



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: General Services
Department No.: 063
For Agenda Of: December 12, 2017
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: General Services Janette Pell, Director (805) 560-1011
Contact Info: Skip Grey, Assistant Director, General Services (805) 568-3083
SUBJECT: Consent to Assignment from Ellwood Pipeline Inc. to Chevron USA Inc.,
Assumption of Performance, and Fourth Amendment to Lease Agreement, for Oil
and Gas Pipelines in County Submerged Lands, Offshore Carpinteria, First
District (R/P File No.: 003657)

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Manager, Planning and
Development

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve and authorize the Chair to execute the attached original and duplicate original Consent to Assignment, Assumption of Performance, and Fourth Amendment to Lease Agreement between the County of Santa Barbara and Chevron USA, Inc. ("Chevron") (Attachment 1), which allows Ellwood Pipeline, Inc., to assign its lease of County's submerged lands near Carpinteria for two existing submerged oil and gas pipelines to Chevron and extends the term of that lease five (5) years until September 26, 2023, in order to facilitate Chevron's decommissioning of Platforms Gail and Grace and related facilities; and
- b) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to Section 15261, Ongoing Project, and Section 15301, Existing Facilities; and approve and direct staff to file and post the attached Notice of Exemption (Attachment 2) on that basis.

Summary Text:

The Board's approval of the Consent to Assignment, Assumption of Performance, and Fourth Amendment to Lease Agreement ("Fourth Amendment") will allow Chevron to assume the rights and liabilities associated with the lease allowing two submerged oil and gas pipelines crossing County submerged lands from 2 miles to 3 miles off of Carpinteria (County submerged lands) to remain in place. The Board's approval would also extend the term of the 1965 Lease, currently set to expire September 26, 2018, for a period of five (5) years, through September 26, 2023, to allow Chevron adequate time to complete the decommissioning of Platforms Gail and Grace and the related facilities. These include the two pipelines transporting oil and gas between Platforms Gail and Grace in the Outer Continental Shelf and the onshore Venoco Carpinteria Oil and Gas Processing Facility.

Background:

This lease was last before the Board on March 21, 2017, on the Departmental Agenda, where the Board approved the Third Amendment to the Lease Agreement between the County and Ellwood Pipeline Inc., an affiliate of Venoco LLC ("Venoco"). The term was extended through September 26, 2018. Since approval of that Third Amendment, Venoco filed for Chapter 11 bankruptcy with the United States Bankruptcy Court of the District of Delaware.

Venoco (Venoco LLC and Ellwood Pipeline Inc.) as debtors in bankruptcy, have negotiated a Purchase and Sale Agreement with Chevron whereby Chevron would acquire certain assets from Venoco, including the Lease with the County for the Carpinteria oil and gas pipelines. In order to safeguard the County's interests, the negotiations involved significant contribution from the County's outside bankruptcy counsel, County Counsel, and Departments of Planning and Development and General Services. Chevron was the predecessor to Venoco under this Lease; as well as the lease with the City of Carpinteria, for the segment of pipeline that runs through the City's submerged lands, which lie from shore to 2 miles out from the Carpinteria processing plant.

The original lease was executed on September 27, 1965, between the County and Standard Oil Company of California, the predecessor in interest to Chevron USA. The County consented to the assignment from Chevron USA to Venoco on December 4, 2012, and Venoco assumed all rights and responsibilities under the lease. If the Board consents to Venoco's assignment of the lease to Chevron, Chevron will reacquire those rights and responsibilities from Venoco. The City of Carpinteria has executed similar documents with Venoco, and will be considering a similar request to assign their lease from Venoco to Chevron. The current term of the leases, extended most recently by the Third Amendment, expires September 26, 2018.

The Fourth Amendment allows for an extended term of 5 years, with an annual payment to the County of \$13,928.46 for the period from January 1, 2018, through December 31, 2018, with future annual payments subject to an annual Cost of Living Adjustment of two percent (2%). Chevron will be required to post a bond with the County in the amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00), and must comply with the insurance requirements set forth in the Third Amendment to the Lease to Venoco. The County's Consent to the Assignment, Assumption of Performance, and First Amendment; the Second Amendment; and the Third Amendment, are attached to this Fourth Amendment, and their provisions, as amended, are incorporated therein.

The Lease allows for the continued use of the two pipelines: one for the transportation of natural gas and the other for oil. Chevron intends to use the gas pipeline to continue to supply natural gas from shore to

fuel electric power generators on Platforms Gail and Grace, which is consistent with Venoco's use of that pipeline. Chevron will be using the power generated for decommissioning the platforms and related facilities, and will then decommission the gas pipeline.

Venoco is using the oil pipeline to transport crude oil production to shore to complete the "shut-in" of the platforms and all associated oil and gas wells. Upon completion of the shut-in, Chevron will use the oil pipeline to transport water mixed with hydrocarbons and drilling mud from the plugging and abandonment operations to an existing onshore tank at the Carpinteria facility for proper disposal. Chevron will conduct integrity tests on both lines prior to commencing the plugging and abandonment operations. Upon completion, Chevron will decommission both pipelines. Chevron proposes complete decommissioning of the pipelines and platforms will take approximately 5 years.

Section 15261 of the CEQA Guidelines provides a statutory exemption for a private project if the project received approval of a lease, license, certificate, permit, or other entitlement for use from a public agency prior to April 5, 1973. The original lease between the County and Standard Oil Company of California was approved by the County, a public agency, on September 27, 1965. This Fourth Amendment allows Chevron to continue use of the private pipeline for five additional years, subject to the terms and conditions of that lease, as amended. Therefore, the recommended action of extending the lease and allowing Chevron to continue use of the private facilities is statutorily exempt from further CEQA review in accordance with CEQA Guidelines Section 15261.

Section 15301 of the CEQA Guidelines provides a categorical exemption for the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination. Execution of this Fourth Amendment involves negligible expansion of the existing use. The exceptions to the 15301 Existing Facilities categorical exemption have been considered and determined to be inapplicable to approval of the Fourth Amendment. Therefore, the action is exempt from further CEQA review based on Sections 15261 and 15301 of the CEQA Guidelines.

Fiscal and Facilities Impacts:

There will be no direct fiscal or facilities impacts.

Staffing Impacts:

There will be no direct staffing impacts.

Special Instructions:

After Board action, please distribute as follows:

1. Original Consent to Assignment, Assumption of Performance and Fourth Amendment:
Clerk of the Board files
2. Duplicate Original Consent to Assignment, Assumption of Performance and Fourth Amendment and copy of minute order:
General Services, Real Property
Attn: Ashlee Kinsella
3. Copies of Consent to Assignment, Assumption of Performance and Fourth Amendment and Minute Order:
 - Auditor-Controller, Financial Reporting Division

Attn: Betsy Schaffer

- Planning & Development, Energy and Minerals Division

Attn: Diane Black

4. After Board action, please post the Notice of Exemption

Attachments:

1. Consent to Assignment, Assumption of Performance and Fourth Amendment to Lease Agreement (1 original, 1 duplicate original)
2. Notice of Exemption