



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 Names:** General Services  
**Department No.:** 063  
**For Agenda Of:** Sept. 15, 2015  
**Placement:** Departmental  
**Estimated Tme:** 15 Minutes  
**Continued Item:** Yes  
**If Yes, date from:**  
**Vote Required:** Majority

---

**TO:** Board of Supervisors

**FROM:** General Services Matthew P. Pontes, Director 560-1011

Contact Info:  
General Services Greg Chanis, Assistant Director 568-3096

**SUBJECT:** Second Amendment to Lease with Ellwood Pipeline, Inc., for Submerged Pipelines Serving Platforms Gail and Grace, 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 Management and 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 Second Amendment to Lease Agreement between the County of Santa Barbara and Ellwood Pipeline, Inc., ("Ellwood") a subsidiary of Venoco, Inc., for Ellwood's continued use of two existing submerged oil and gas pipelines in the offshore county boundaries of Carpinteria; for an extended term of eighteen months (18) months, beginning September 27, 2015, and ending March 26, 2017; and
- b) Determine that the proposed action is exempt from the California Environmental Quality Act (CEQA) guidelines, pursuant to Section 15301, Existing Facilities, Section 15261, Ongoing Project, and 15061 (b) (3), Review for Exemption; and approve and direct staff to file and post the attached Notice of Exemption on that basis.

**Summary Text:**

The Board's approval of the Second Amendment will extend the term of the 1965 Lease between the County and Ellwood Pipeline, Inc., as successor in interest to Standard Oil Company of California, for a period of eighteen (18) months, through March 26, 2017; in order to determine the feasibility of a new long-term Lease Agreement, or long-term extension of the current Lease Agreement for Ellwood's continued use of two pipelines transporting oil and gas from Platforms Gail and Grace in the Outer Continental Shelf, to Venoco's onshore Carpinteria Oil and Gas Processing Facility.

**Background:**

In 1931, the State of California granted to the County, in trust, certain tidelands and submerged lands extending from Sandy Land Point to Rincon Creek, offshore of Carpinteria. In 1965, the County granted a fifty year Lease to Standard Oil Company of California, (Ellwood's predecessor in interest), allowing the installation and operation of two 10-inch pipelines through the three mile area controlled by the County, for the transportation of oil and gas from offshore platforms to the onshore processing facility. In 1968, the City of Carpinteria (City) annexed a two mile portion of the submerged lands that were previously controlled by the County. The City currently leases to Ellwood the two mile area closest to the shore. The County retains the third mile out to the three nautical mile state lands limit.

Chevron USA became the successor in interest to Standard Oil Company of California, and in December 2012, the County approved an assignment of the 1965 Lease to Ellwood, a subsidiary of Venoco, Inc., by approving the Consent to Assignment, Assumption of Performance, and First Amendment to the Lease Agreement ("First Amendment") that assigned all rights and obligations under the lease from Chevron USA to Ellwood. The First Amendment revised the annual rent for the Lease to \$12,615.44, subject to an annual cost of living adjustment of 2%, and more narrowly defined the purpose of lease as "the right to operate, maintain, repair, replace, and remove existing submerged pipelines from Platform Grace in the Santa Clara Field and Platform Gail in the Sockeye Field to the Carpinteria Oil and Gas Processing Facility located onshore in Carpinteria..." The permitted pipelines were identified as two 10-inch diameter pipelines extending approximately 6,124 feet through a fifty-foot wide corridor across the County's submerged lands. The provisions added to the Lease in 2012 by the First Amendment will apply to this extension, if it is approved by the Board.

Ellwood has submitted an application to the County requesting a 40-year extension to the lease agreement. Prior to staff recommending a new long-term lease agreement between the County and Ellwood, additional information on the pipeline integrity, operational safety, and mitigation and monitoring programs is necessary. The County's Energy and Minerals Division, in consultation with its technical consultant sent a request to Ellwood, dated August 11, 2015, for additional pipeline integrity information. The Energy & Minerals Division's technical consultant for oil and gas projects also contacted the Federal Bureau of Safety and Environmental Enforcement (BSEE), which has regulatory authority over Platforms Gail and Grace, and the associated pipelines. BSEE provided information regarding the condition and integrity of the Ellwood pipelines from the last three internal inspections of the pipelines, spanning six years.

In reviewing the inspection results, BSEE concluded the pipelines are currently in satisfactory operating condition. A letter dated September 3, 2015, was sent to the County Energy and Minerals Division by Nabil F. Masri, Regional Supervisor of the Office of Field Operations for the Bureau of Safety and Environmental Enforcement for the United States Department of the Interior. The letter included a

statement by Mr. Masri that: “The Platform Grace pipelines are regularly inspected, and there have been no findings of apparent problems and thus no remedial action or further analysis required based on the last several sets of inspection results.” A copy of that letter is attached to the Notice of Exemption (Attachment 2).

Approval of this Second Amendment to Lease Agreement between the County and Ellwood, for Ellwood’s continued use of two existing submerged oil and gas pipelines offshore of Carpinteria for an extended term of eighteen months (18) months, is in compliance with the California Environmental Quality Act (CEQA), pursuant to CEQA Guidelines for Implementation of CEQA, 14 CCR Sections 15301, “Existing Facilities”, 15261 (b), “Ongoing Project”, and 15061 (b) (3), “Review for Exemption”. The purpose of the eighteen month extension is to determine the feasibility of a new long-term Lease Agreement, or long-term extension of the current Lease Agreement.

The short-term lease extension is categorically exempt from environmental review in accordance with CEQA Guidelines, Section 15301 – Class 1, which consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alterations 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. The temporary extension of the current lease agreement between the County and Ellwood will provide for the continued operation, repair, maintenance, and leasing of the two pipelines, under the same parameters of existing operations, as private facilities, involving no expansion of use.

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 lease between the County and Standard Oil Company of California, Ellwood’s successor in interest, was approved by the County, a public agency, on September 27, 1965. The lease allows Ellwood to continue use of its private pipeline facilities under the same parameters as currently operated for an extended term of eighteen months. Therefore, the recommended action of temporarily extending the lease and allowing Ellwood to continue its use of the private facilities is statutorily exempt from further CEQA review in accordance with CEQA Guidelines Section 15261.

CEQA Guideline Section 15061 (b) (3) states that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. “Significant effect on the environment is defined in the CEQA Guidelines as “...a substantial, or potentially substantial, adverse change in the environment.” In this case, there will be no physical changes to the environment associated with the extension. The short-term lease extension is therefore exempt from further CEQA review in accordance with CEQA Guidelines Section 15061 (b) (3).

**Fiscal and Facilities Impacts:**

There will be no fiscal or facilities impacts associated with this action.

**Staffing Impacts:**

**Legal Positions: 0**

**FTEs: 0**

No staffing impacts are associated with this action.

**Special Instructions:**

After Board action, please distribute as follows:

1. Original Second Amendment:  
Clerk of the Board files
2. Duplicate Original Second Amendment and copy of minute order:  
General Services, Real Property  
Attn: A. Kinsella
3. Copies of Second Amendment and Minute Order:
  - Auditor-Controller, Financial Reporting Division  
Attn: Betsy Schaffer
  - Planning & Development, Energy and Minerals Division  
Attn: Kevin Drude
4. After Board action, please post the Notice of Exemption

**Attachments:**

- A. Second Amendment to Lease Agreement (1 original, 1 duplicate original)
- B. Notice of Exemption