

AMENDED IN SENATE SEPTEMBER 10, 2009

AMENDED IN SENATE SEPTEMBER 8, 2009

AMENDED IN SENATE SEPTEMBER 2, 2009

AMENDED IN SENATE JUNE 23, 2009

AMENDED IN ASSEMBLY MAY 6, 2009

AMENDED IN ASSEMBLY APRIL 14, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 1536**

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**Introduced by Assembly Member Blakeslee**

February 27, 2009

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An act to add and repeal Sections 6245 and 6246 of the Public Resources Code, relating to public resources, and making an appropriation therefor.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1536, as amended, Blakeslee. Oil and gas leases.

(1) Existing law authorizes the State Lands Commission to enter into a lease for the extraction of oil or gas from state-owned tide and submerged lands in the California Coastal Sanctuary if the commission determines that those oil and gas deposits are being drained by means of producing wells upon adjacent federal lands and if the lease is in the best interests of the state.

This bill would create the Interim Resources Management Board, consisting of the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, and the Controller. The bill would authorize the board to consider a lease, lease application, or

revised lease application filed with the State Lands Commission pursuant to that provision and subsequently rejected by the commission. The bill would authorize the board to approve that lease if specified terms and conditions are met.

The bill would provide for the repeal of these provisions on January 1, 2011. The bill would set forth related declarations and findings.

(2) The bill would annually appropriate, commencing with the 2010–11 fiscal year, up to \$50,000,000 from ~~the any~~ amounts received annually by the state from ~~the~~ royalty payments made ~~pursuant~~ *according to a lease entered into under or leases executed pursuant to* the bill, as scheduled. The bill would provide that \$34,000,000 would be allocated to the Department of Conservation for purposes of making subvention payments under the Open Space Subvention Act of 1971 to eligible counties participating in the California Land Conservation Act of 1965, and that \$16,000,000 would be allocated to the Department of Parks and Recreation for the acquisition and operation of state parks along the coast.

(3) The bill would appropriate, for the 2009–10 fiscal year, up to \$50,000,000 from ~~the any~~ amounts received during that fiscal year by the state from ~~the prepaid~~ royalty payments ~~made pursuant to a lease entered into under~~ *required to be made according to a lease executed pursuant to* the bill to the State Department of Public Health, as scheduled.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Since 1994, the State Lands Commission has been prohibited
- 4 by the California Coastal Sanctuary Act of 1994 (Chapter 3.4
- 5 (commencing with Section 6240) of Part 1 of Division 6 of the
- 6 Public Resources Code) from granting any new oil or gas leases
- 7 on state-owned tide and submerged lands, unless the state's oil or
- 8 gas resources are being drained from producing wells on adjacent
- 9 federal lands and the commission determines that a lease is in the
- 10 best interests of the state.
- 11 (b) Since 1994, no application for a lease has been granted under
- 12 this exception by the State Lands Commission.

1 (c) In the current fiscal emergency, it is in the public interest to  
2 consider an application considered and rejected by the commission  
3 prior to the effective date of this act, pursuant to Section 6244 of  
4 the Public Resources Code, from an operator with existing offshore  
5 drilling platforms on federal lands and with existing and operating  
6 infrastructure that seeks to access state offshore oil or gas reserves  
7 for a limited period.

8 (d) The provisions of this act are necessary for the promotion  
9 of the public interest and are of statewide concern.

10 SEC. 2. Section 6245 is added to the Public Resources Code,  
11 to read:

12 6245. (a) The Interim Resources Management Board is hereby  
13 created for the limited purpose of considering an oil or gas lease  
14 application meeting the criteria set forth in Section 6246.

15 (b) The members of the board shall be the Secretary of the  
16 Natural Resources Agency, the Secretary for Environmental  
17 Protection, and the Controller. The Secretary of the Natural  
18 Resources Agency shall be the chairperson of the board.

19 (c) The board shall hold at least one public hearing when  
20 considering an oil or gas lease application.

21 (d) If a majority of the members of the board determine pursuant  
22 to Section 6246 that an oil or gas lease be entered into, the  
23 chairperson of the board shall execute pursuant to Section 6246  
24 the lease on behalf of the state. Thereafter, the terms and conditions  
25 of the lease shall be administered by the commission.

26 (e) This section shall remain in effect only until January 1, 2011,  
27 and as of that date is repealed, unless a later enacted statute, that  
28 is enacted before January 1, 2011, deletes or extends that date.

29 SEC. 3. Section 6246 is added to the Public Resources Code,  
30 to read:

31 6246. (a) Notwithstanding Section 6244, within 30 days after  
32 the effective date of this section, the Interim Resources  
33 Management Board shall meet in accordance with the  
34 Bagley-Keene Open Meeting Act for the purpose of considering  
35 a lease, lease application, or revised lease application, including  
36 the terms and conditions, filed with the commission pursuant to  
37 Section 6244 and that meets all of the following criteria:

38 (1) The lease, lease application, or revised lease application was  
39 considered and rejected by the commission prior to the effective  
40 date of this section, pursuant to Section 6244.

1 (2) The record before the commission demonstrates that state  
2 oil or gas deposits are being drained by means of producing wells  
3 upon adjacent federal lands.

4 (3) The lessee has an existing offshore platform on adjacent  
5 federal lands from which the state oil or gas reserves will be  
6 accessed.

7 (4) The lessee has existing and operating pipelines and other  
8 infrastructure to transport and process the oil or gas.

9 (5) The board determines that the lease is in the best interest of  
10 the state.

11 (b) The chairperson of the Interim Resources Management  
12 Board may enter into a lease or leases on behalf of the State of  
13 California if the lease or leases contain the following conditions  
14 that are enforceable by the Attorney General:

15 (1) The lease has a fixed termination date that is 14 years from  
16 the effective date of the lease.

17 (2) The lease requires the lessee to make a single prepaid royalty  
18 payment to the State Treasury in the total amount of one hundred  
19 million dollars (\$100,000,000) for the lease or leases considered  
20 and rejected by the commission prior to the effective date of this  
21 section, pursuant to Section 6244.

22 (3) The lease shall provide, at a minimum, the rental fee and  
23 royalty payments as specified in the lease considered and rejected  
24 by the commission prior to the effective date of this section,  
25 pursuant to Section 6244.

26 (4) The lessee is required to avoid, reduce, or offset all direct  
27 greenhouse gas emissions from project operations under the lease.

28 (5) Upon expiration of the lease, the lessee shall terminate all  
29 oil and gas production operations offshore California, if any, and  
30 remove all related onshore processing facilities, if any, that are  
31 owned, controlled, or operated by the lessee at the time the lessee  
32 accepted the lease, and shall clean up, restore, and donate not less  
33 than 3,900 acres of land for public use and conservation, including  
34 land on which the onshore processing facilities were located.

35 (6) The lessee shall use all feasible efforts to decommission or  
36 remove four outer continental shelf federal platforms and provide  
37 funds, in an amount and manner to be determined by the Interim  
38 Resources Management Board, in an escrow account, letter of  
39 credit, or equivalent instrument, to be used to address any adverse  
40 environmental effects of offshore oil drilling from the four

1 platforms, or for decommissioning or removal of the platforms, if  
2 the platforms are not decommissioned or removed due to  
3 circumstances beyond the control of the lessee.

4 (7) The terms and conditions of any agreement related to the  
5 lease, lease application, or revised lease application identified in  
6 subdivision (a) between the lessee and a nongovernmental third  
7 party shall collectively constitute a condition of any lease. The  
8 lessee shall provide a copy of any agreement to the Interim  
9 Resources Management Board as soon as feasible, and the  
10 agreement shall be made public in a conspicuous location on the  
11 Natural Resources Agency's Internet Web site at least 30 days  
12 prior to the reconsideration of any lease pursuant to subdivision  
13 (a).

14 (8) The lease shall provide, without limitation, that the Attorney  
15 General shall enforce the terms of the lease.

16 (c) The lease shall contain all other terms agreed to by the lessee  
17 in a lease or lease application considered and rejected by the  
18 commission prior to the effective date of this section, pursuant to  
19 Section 6244, that are not in conflict with this section. Nothing in  
20 this section precludes the board from requiring lease terms that  
21 are more protective of the environment or will produce greater  
22 revenue to the state and that are not in conflict with this act.

23 (d) Any action to challenge Section 6245 or this section may  
24 only be filed and served within 60 days of the effective date of  
25 those sections.

26 (e) Except as provided in paragraph (8) of subdivision (b), any  
27 challenge by a person to a lease executed pursuant to this section  
28 may only be filed and served within 60 days following execution  
29 of the lease and notification of its execution. The complaint or  
30 petition shall also be served within the 60-day period on the lessee  
31 as a real party in interest. Notification of the execution of the lease  
32 shall be posted on the Natural Resources Agency's Internet Web  
33 site and through a press release issued by the Natural Resources  
34 Agency.

35 (f) This section shall remain in effect only until January 1, 2011,  
36 and as of that date is repealed, unless a later enacted statute, that  
37 is enacted before January 1, 2011, deletes or extends that date.

38 SEC. 4. (a) ~~Of the Commencing with the 2010-11 fiscal year,~~  
39 ~~of any amounts received by the state annually from the royalty~~  
40 ~~payments made pursuant according to a lease made or leases~~

1 *executed* pursuant to Sections 6245 and 6246 of the Public  
2 Resources Code, up to fifty million dollars (\$50,000,000) is hereby  
3 appropriated, ~~commencing with the 2010-11 fiscal year~~, in  
4 accordance with the following schedule:

5 (1) Up to thirty-four million dollars (\$34,000,000) to the  
6 Department of Conservation for purposes of making subvention  
7 payments in accordance with Chapter 3 (commencing with Section  
8 16140) of Part 1 of Division 4 of Title 2 of the Government Code  
9 to eligible counties participating in the California Land  
10 Conservation Act of 1965 (Chapter 7 (commencing with Section  
11 51200) of Part 1 of Division 1 of Title 5 of the Government Code).

12 (2) Up to sixteen million dollars (\$16,000,000) to the  
13 Department of Parks and Recreation for the acquisition and  
14 operation of state parks along the coast.

15 ~~(b) The one hundred million dollars~~ *For any lease or leases*  
16 *executed pursuant to Sections 6245 and 6246 of the Public*  
17 *Resources Code, the one-hundred-million-dollar* (\$100,000,000)  
18 *prepaid royalty payment received by required to be paid to the*  
19 *state pursuant to paragraph (2) of subdivision (b) of Section 6246*  
20 *of the Public Resources Code is not subject to the appropriation*  
21 *pursuant to made in subdivision (a) of this section.*

22 SEC. 5. ~~(a) Of the~~ *Of any* amounts received by the state during  
23 the 2009-10 fiscal year from ~~the prepaid royalty payments made~~  
24 ~~pursuant to a lease made required to be made according to~~  
25 ~~paragraph (2) of subdivision (b) of Section 6246 of the Public~~  
26 ~~Resources Code for a lease executed pursuant to Sections 6245~~  
27 ~~and 6246 of the Public Resources Code, up to fifty million dollars~~  
28 ~~(\$50,000,000) is hereby appropriated for the 2009-10 fiscal year;~~  
29 in accordance with the following schedule:

30 ~~(1)~~

31 (a) Up to twenty-one million six hundred sixty thousand dollars  
32 (\$21,660,000) to the State Department of Public Health for various  
33 programs administered by the Office of AIDS.

34 ~~(2)~~

35 (b) Up to sixteen million three hundred thirty-seven thousand  
36 dollars (\$16,337,000) to the State Department of Public Health for  
37 the Domestic Violence Program.

38 ~~(3)~~

1 (c) Up to nine million dollars (\$9,000,000) to the State  
2 Department of Public Health for the Adolescent Family Life  
3 Program.

4 ~~(4)~~

5 (d) Up to three million three thousand dollars (\$3,003,000) to  
6 the State Department of Public Health for the Black Infant Health  
7 Program.

8 ~~(b) The one hundred million dollars (\$100,000,000) prepaid~~  
9 ~~royalty payment received by the state pursuant to paragraph (2)~~  
10 ~~of subdivision (b) of Section 6246 of the Public Resources Code~~  
11 ~~is not subject to appropriation pursuant to this section.~~