



FACT SHEET

CALIFORNIA STATE LANDS COMMISSION IS COMMITTED TO PUBLIC SAFETY AND ENVIRONMENTAL PROTECTION

South Ellwood Field Lease Quitclaims



SNAPSHOT:

- The Commission's first priority is to ensure that the facilities are secured, safe and do not pose a risk to public health and safety and the environment.
- On April 12, 2017, Venoco, LLC notified the Commission that it was no longer capable of meeting the terms and obligations for the South Ellwood Field leases, including Platform Holly and the Ellwood Beach Piers leases.
- On April 17, 2017, Venoco quitclaimed its interests in Platform Holly and the Ellwood Beach Piers leases.
- Venoco's notification and subsequent quitclaim effectively end commercial oil and gas production within state waters in the Santa Barbara Channel at this location, leaving approximately 85.1 million barrels of recoverable oil in the ground. The Coastal Sanctuary Act prohibits the Commission from issuing new offshore oil and gas leases, except under very limited circumstances, none of which currently exist at this location.
- It is the Commission's understanding that Venoco plans to pursue liquidation under the United States Bankruptcy Code. In bankruptcy, Venoco, the debtor in possession, will likely file a plan to liquidate the company's assets, the proceeds of which will be used to pay off the estate's debts.
- On May 19, 2015, the underground pipeline (Line 901; the Las Flores to Gaviota pipeline) that transports oil produced from Platform Holly ruptured causing the Refugio Oil Spill. Line 901 remains shutdown with no specific date identified for resuming operation. There has been no production from Platform Holly since May 19 due to the ruptured pipeline and subsequent spill.

LEASES IMPACTED:

- Venoco is a lessee of the following state oil and gas related leases:
 - PRC 3120 & 3242 (Platform Holly, City of Goleta)
 - PRC 421 (Ellwood Beach Oil Piers, City of Goleta)
 - PRC 3904 (Ellwood Marine Terminal, Santa Barbara County)
 - PRC 5515 (Ellwood Pier, City of Goleta)
 - PRC 3150 (Paredon Project, City of Carpinteria)
 - PRC 8990 (Inland Gas Lease, near Joice and Grizzly Islands, Solano County)
- Venoco has only quitclaimed Leases PRC 3120, 3242, and 421.

- Leases PRC 3904 (Ellwood Marine Terminal), PRC 5515 (Ellwood Pier), PRC 3150 (Paredon) and PRC 8990 (Inland Gas Lease) have not been quitclaimed and will be part of Venoco's estate subject to the anticipated bankruptcy proceedings.
- Venoco has operated the South Ellwood Field since 1997, when it acquired the leases from ExxonMobil. Since then, Venoco has generated approximately \$160 million in state revenue from royalties and rent.
- The Commission does not have any ownership or jurisdiction over Venoco's upland assets or facilities, including the Ellwood Onshore Facility in the City of Goleta.

NEXT STEPS:

- The Commission will begin plugging and abandoning the wells and decommissioning the facilities as soon as possible. This effort will be expensive, complex, and lengthy. The Commission is currently calling on Venoco's \$22 million bond that it is required to maintain under its leases. The Commission will soon begin the bid and contracting process to hire a project manager to manage and implement the decommissioning of the South Ellwood Field wells, platform and piers, subject to available funds. The Commission estimates that it will take approximately three years to fully decommission and remove Platform Holly; however, this estimate is heavily dependent on available funding, the CEQA process and the availability of platform removal equipment.
- Venoco and the Commission have executed an agreement for reimbursement of temporary services, where Venoco agrees to secure and maintain the subject facilities at its own cost through May 1, 2017, at which time the Commission will begin to reimburse Venoco, on an interim basis, to secure the facilities. This agreement will continue until the Commission hires a third party to continue to secure the facilities and manage the decommissioning.
- The Commission will ensure that the wells and facilities are secured and maintained while a comprehensive abandonment and decommissioning plan is developed to efficiently address the disposition of the wells, platform, piers, and associated infrastructure. The Commission is dedicated to a robust, transparent and collaborative process with the local communities, the City of Goleta, the County of Santa Barbara, and other stakeholders.
- The Commission is coordinating with the various local and state agencies with regulatory jurisdiction over the state leases, including the State's Division of Oil, Gas and Geothermal Resources, the State's Office of Spill Prevention and Response, California Coastal Commission, Santa Barbara County Air Pollution Control District, Santa Barbara County, and the City of Goleta, to keep them informed and facilitate approvals to continue to maintain a safe environment and begin the decommissioning process.
- Venoco's quitclaim is effective when received by the Commission. However, certain obligations under the state leases, including the obligation to properly plug and abandon the 32 wells in the South Ellwood Field and decommissioning the facilities, survive regardless of a quitclaim. If Venoco files for bankruptcy, the Commission will involve itself in the bankruptcy proceedings, including submitting claims against Venoco for fulfilling their lease obligations.
- The Commission has been a key partner in prior offshore oil and gas decommissioning projects where the lessee directly managed the project under the Commission's oversight and ultimate approval before the lessee quitclaimed its leasehold interests. The situation with Venoco is unique, however, because the Commission will assume operational control of the facilities and manage the decommissioning project. The Commission is committed to protecting public health and safety and the environment while judicially pursuing decommissioning of these facilities.
- The Commission currently manages 29 offshore oil and gas leases, 16 of which are actively producing. Of these leases, four are platforms and one is an island: Platforms Eva and Emmy (Huntington Beach), Esther (Seal Beach), and Holly (Goleta), and Rincon Island (Mussel Shoals, Ventura County). The Commission also oversees the management of four oil producing islands offshore the City of Long Beach that are operated by the City's Department of Gas and Oil.