

# A brief history of oil in Carpinteria

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The history of Carpinteria is written in slick, oily ink. Records of European explorers in the 1500s recount Chumash people living where the Concha Loma neighborhood stands today and using naturally seeping tar to caulk tomols and bind tools and containers. Centuries later, hydrocarbons beneath Carpinteria and coastal waters remain valuable, but just how to balance extraction of energy rich resources with environmental consciousness and public safety has become a point of heightened contention.

The latest chapter in the centuries-long story of Carpinteria's marriage to fossil fuels is shaping up to be one of the most controversial. The Venoco-sponsored Measure J, a voter initiative slated for the June 8 ballot, asks Carpinterians to decide whether to allow a drastic increase in oil-related activity in the city and takes city officials out of the review process. The new activity would be unprecedented in Carpinteria. Venoco proposes the use of extended-reach drilling to angle into offshore reserves for decades into the future. A look at Carpinteria's historical involvement in the oil game can help shed some light on how city residents arrived at today's oil-centric standoff.

Standard Oil, which later became Chevron, purchased the 55-acre property that currently houses the Carpinteria Oil and Gas Processing Facility from the Higgins family in 1959. The property had been an asphaltum mine and a dump in prior incarnations.

With new offshore drilling technology at its fingertips and an eagerness to exploit rich reserves near Carpinteria, Standard, an oil industry giant, wanted an onshore facility to support its new offshore exploration. Platform Hazel, heralded as the first modern offshore platform in California, was erected two miles off Summerland in 1958. It quickly struck oil, and Standard had big plans for its offshore leases, as evidenced by the construction of a 217,000-barrel, 48-foot-tall oil storage tank in Carpinteria that still stands today. Soon after, Casitas Pier was installed to service Standard's platforms. Today it serves as a hub for multiple companies to access offshore drilling stations.

An Oct. 13, 1960 *Carpinteria Herald* story detailing the new, unobtrusive oil operation stated: "Behind its \$20,000 screen of trees and other landscaping, the \$1.25 million Carpinteria terminal works around the clock."

Following soon after Hazel, platform Hilda went up in 1960; and platforms Hope and Heidi moved in off the coast of Carpinteria in 1965. With all four platforms on line, all flowing into Carpinteria until 1992, 62 million barrels of oil and 131 billion cubic feet of natural gas fed the Carpinteria processing facility. All four platforms were removed in 1996, as announced in a Chevron flier entitled, "The End of Era."

Public perception of oil drilling took a big hit in 1969 when an oil spill from an area platform blanketed the entire Santa Barbara coastline killing sea life and devastating beaches. The 1969 spill is said to have inspired the modern environmental movement. A whole litany of new regulations on oil activity was created in reaction to the catastrophe. Clean Seas, an oil spill cleanup response team, went in behind Carpinteria City Hall soon after the spill, sharing the processing facility with Chevron as mandated by new regulations.

"After the oil spill, people woke up to what was happening," said Betty Songer, a longtime neighbor to the processing facility. She has lived in her Concha Loma house for 53 years (since 1957) and has become increasingly aware and out-



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With the intention of providing objective information to Carpinteria voters, *Coastal View News* will present a series of in-depth articles related to Measure J leading up to the vote on June 8. The first in the series is a look at Carpinteria's historical link to fossil fuels. Coming soon will be:

- April 1:** Details of the project outlined in Measure J
- April 22:** Environmental impacts and safety risks
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spoken about the risks of having an oil industry neighbor. She has gripes with noise and odors from the facility and sometimes feels like nobody cares.

Opposition to oil development was hardly a new cause. An 1899 front-page article in the *Santa Barbara Morning News* describes Santa Barbara gentlemen who rolled up their sleeves and "utterly demolished a new oil derrick that was erected yesterday at Miramar." The men, said to be a party of the best known society men, had "determined that no unsightly oil derrick shall disfigure the beautiful views."

Tensions eased by the end of the 1970s with the energy crisis leading President Jimmy Carter and later President Ronald Reagan to push for new drilling in federal waters. In 1979, platform Grace went in 15 miles to the southeast of Carpinteria—in federal waters—and new oil and natural gas began flowing into the city. Then, after some wrangling for permits and opposition from the Carpinteria Valley Association, platform Gail was erected in 1988.

Venoco now owns and operates Grace and Gail, with Gail being the only still-producing platform flowing into Carpinteria. Gail captures approximately 4,000 barrels per day, according to Venoco representatives, and Grace is dormant, but serves as a relay point for piping oil and gas in from Gail. The Environmental Impact Report for Venoco's proposed Paredon Project states that Venoco has plans to restart production at Grace as well.

In 1985, a *Carpinteria Herald* story detailing the operations at the Chevron-operated processing facility estimated

*Constructed beginning in 1959, the largest structure at the Carpinteria Oil and Gas Processing Facility is this 48-foot-tall, 217,000 barrel oil tank in the foreground. Situated on 55-acres of the Carpinteria Bluffs, the processing facility has only one active platform feeding gas and oil into it today. Between 1988 and 1992 six platforms ran pipelines into the facility. A "yes" vote on Measure J could pave the way for oil drilling with a 175-foot rig at the property.*

that 4,000 barrels per day and 10 million cubic feet of natural gas per day were processed at the facility. Also until the 1990s Chevron operated a marketing terminal at the processing facility. Three tanks on the now vacated southwestern side of the processing facility distributed fully processed gas and diesel fuel. Tankers pulled up to Casitas Pier and delivered the refined fuels, and trucks would export it to gas stations via Dump Road.

From the marketing terminal years, Songer recalls, "My husband would smoke a pipe, and I'd tell him, don't light a match or we'll go up." She said the company often vented the tanks and the fumes were detectable to the nose.

Today, oil and gas come in from Gail and from a DCOR-operated gas pipeline. The oil is processed at the offshore platform and usually comes in ready to be fed into pipelines down to Ventura and eventually to market in Los Angeles. Gas from Gail is compressed and dehydrated in a tangle of pipelines on the west end of the processing facility and fed straight to Southern California Edison near City Hall after being odorized.

Current Operations Supervisor Doug Taylor is a living piece of the history of operations at the processing facility. He worked for Chevron for 16 years and stayed on with Venoco after 1999. He takes pride in the safety measures at the plant, calling them "fail safe" while pointing out the redundant computer systems in the on-site control room. Pipeline pressure is tracked from the offshore platforms to delivery in Ventura.

Over the decades of operation at the facility, there have been no catastrophic events. Songer recalls a fire in 1963. And only a couple of months ago, a release from an odorant station operated by DCOR and Southern California Gas Company at the southwest end of the property caused many Concha Loma residents to call 9-1-1. "It smelled like the sewer was backing up," Songer said.

Chevron removed the marketing terminal in 1998 before Venoco purchased the property in 1999. In the deal, Venoco also got platforms Grace and Gail and

the lease that contains the Paredon Field, an undeveloped reserve that was briefly tested from platform Hazel. Venoco has high hopes for the field. Overall, the 1990s were a decade of downscaling operations at the processing facility. Four offshore platforms were decommissioned and removed, and the three tanks at the marketing terminal also came out.

Of the change in activity in the channel without new drilling, Mike Edwards, Venoco's vice president of corporate and investor relations, said that wells can only turn a profit for so long. Every day a well operates there are fewer hydrocarbons remaining in the reserve. "Oil reserves eventually become economically infeasible to extract," explained Edwards. "If you lift 100 barrels of fluid and only get 10 barrels of oil, it's uncostly."

With dwindling numbers of platforms tapped into fewer reserves, Venoco wants to explore the Paredon Field to find a new source of oil and income from its existing facility. That it will entail starting a new chapter in a strained relationship with many residents of this oil rich area is just another battle that the company is fighting to protect its interests.

In 1996, ballot Measure A passed in Santa Barbara County and demonstrated voters attitudes toward new onshore drilling. The ballot measure was sparked when county supervisors nearly permitted Mobil to develop a processing and slant drilling plant near Isla Vista beginning in 1993. Residents did not want their representatives to cast the only vote in permitting new processing plants, so with the passage Measure A, a majority vote of all voters would be required to expand onshore facilities supporting offshore platforms on Santa Barbara's South Coast. According to the county elections office, Carpinterians narrowly supported Measure A, 54 percent for to 46 percent against.

The new Oil and Gas Development Initiative—Measure J—does not propose a new facility, it only permits drilling into offshore reserves from the current facility. County residents need not approve, only Carpinterians.

# Operation Paredon: What *could* be in your backyard

BY PETER DUGRÉ

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A “yes” vote on Measure J—aka the Paredon Oil and Natural Gas Development Initiative—would grant Venoco, Inc. local permission to explore offshore hydrocarbon fields from its onshore processing facility on Dump Road. Months before Carpinteria voters are to decide whether new oil drilling should be permitted within city limits, the deeply divisive issue has already dug a rift between pro- and anti-Measure J camps. The following project description should help voters determine if the new extended reach drilling project is the right type of development for the city.

Contained in the initiative is the Paredon Project, so-named because it would drill into offshore and onshore hydrocarbon reserves known as the Paredon Field. It should be noted that analysis by City of Carpinteria staff and city attorney Peter Brown has found that a “yes” vote on Measure J will approve more than only the Paredon Project. Also accomplished with approval of Measure J would be a change to land use zoning at the Carpinteria Oil and Natural Gas Processing Facility.

The city has said, “The Initiative includes elements that are unclear, will be decided after it is adopted and/or may be modified in the future at Venoco’s request,” suggesting that the project as written into the initiative could change.

Venoco’s public relations manager Lisa Rivas has contended that this is not true. “After Measure J passes, it cannot be altered without city review or permission. If after the project is approved Venoco proposes changes in the Specific Plan, it may request that the Carpinteria City Council approve those changes—but the City Council has full discretion to reject proposed changes,” stated Rivas in an email to *Coastal View News*.

One specific point of disagreement is the life of the project. While the Paredon field has an estimated development lifetime of greater than 30 years, as stated in the initiative, a “yes” vote would only immediately permit a 20-year project, after which Venoco would have to reapply to extend the project. Venoco says the city would have to approve a project extension. The city says it has been taken out of that process, at least in the traditional sense, and would have a limited role in oversight at the Venoco plant in perpetuity.

Putting interpretations aside, the project as currently specified involves the drilling of up to 35 wells using a 175-foot rig for the first four wells and a 140-foot rig for the next 31 wells. Drilling of each well is estimated to take between 15 and 45 days, depending on the distance. The duration of intermittent active drilling will be about six years with re-drills and work-overs of about four wells per year after the first six years. All drilling activities will operate 24-hours per day.

The 175-foot rig is estimated to be up for about six months, when Venoco will drill test and delineation wells to see if the project is worthwhile. For comparative purposes, 175 feet would match the tallest building in Santa Barbara County—Storke Tower at U.C. Santa Barbara. The Granada Theater, the tallest building in the City of Santa Barbara, is 111 feet tall.

A rig this size is necessary to access offshore reserves. Extended reach drilling consists of drilling to depths of over 1,000 feet before angling outward, beneath the ocean floor, toward the offshore reserve. Mike Edwards, Venoco’s vice president of corporate and investor relations, describes the concept of extended reach drilling as a gradual, bending arch toward a reserve. Edwards compared the technique to connecting a series of

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plastic straws: a single straw only bends a little, but connecting several straws will result in more flexibility over a longer distance.

A map of the prospective Paredon Field includes three large pockets of hydrocarbons that span for miles onshore and offshore to the east and west of Carpinteria. The West Paredon Field ranges from underneath Carpinteria city and state beaches to about a mile offshore and westward offshore from Santa Claus beach. The Southern Limb of the field is farther offshore and stretches from the previously developed Summerland Offshore fields across all of Carpinteria and toward Bates Beach. The East Paredon reserve is onshore under the drill site, and deeper onto land under the Bailard Avenue condominium developments on the north side of Highway 101 and toward Highway 150.

In the case that the exploration well or delineation wells—four total—are unsuccessful, the project will end. According to the initiative, “If the test well is unsuccessful, then the Paredon Project will terminate and the drill rig and associated equipment will be removed.” If the wells strike a promising amount of oil and gas, the project will move forward to full development and production. In all, the exploration and testing phase is

estimated to take three months and the delineation phase will take another nine months for a total of about a year of testing before the production phase of the project would begin.

The 175-foot drill rig would be removed after the test well and delineation wells are completed—about six months into the project—and the 140-foot drill rig would replace it. The 140-foot rig would be encased in structure resembling A lighthouse to muffle noise, dim lighting and give a more aesthetically appealing façade to the permanent structure on the bluffs. The 140-foot rig could drill up to 31 more wells over the following five years, followed by intermittent reworking of wells for the life of the project. The single drill rig would be on a track system so it could move between well heads.

Also if the project moves to the development and production phase, the large 217,000 barrel tank at the Carpinteria Oil and Gas Development Facility will be removed and two, new 5,000-barrel tanks will be installed. The project is expected to yield as much as 11,000 barrels of oil per day and 22 million cubic feet of natural gas per day.

The drill pad would be located toward the ocean side of the facility, across the train tracks from the harbor seal rookery.

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All of the project equipment and drill pad would occupy a 1-acre portion of the 55-acre site. During production, wells would be in a well cellar about 15-feet below the ground to limit visual impacts and to contain fluids in case of a spill.

The number of trucks going to and from the drill site would increase from current traffic, as would all activity at the site. Currently two large trucks per day travel to and from the site, and it is expected that a maximum of 19 per day would travel to the site if the project moves forward. Personnel trips to and from are expected to increase from 15 to 39.

Other equipment for the project include storage containers for mud, gel and barite, pumps, generators and other devices necessary for the drilling of oil. The equipment would generally be necessary for handling drilling materials and waste materials from drilling. These materials would be shipped from Carpinteria Avenue onto Dump Road with trucks.

Additional information on the project can be found at the City of Carpinteria website, [carpinteria.ca.us](http://carpinteria.ca.us).



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**Please Note:** There is a \$10.00 fee for each Refrigerator and A/C Unit collected.

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**\*\*Please limit 15 gallons / 125 lbs per vehicle**

**Volunteers from the Carpinteria Rotary Club will be on hand to help unload your vehicle.**

# Operational hazards: identified risks of the Paredon Project

BY PETER DUGRÉ

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In the worst case scenario, if Carpinteria voters approve Measure J on June 8 and Venoco's oil and gas development project gets off the ground, a well blowout could release toxic gases into the atmosphere and spray crude oil into the areas surrounding the facility, or an explosive gas cloud could ignite, endangering areas stretching from the Bailard Avenue parking lot of Carpinteria Bluffs Nature Preserve to the State Beach Campground.

All of these catastrophic incidents are mentioned as possibilities in the Draft Environmental Impact Report, which analyzed potential risks of the originally proposed Paredon Project. While the chances of a perfect storm of system failures or human failures coming together to cause such a catastrophe are very slim, approval of Measure J would invite a large new oil drilling project into Carpinteria, and along with it, a heightened risk of disaster with the looming reminder of a 140- to 175-foot tall drilling rig standing 650 feet from the harbor seal rookery and 1,200 feet from nearest house.

Voters will have to decide how seriously to take the low probability of high risks and a host of other changes to the environment on the Carpinteria Bluffs that would occur from expanding activity at the Carpinteria Oil and Natural Gas Processing Facility on Dump Road.

The residents of the nearest house to the proposed drill site, Tom and Bonnie Weinberg, have been outspoken in their opposition to the project. They have lived in their house on Calle Pacific for 20 years and were told when moving in that the Carpinteria Oil and Gas Processing Facility would be "mothballed" in the near future. That was before Venoco purchased the property in 1999 and proposed new drilling a few years later.

"Chevron was starting its cleanup," Tom said of the former operator of the property. The couples' backyard abuts the buffer parcel adjacent to the processing facility, which appears like a nature preserve in itself, but they say noise from nighttime operations frequently disturbs them. "We have to deal with noises and general activity at ridiculous hours in the morning," Tom said. Loud noise comes from squeaky cranes, forklifts and the warning beeps of vehicles driving in reverse at the oil and gas processing facility.

## Blowouts: low risk, high price

Not all identified environmental impacts are as dreadful as the big ones, but in all, 11 significant unavoidable risks were identified in the analysis of the originally proposed Paredon Project. Among them are the risks for blowouts and releases posing a public safety hazard, along with oil and gas releases disturbing harbor seals, oil releases contaminating water quality and biological resources, oil releases diminishing habitat for fish, wildlife or plants, oil releases threatening endangered species, oil releases degrading surface and groundwater and the drilling rig blocking viewsheds and contrasting with the surrounding environment.

A lot stands in the way of risks of oil and gas releases and catastrophic blowouts. Venoco's drilling manager Dave Nelson has decades of experience drilling wells all over the world. Nelson said the risks of drilling wells from the proposed Paredon site in Carpinteria are considerably less than drilling in



DUGRÉ

**Tom and Bonnie Weinberg contemplate a drastic expansion of activity at the industrial oil processing facility that abuts their property. The Weinbergs say that proposing a risky oil and gas development project so close to a residential neighborhood and Tar Pits Park is "unconscionable."**

unexplored areas, like in Algeria, where he has worked on projects in the past. Geologists have a pretty good idea what lies beneath the surface in and around Carpinteria after over a century of oil exploration.

In the event of some backpressure coming up the well—potential for a blowout—Nelson said real time sensors in the well sound automated alarm systems at the surface. Operators can then assess the problem and trigger BOPD (Blowout Prevention Devices), a series of valves designed to seal off the well and keep the source of backpressure contained in the ground. "You close the valve on the drill pipe and contain whatever's coming," Nelson said. The California Division of Oil Gas and Geothermal Resources inspects BOPDs regularly to make sure seals are functioning properly.

Before the BOPDs are needed, backflow from a well can be contained by "drilling muds," a mixture of fluids and barite that simultaneously keeps downward pressure in a well while cleaning debris from the hole.

In the draft EIR, studies showed that 67 "loss of well control" blowouts occurred in the United States between 1992 and 2005. Of the total, only four occurred in the Pacific region, one of which was at Venoco-operated Platform Gail in 2004. Human error temporarily disabled the BOPD, allowing gas, water and some oil to flow out of a well for 2.5 hours. The platform was evacuated and no major injuries occurred. The mainly gaseous release did not pose a risk for onshore populations since the platform is over 10 miles offshore.

Venoco representatives say releases in Carpinteria are unlikely and would be contained promptly by the BOPDs. "A blowout in California is quite rare," Nelson said. "Here, when the problems do happen, it's related to operator error." Competent operators would be on site in Carpinteria 24 hours per day, Venoco representative assure.

Even a remote risk of a catastrophic blowout or ruptured pipeline is enough to make Tom and Bonnie vote against a drilling project. "They're drilling down into mother nature," Tom said. "You don't know what you're going to hit, until you hit it. I'm at ground zero here." The Weinbergs said that other than their personal proximity to the project, the new drilling activity on the Carpinteria

Bluffs is an affront to everything the city has accomplished in its preservation efforts over the past decades.

## Smells, sounds and mitigation

Other negative environmental impacts associated with the project are from noise and odor. Drilling operations would use electricity off the grid, eliminating the noise and emissions from diesel-powered generators. Past odor complaints at the facility, at least three since 2000, have occurred due to releases at odorant facilities, where natural gas is mixed with sulfur compounds to give it its distinct smell. If the project goes forward, the amount of natural gas coming into the facility would increase 10-fold and would increase the number of trucks delivering odorant to the processing facility from two annually to 20. During the deliveries, risk of releases and annoying odors are greatly increased from current operations.

As with the odorant deliveries, other increases in noise and odor are mainly due to the expanded activity, with a greater chance of industrial noise from heavy equipment and the greater chance of odor occurring from an increased flow of hydrocarbons through the processing facility. With an increase in processing operations, fugitive leaks from valves in pipelines are more likely to occur, not posing a fire risk from concentrated gases, but possibly producing odors that can carry with the wind outside of the processing facility. Metal-to-metal clanging can occur from hoisting 30-foot-long steel pipes off of trucks and up drilling rigs to be directed into wells.

If the project moves forward, natural gas production will increase from 3,717 million standard cubic feet per day to a maximum of 22,000mscfd, and oil production could increase from around 4,000 barrels per day to 11,000 barrels per day.

Venoco representatives have downplayed the noise and odor and say that mitigations will be sufficient to keep nearby residents from noticing signifi-

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cant changes on a daily basis. A 20-foot screen will be erected to block noise and the Air Pollution Control District will continue to regulate emissions that could be harmful and odorous.

## Risk to the rookery

Other environmental impacts associated with the project are from lighting, noise and vibration to the sensitive harbor seal rookery. City analysis has found that Measure J does not include provisions to dim current lights at the processing facility, but does call for reflecting lighting away from the rookery for new equipment. Also, construction of drilling rigs can occur during the seal pupping season if Measure J is passed, but with the original Paredon Project, the city had asked that Venoco limit what type of operations could occur during the pupping season.

## Measure J versus Paredon Project

Many mitigations to limit the impacts of the project were imposed during the city's truncated environmental review process, and with few exceptions, the mitigations are written into Measure J. However, at what phase of the project mitigations will occur has been changed. Venoco states that it will add a firewater storage tank after the project moves to development, whereas the city asked the company to install a new firewater tank before starting the project altogether. Development is not expected to occur until at least a year after exploration begins. Due to this change along with delays to other equipment upgrades the city had asked for as permitting conditions, the city has stated that Measure J poses a greater risk to the public than the Paredon Project would have under the traditional city review process.

Steve Grieg, Venoco's government relations manager, has called the city's proposals for mitigations part of a negotiation process for a conditional use permit and stated that Venoco had never been prepared to accept all the conditions.

In any case, the lead agency to monitor risk mitigations like equipment upgrades, noise monitoring and emissions was the City of Carpinteria in prior environmental analysis. While many other agencies, including Santa Barbara County Air Pollution Control District, the State Lands Commission, Coastal Commission and Carpinteria-Summerland Fire Department would still have regulatory authority should Measure J be passed, city analysis has stated that not having a central local agency overseeing operations would make the Measure J project the least regulated oil drilling project in Santa Barbara County.

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# The \$200 million dollar question: Would oil royalty revenue be a bona fide boon or just a pipe dream?

BY PETER DUGRÉ

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Oil out of the ground is money in the bank. The City of Carpinteria can share that money if voters approve Measure J and Venoco, Inc. finds saleable quantities of oil and natural gas with its extended-reach drilling project from the processing facility on Carpinteria's bluffs. Money could come in from royalties and property taxes, but just how much money would flow to Carpinteria is unknowable. Any estimates are based on educated speculation.

Take, for example, that the wide range of estimates of royalty revenues lies anywhere between \$8 and \$108 million to the City of Carpinteria over 20 years, should any reserves be recovered and sold. Venoco is betting heavily—to the tune of \$300,000 and rising in campaign financing—on the Paredon field containing recoverable, profit-generating reserves. Geologists have identified formations onshore and offshore, around 6,000 feet underground, which could hold oil and gas. The surrounding area has a history of hydrocarbon production, and Venoco has said that the likelihood of recovering oil and gas is high.

For every barrel of oil and cubic foot of natural gas recovered and sold, Venoco will pay a royalty to the state, and the state is obligated to return 20 percent of royalties to Santa Barbara County and the City of Carpinteria, depending on whether the resource was recovered from land offshore of Carpinteria or S.B. County. Just over half of the land in Venoco's state lease, which covers part of the prospective reserve, is offshore from Carpinteria. The Paredon reserve spans areas in three

leases, and it is uncertain whether the other two leases would be subject to royalty sharing. Venoco currently does not have rights to those leases.

The often used \$200 million figure is the maximum royalty allocation to local government, as provided by law. In this case, local government would mean a split between city and county. To support its \$200 million local royalty estimate, Venoco provided a chart showing a 10-percent chance that enough oil and gas could be discovered to achieve the maximum royalty allocation. Also factored into the \$200 million estimate is an assumption that oil prices will average \$90.95 per barrel and gas prices will average \$7.95 per cubic foot. These figures are higher than current rates in a volatile market. Venoco has repeated the highest possible estimate in its campaign statements for Measure J.

In its analysis of Measure J, the city includes a Venoco estimate that there is a 50-percent chance that at least \$58 million in royalties will be paid to the city. Also included is an estimate that there is a 90-percent chance that at least \$8 million will come to the city. Venoco furnished both figures during the city's truncated environmental review of the originally proposed Paredon Project.

Based on conversations with the State Lands Commission, the city assumes that 54 percent of total local royalties will be paid to the City of Carpinteria while 46 percent will go to S.B. County.

Based on these numbers the city's largest possible average annual income from royalties would be \$4.2 million. The city's annual budget is approximately \$13 million.

## Maddy Bill mandates royalty sharing

Sponsored by Santa Barbara County representatives, the Maddy Bill went into law in 1996 and expired early in 2002. Maddy was designed to give incentive to local governments when it came to permitting drilling projects, since royalties had previously only been paid to the state. Under Maddy, 20 percent of state royalties were to be reallocated to local government over a maximum of 20 years totaling a maximum of \$200 million.

Shortly after purchasing the Carpinteria Oil and Gas Processing Facility in 1999, Venoco had its eyes on the Paredon prospect and submitted a development plan for the Paredon Project to the State Lands Commission. Since the plan was submitted while Maddy was still law, Paredon is grandfathered under Maddy.

Whether the Paredon Project is approved by voters or Venoco reinstates its application to the city and gains approval through the traditional process, the project would likely qualify under Maddy.

No project has generated local royalties under Maddy, so specifics about how the money would be divided between the city and county and ultimately allocated to local governments have been uncertain. Also, State Lands Commission, the state controller and attorney general would have to give a final stamp of approval for royalty sharing. The possibility remains that Carpinteria could receive no money.

## Market volatility

Speculators say that the price per barrel of oil is on its way up, but the market is historically volatile. The highest ever price for a barrel of oil was \$147 in July 2008, but it tumbled to \$34 by December of 2008. On May 3, 2010 oil was selling for around \$83 a barrel after reaching as high as \$86 in April, near an 18-month high. Oil recovered from the Paredon field is expected to be a slightly lower quality than top market price oil.

Why is this important?

Royalty revenue estimates are based on assumed prices per barrel. The lower estimates Carpinteria could receive, between \$8 million and \$58 million, assume oil will average around \$60 per barrel over a 20-year period. The maximum estimate assumes \$90 per barrel. Oil prices are influenced by myriad factors like political turmoil in the Middle East and futures trading on Wall Street. In short, more unknowns.

For the lower royalty estimates, the price for natural gas is assumed to be \$6 per cubic foot and for the higher royalty estimates the price of gas is assumed to be \$7.95 per cubic foot. Right now, natural gas prices are around \$4, and they have ranged between \$2.50 and \$6 over the past year.

## Property taxes

The City of Carpinteria estimates that it could receive between \$60,000 and \$200,000 per year in property taxes should the project move forward and produce oil and gas. Currently the city receives \$2,645,000 total in property taxes annually.

Other local agencies also depend on property tax for their budgets. Carpinteria Unified School District depends primarily on property tax and would receive a significantly larger apportionment than the city. Carpinteria-Summerland Fire District and Carpinteria Sanitary District would receive smaller apportionments of property taxes.

Analysts have also estimated a 10 to 15 percent drop in home values in areas surrounding the drill site, including the

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high-valued Concha Loma and Arbol Verde neighborhoods, which would reduce the property tax pool.

Any property taxes gained or lost by the project would impact the city's general fund.

## Pledge to education foundation

Much has been made of whether or not an "up to \$5 million" dollar pledge by Venoco to the Carpinteria Education Foundation will ever materialize. Voters would not be voting on the donation, since it was removed from Measure J as part of a court decision upholding the initiative last summer. Venoco has repeatedly stated the pledge would still be on the table as a voluntary donation.

Although Carpinteria Education Foundation and Venoco have not struck a legally-binding agreement, CEF President Paul Pettine said simply that if Venoco wants to donate money to CEF, then the nonprofit would accept it. The \$5 million total is a match of up to \$1 million per year in royalty payments to the city for the first five years of oil production, starting with the first royalty payment to the city.

## Another 1 percent

The City of Carpinteria would receive an additional 1 percent in royalties in an amount not to exceed \$200,000 per year due to oil and gas subvention laws.

## Restrictions for royalty expenditures

Language in Measure J states that the city could invest in green technology and alternative energy with money generated from an oil-drilling project. While money can be used for a broad category of capital improvements and services, that Carpinteria would "bridge the gap to alternative fuels" with royalty revenue, as stated in the initiative, has led to implications that solar panels could be provided for private residences or other private investments could be made. The money, however, would go to the city for limited expenditures, not to private citizens.

The city has stated that per state law, "tidelands revenues must be used for projects, programs and services that benefit coastal recreation, access and environments." In Carpinteria, improvements to the coast is a broad category, because the whole city is on the coast.

A 10 person advisory committee would be established to make recommendations on expenditures to the City Council. Ultimately, the council would decide how to spend royalty revenue.

## Venoco blowout gushes for eight hours

A gas well operated by Venoco Inc. in Glenn County, Calif. blew out in late April, sending water and drilling muds over 100 feet into the air. According to the Glenn County Sheriff's Department, at around 8:30 p.m. on April 23 a well blowout during a directional drilling operation blew mostly water, drilling muds and debris over a 300-foot radius around the drill site. The gusher flowed for eight hours until operators were able to contain the flow using cement. Nobody was injured during the incident but a truck and trailer nearby were badly damaged by falling rocks.

Mike Edwards, Venoco Vice President of Corporate & Investor Relations, said that the target of the drilling was a depth of 6,300 feet and the blowout occurred when the drill crew hit a subsurface fresh water zone at about 1,500 feet. "The drilling crew was well trained and immediately shut down the rig, evacuated all personnel and called 911. They set up a perimeter and monitored for any combustible gases, but none were detected," Edwards stated. "The rig has been removed and we are coordinating with local and state agencies to make certain the site is stable."

Several public service agencies in Glenn County responded to the incident, taxing volunteers and staff in the rural county. A volunteer firefighter who happened to be driving nearby reported the blowout to the Sheriff's Department after seeing it happen. The Glenn County Agriculture Department will test soil near the blowout to see if contamination could affect farming in the area. "For the growers' sake, we're going to figure out what's in their soil," said Kevin Tokunaga of the Glenn County Agriculture Department. Tokunaga reported to the blowout along with county health representatives.

In an odd coincidence of rare events, a gas line at a completely unrelated facility, 20 miles away, was reportedly leaking from a valve just 10 minutes prior to the Venoco well blowout, causing a high-pitched squeal that was also reported to the Sheriff's Department. The gas leak was resolved within an hour, said Tokunaga, but the Venoco well blowout continued spewing into the night. Water and debris spread to about a 300-foot radius around the drill rig, Tokunaga said.

—Peter Dugré



PHOTO PERMISSION OF LAKE COUNTY NEWS  
 This Venoco operated gas rig in Glenn County, Calif., blew out and spewed water and drilling muds 100 feet into the air, spreading out to a 300-foot radius around the drill site.

# Election aftermath: what happens with a “yes” or “no” vote on Measure J

BY PETER DUGRÉ

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Results of the June 8 vote on Measure J—the Paredon Oil and Gas Development Initiative—could forever change Carpinteria’s coastline.

## 50 percent plus one “yes”

A majority “yes” vote would mean Carpinterians welcome oil and natural gas exploration from the Venoco oil and gas processing facility for decades into the future. Carpinterians would be approving the erection of a 175-foot drilling rig for exploration that could stay in place for around a year. Then a more permanent 140-foot rig with a faux-lighthouse cover would be erected for an indefinite period of time (at least 20 years). Drilling of up to 35 extended reach wells, which would be directed around 6,000 feet deep and a couple of miles off shore under Carpinteria Beach and out toward Santa Claus Lane, would commence with active drilling 24 hours per day for at least six years.

Around the clock drilling for well work-overs would continue intermittently for the life of the project.

The project could result in significant royalty and property tax revenues flowing to the City of Carpinteria.

In order for Carpinterians to modify Measure J after a “yes” vote, a new ballot initiative would have to be processed and voted on. Venoco could modify provisions of Measure J after the vote without voter approval.

## 50 percent plus one “no”

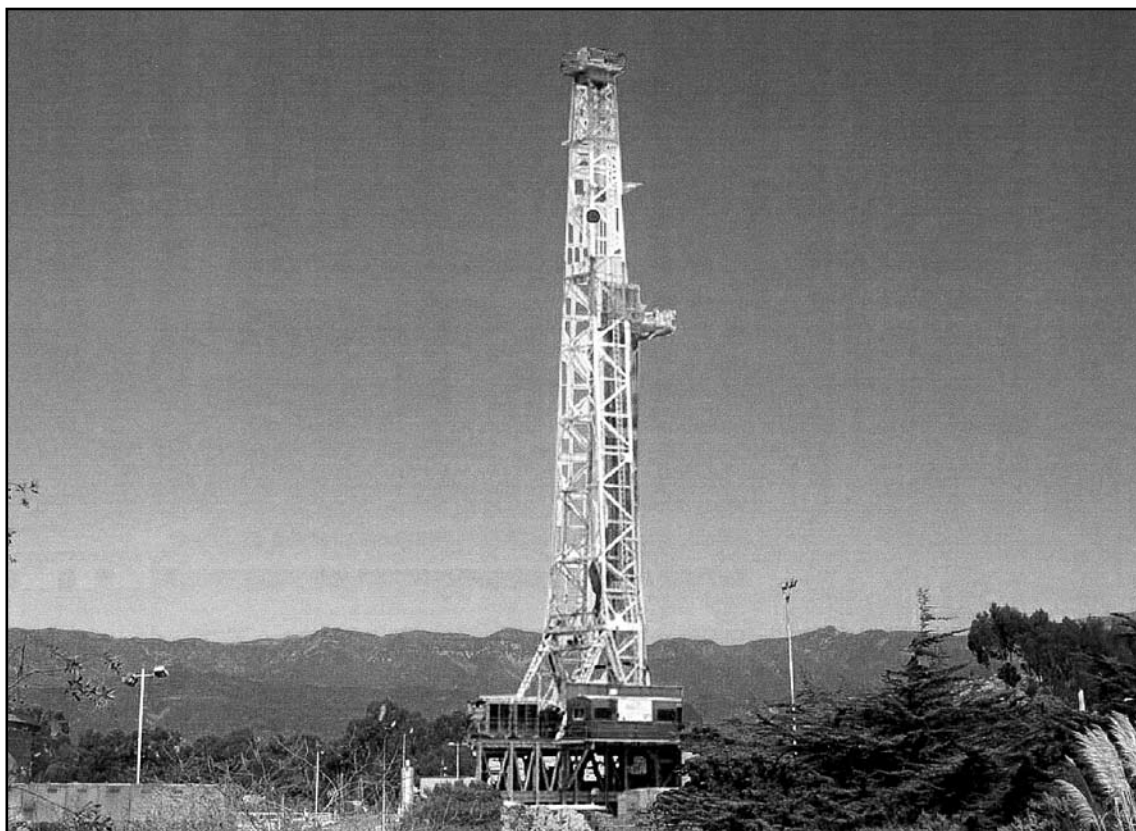
A “no” vote would reject Venoco’s current bid to drill from within Carpinteria. After a “no” vote, Venoco could revive its original Paredon Project application with the City of Carpinteria—which is currently suspended and could be approved or denied—or, as has been stated by Venoco, an application for offshore drilling could be submitted to the state. (No new oil platforms have been erected in California waters for over 40 years and the federal government also has a ban on new platforms beyond three miles off the California coast.)

## Long road to approval after “yes”

In any case, on June 9, 2010, activity at the oil and gas processing facility will remain the same as it is today. After a “yes” vote, the specific oil and gas development project outlined in Measure J would have to clear many hurdles before officially breaking ground. The City of Carpinteria estimates that it could take between three and seven years after a “yes” vote for the project to begin—if state agencies approve Measure J at all. Venoco government relations manager Steve Grieg said project approval could be completed within 18 to 24 months.

Hurdle number one would be obtaining California Coastal Commission approval. Since a “yes” vote on Measure J would change Carpinteria’s Local Coastal Plan—the city’s guiding document on coastal development—to allow for drilling into offshore oil reserves, Coastal Commission certification is required. Voters would be writing 16 changes into the coastal plan, and the Coastal Commission will have to deem the changes to be consistent with the rest of the plan

*This could be the view from the bluffs trail leading from Tar Pits Park to the seal rookery if a majority of voters say “yes” to Measure J. The tower would also be visible from Carpinteria State Beach, Carpinteria Bluffs Nature Preserve, Carpinteria Avenue and on the horizon from points as distant as Rincon Point, Carpinteria Salt Marsh and Carpinteria High School.*



PAREDON EIR

and the California Coastal Act.

Carpinteria planners wrote the coastal plan with preservation and limited development as guiding principles. Voting “yes” would insert statements into the coastal plan, such as, “Development related to coastal dependent industry at the existing Carpinteria Oil and Gas Processing Facility that may result in visual impacts shall be permitted.” Voter approval of Measure J would also rewrite city policy to allow Venoco to install additional lighting near sensitive habitat and to operate heavy machinery during seal pupping season.

If the Coastal Commission approves the new coastal plan, permitting of the specific plan to drill for oil and natural gas would begin. Many local and state agencies regulate oil and gas development. State Lands Commission would oversee any details involving oil leases and royalty payments. Also, both the SLC and Coastal Commission would conduct environmental reviews of the project. Even with voter approval, both the SLC and Coastal Commission could reject the Measure J drilling project, if they determine it poses too great a risk to the public.

The state agencies have their own rigid standards for project approval and hold public meetings for input. However, state officials are not in Carpinteria. Meetings of both the SLC and Coastal Commission are held in many locations throughout the state. Sometimes a location can be selected based on proximity to an area that will be impacted by a decision that is before the agency. A Measure J discussion could be held in the Carpinteria area by either the Coastal Commission or SLC, and concerned community members could attend and attempt to influence the agencies’ decisions. After hearings, the agencies could reject the project, approve the project or ask Venoco to change its project.

Many other agencies with specific responsibilities also need to issue Venoco permits before drilling begins. The Santa Barbara County Air Pollution Control District and Carpinteria-Summerland Fire District would also have to approve the project and enforce the applicable laws under their purview. Each agency could put conditions on the project if Venoco’s proposed mitigations are not sufficient to meet criteria of laws applying to fire safety, hazardous chemicals and air pollution. Also, the Division of Oil, Gas and Geothermal Resources oversees all drilling activity in California.

## Likely outcomes from a “no” vote

With a “no” vote, Venoco will likely continue to pursue permitting to drill from within Carpinteria or offshore. Environmental analysis of the formerly proposed Paredon Project—which looks similar to the project in Measure J—could continue with city planners. The City Council would then have a say in whether or not to permit the project after imposing development conditions. At that point, if the city approved a conditioned project, the project application would go to state agencies for final permitting.

Venoco could apply for new offshore drilling but getting approval would be tricky. A new drilling platform in the Santa Barbara channel would be all but impossible with the current political climate. The draft Environmental Impact Report (EIR) for the Paredon Project also evaluates offshore options from existing platforms. Platform Hogan, which is nearest to Carpinteria and the target Paredon oil field, could be used to access some of the oil and gas for which Venoco holds lease rights. However, Venoco does not own Platform Hogan, nor does it own the processing facility in La Conchita where oil and gas from Platform Hogan end up. Also, Platform Hogan could not recover oil and gas from the entire reserve that Venoco hopes to develop. Only about 10 to 72 percent of the reserves could be recovered, according to the Paredon Project EIR, which would potentially make an offshore operation economically infeasible. While offshore drilling might be possible to access the oil and gas, going offshore is by no means an automatic outcome contingent upon a “no” vote on Measure J.

## Pending litigation

A City of Carpinteria legal challenge against Measure J is pending in California Court of Appeal. The case will not be heard until after the vote, at an unknown date. City attorney Peter Brown contends that an initiative of the people cannot be used for the administrative act of issuing a project permit, nor can it be used for the specific benefit of a corporate entity. Santa Barbara Superior court already ruled that this initiative was legally permissible, a decision that prompted the city appeal.

If voters approve Measure J, the court

## To our readers:

With the intention of providing objective information to Carpinteria voters, *Coastal View News* presents a series of in-depth articles related to Measure J leading up to the vote on June 8. To read previously published portions of the series, visit [coastalview.com](http://coastalview.com), click on “Archives.”

- March 18:** Carpinteria’s Oil History
- April 1:** Details of the project outlined in Measure J
- April 22:** Environmental impacts and safety risks
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can strike it down or uphold it. If voters deny Measure J, the question of its legality will continue in court even though Carpinterians already rejected it.

Outside of Measure J in Carpinteria, whether people’s initiatives can be used for corporate interests and development permits is an important question concerning California constitutional law. In Santa Barbara Superior Court, Judge Thomas Anderle opted to safeguard the people’s right to the initiative, but Brown is questioning whether the intention of a people’s initiative, in this case, has been lost to corporate interests.

## Decades down the road

Should a majority vote “yes” on Measure J, no specific cut off date for the project in Measure J is included in the initiative. Original permitting for drilling is 20 years, but Venoco could choose to extend that permit. Measure J states that the estimated life of the project is 30 years.

Also, should Venoco sell the property, Measure J would still permit the new owner and operator to drill. Measure J applies more to the oil and gas processing facility than its operator.

Voters would approve changes allowing greatly intensified activity at the facility with no clear decommissioning schedule. Passing Measure J would also relinquish any city authority over modifying permits or deciding what kind of activity should be allowed on the property into the future.