

Third Amendment to Lease with Ellwood Pipeline, Inc.



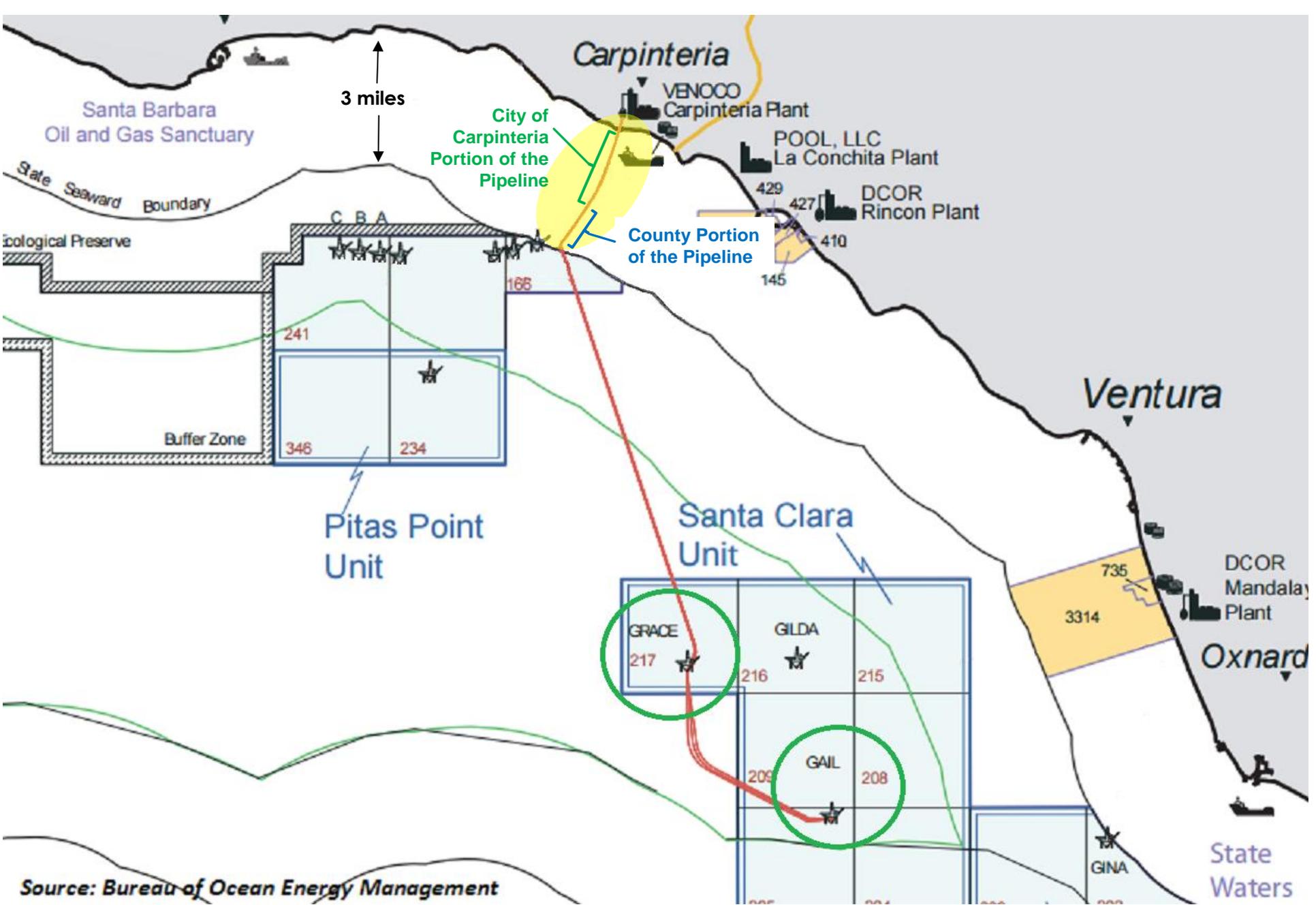
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Recommended Actions



That the Board of Supervisors:

- a) Approve the Third Amendment to Lease Agreement between the County and Ellwood Pipeline, Inc., a subsidiary of Venoco, LLC, for Venoco's continued use of two existing submerged oil and gas pipelines in the offshore county boundaries of Carpinteria; for an extended term of eighteen (18) months, beginning March 27, 2017, and ending September 26, 2018; and
- b) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to Section 15301, Existing Facilities, and Section 15261, Ongoing Project; and approve and direct staff to file and post the attached Notice of Exemption on that basis.



Source: Bureau of Ocean Energy Management



Lease History

- 1931 - State of California granted the County tidelands and submerged lands extending from Sandy Land Point to Rincon Creek.
- 1965 - County grants 50 year Lease to Standard Oil Company of California (later Chevron USA) for the pipelines through the three mile area controlled by the County.
- 1968 - City of Carpinteria annexed a two mile portion of the submerged lands closest to the shore previously controlled by the County. County retains the third mile out to the three nautical mile state lands limit.



Lease History - Continued

- December 2012 - County approved assignment of the 1965 Lease from Chevron USA to Elwood (DBA Venoco, LLC.) increased annual lease from \$270 to \$12,600 (plus 2% annual increase) and approved a First Amendment to the Lease.
- September 2015 - County approved the Second Amendment to Lease providing an 18-month extension to allow Venoco's continued use of the submerged lands through March 26, 2017 to consider and address Venoco's request for a long-term lease renewal.



Condition of Pipelines

- December 9, 2016 - RBE summarized its review and concluded that the pipelines are currently fit for service and do not pose an immediate risk of failure.
- February 10, 2017 - BSEE again noted that the pipelines are regularly inspected, and there have been no findings of apparent problems and thus no remedial action or further analysis is required based on the last several sets of inspection results.
- Cathodic Protection System reduces corrosion.
- Focused EIR is necessary to analyze potential impacts of long-term lease extension.



Focused Environmental Impact Report Process & Next Steps

- Anticipated cost approx. \$100,000; Venoco will fund.
- Standard EIR process with opportunity for public input, review and comment.
- Issue areas expected to be marine water quality, safety and risk, commercial/recreational fishing, land use. Others may be identified during public scoping.
- Energy & Minerals Division to manage EIR development & production.
- Expected completion timeline 13-14 months, once contract is in place.



Conclusion

Approving the Third Amendment will:

- Extend the term of the lease for a period of eighteen (18) months, through September 26, 2018;
- Increase pollution insurance from \$10 million to \$300 million.
- Allow time to conduct a focused EIR; and
- Use the EIR to determine the feasibility of a new long-term Lease Agreement.