands National Marine Sanctuary. No oil and gas development is permitted in these national sanctuaries because of the sensitivity of the resources found there. We certainly must be cautious about permitting oil and gas activities which, while outside the boundaries of these sanctuaries, may still have impacts on their resources.

Finally, in the years since these leases were awarded, the environmental circumstances which we face have changed. For example, in 1981, the Commission objected to the leasing of many tracts in Sale 53 in part because of the potential for development adjacent to the range of the southern sea otter — a species which is listed as threatened pursuant to the Endangered Species Act. Although the southern sea otter has extended its range further south to the area of Point Conception in the years since Sale 53, the sea otter is still a species in decline. In fact recent sea otter census data has shown that the decline of the sea otter is so severe that the species is approaching endangered status. As long ago as September 1980, the U.S. Fish and Wildlife Service noted that an oil spill need not reach the entire range of the sea otter for its population or recoverability to be jeopardized. Clearly, oil and gas development taking place in the range of the southern sea otter would pose a real threat to this species. Other examples of changes in environmental circumstances include more stringent air and water quality standards, and Congress having made onshore air quality standards applicable to OCS facilities.

MMS's grant of a requested SOP is clearly a federal license or permit as those terms are defined in NOAA's regulations because it is an approval which MMS "is empowered to issue to an applicant." See 15 C.F.R. § 930.51(a). Additionally, because the effect of the grant of an SOP is to extend an OCS lease beyond its primary term, such an approval is effectively a renewal of the lease and is also a federal license or permit pursuant to 15 C.F.R. § 930.51(b).

If MMS grants the pending requests for SOPs, the basis for doing so will be that the SOPs are necessary to facilitate development of these tracts. These suspensions in effect start the process which will lead to OCS exploration and development. That development will of

course have coastal zone impacts, e.g., impacts on the southern sea otter. In fact, as of this date, one of the operators of these leases has indicated that one reason for seeking the suspensions is to be able to conduct further high energy seismic surveys which will also have effects on coastal resources. In addition, granting these suspensions will extend the time that the California coast is exposed to the effects of OCS development and the cumulative impacts which will result from that development.

Therefore, MMS should hold its approval of the SOPs in abeyance and direct the applicants for the SOPs to submit to the Commission the SOPs, a certification that all activities will be conducted in a manner consistent with California's federally approved coastal management program, and all necessary supporting information and data. MMS cannot approve the SOPs until the Commission has concurred with the consistency certifications, is conclusively presumed to concur with the certifications, or after any Commission objection, the Secretary of Commerce determines that the activity is consistent with the objectives of the CZMA or is otherwise necessary in the interest of national security.

Over the years the Coastal Commission staff and the staff of the Minerals Management Service's Pacific Region have developed a co-operative and productive working relationship. We look forward to working with the Department of the Interior and MMS to address the very important issues discussed in this letter.

Should you have any questions about this matter, or wish to discuss it, please feel free to call Peter Douglas, Executive Director at (415) 904-5201 or Susan Hansch, Chief Deputy Director at (415) 904-5244.

Sincerely,



Sara J. Wan, Chair
California Coastal Commission

cc: Honorable William M. Daley, Secretary of Commerce
Governor Gray Davis
Honorable Diane Feinstein
Honorable Barbara Boxer
Honorable Lois Capps
Honorable John Burton
Honorable Antonio Villaraigosa
Attorney General Bill Lockyer
Lt. Governor Cruz Bustamante
Secretary for Resources Mary Nichols
Honorable Kathleen Connell, Controller
Timothy Gage, Director, Department of Finance

Paul Thayer, Executive Officer, State Lands Commission
Robert Hight, Director, Department of Fish & Game
Jeffrey Benoit, Director, Office of Coastal Resource
Management, NOAA
J. Lisle Reed, Pacific Regional Director, MMS
Thomas Kitsos, Deputy Director, MMS
Coastal Commissioners
Senator Jack O'Connell
Assemblyman Abel Maldonado
Assemblywoman Hannah-Beth Jackson
Frank Holmes, Western States Petroleum Association

