

September 20, 2016

City Council Presentation

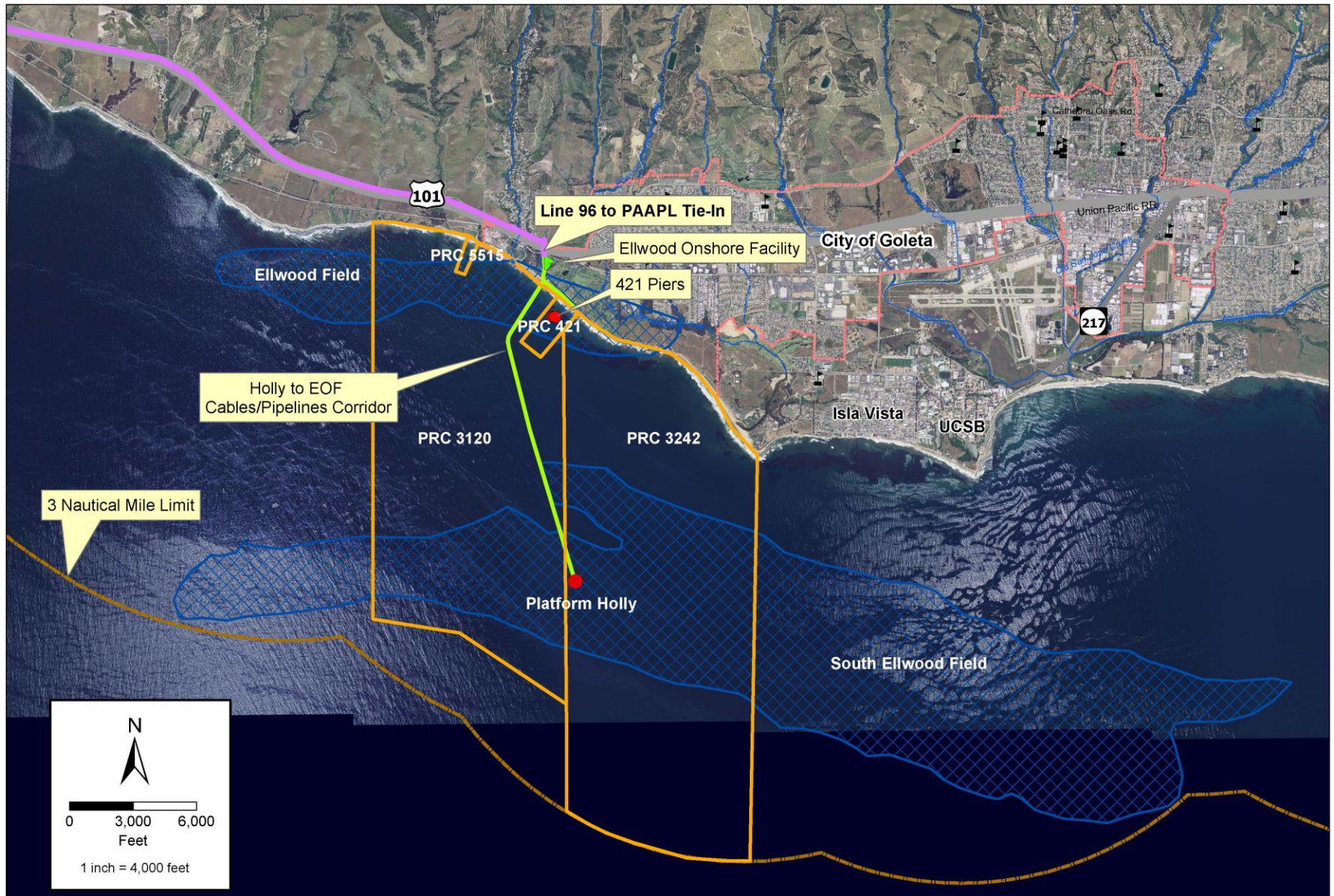
Update on Status of Venoco's Ellwood Onshore Facility Legal Non-conforming Use



OVERVIEW OF PRESENTATION

- History of the Ellwood Oil Leases
- Overview Venoco Facilities
- Ellwood Onshore Oil and Gas Processing Facility (EOF)
- Lease 421 (Ellwood Field) Status
- Amortization Studies
- Plains Pipeline Rupture
- Venoco Bankruptcy
- Lease Line Adjustment Project (South Ellwood Field)
- Venoco Proposal
- Next Steps

FACILITIES OVERVIEW (with fields)



HISTORY STATE LANDS LEASES

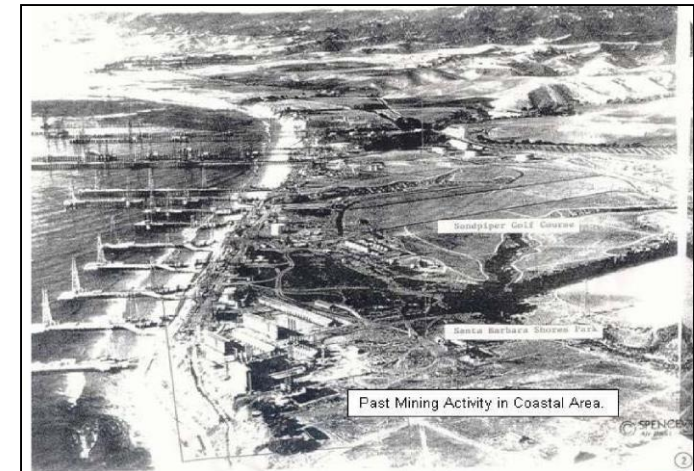
Ellwood Field (421)

- 1928 Ellwood Field is discovered
- 1929-1990s Ellwood Field is developed
- 1993 All wells closed except 421
- 1994 Wells 421-1& 421-2 shut down
- 1997 Lease transfers from Mobil to Venoco

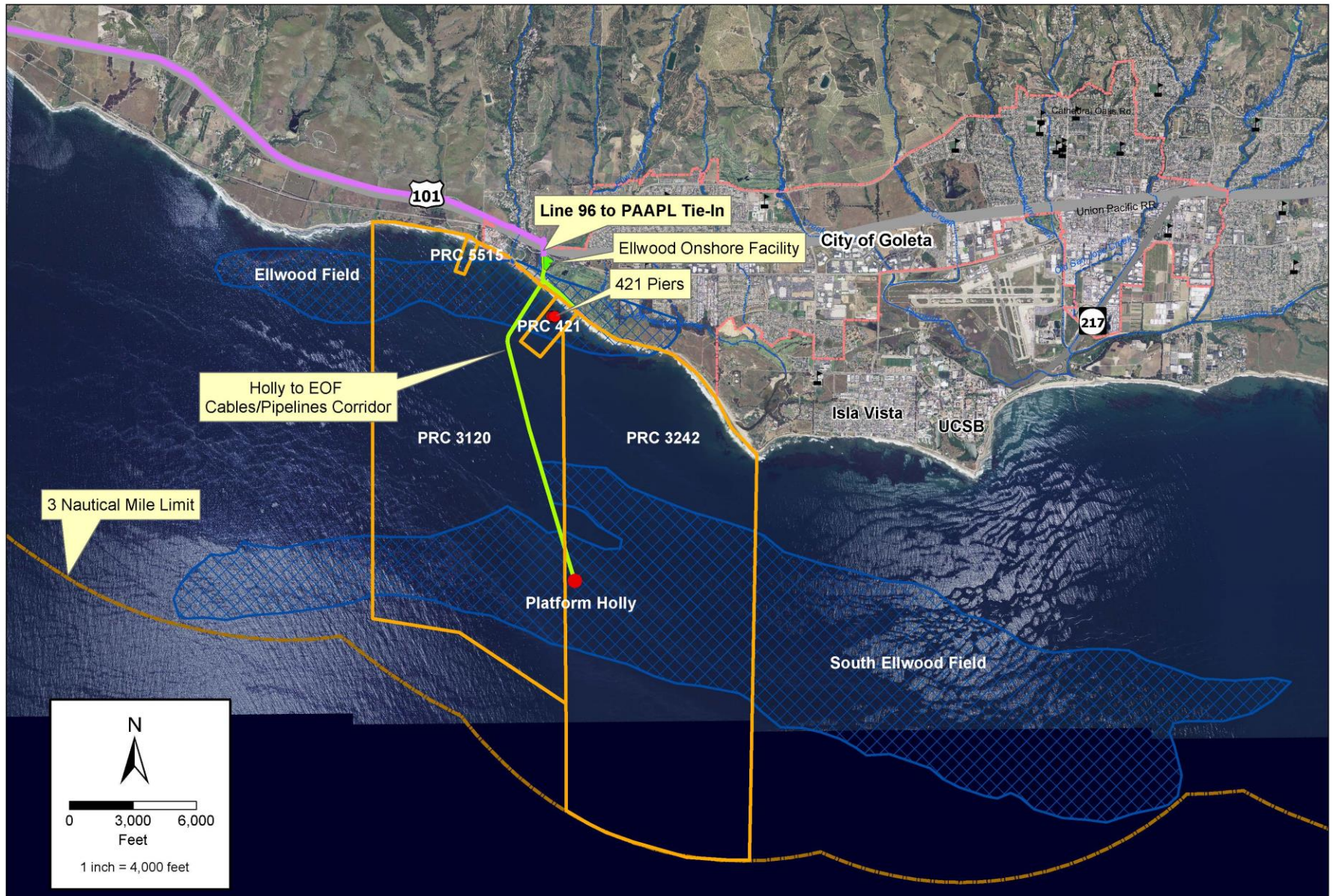


South Ellwood Field (Platform Holly)

- 1964/65 South Ellwood Field leases 3120 and 3242 are issued for development
- 1966 Production from Platform Holly begins with processing at the EOF
- 1994 Areas adjacent to 3120 and 3242 quitclaimed and are now a part of a California Coastal Sanctuary
- 1997 Lease transfers from Mobil to Venoco



FACILITIES OVERVIEW (with fields)



ELLWOOD ONSHORE FACILITY



ELLWOOD ONSHORE FACILITY



- 1965-1967 - Facility constructed by ARCO
- 1990 - County changed Land Use Designation to Open Space/Active Recreation
- 1996 – Measure A96 – Consolidated Processing at Las Flores Canyon
- 1997 - Venoco acquired from Mobil
- 2002 - Goleta incorporated

LEGAL NON-CONFORMING USE

- “Legal Non-conforming Use” shall mean and refer to a use of real property that was in compliance with zoning regulations at the time the use was established, but which, because of subsequent changes in those regulations, is no longer a permitted use.
- In effect, the use may remain as a legal, non-conforming use, so long as the use is not changed or intensified
- However, the City may terminate a use against the property owner’s desires so long as appropriate steps are taken

TERMINATION PROCEDURE ORDINANCE

- County and City both had an ordinance providing a procedure for terminating a legal non-conforming use
- After Goleta incorporated, County changed its procedure
- On December 16, 2014, Council adopted ordinance modifying the procedures for termination

Council establishes whether a legal non-conforming use is to be terminated and the time period in which the use is to be terminated at a duly noticed public hearing

- Council authorized staff to initiate termination proceedings

Council approved a contract for non-conforming use consulting services

Consultant prepared an Amortization Study to determine how long the use may need to continue to compensate the owner for termination of the use

LEASE 421 LITIGATION

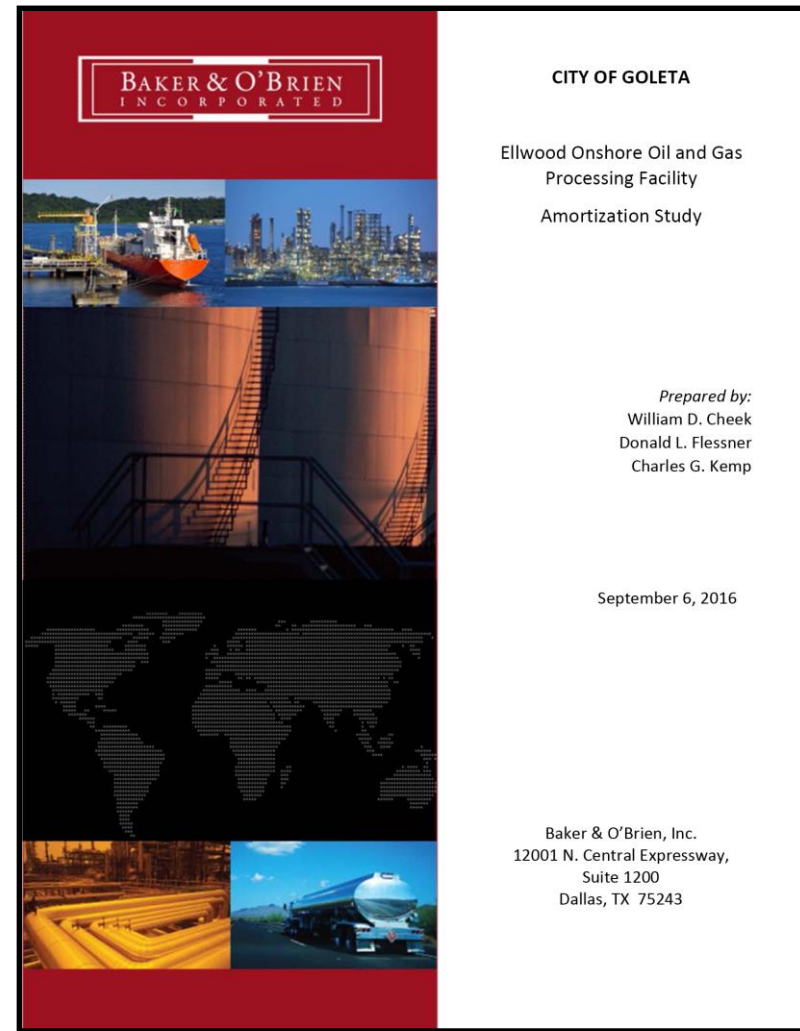
- State Lands Commission approved Venoco's Lease 421 Recommissioning Project on 12/17/14
- City challenged the approval in court, lawsuit remains pending
- Venoco proposes to process Lease 421 production at EOF

Use of EOF for SL421 is subject to City approval



AMORTIZATION STUDIES

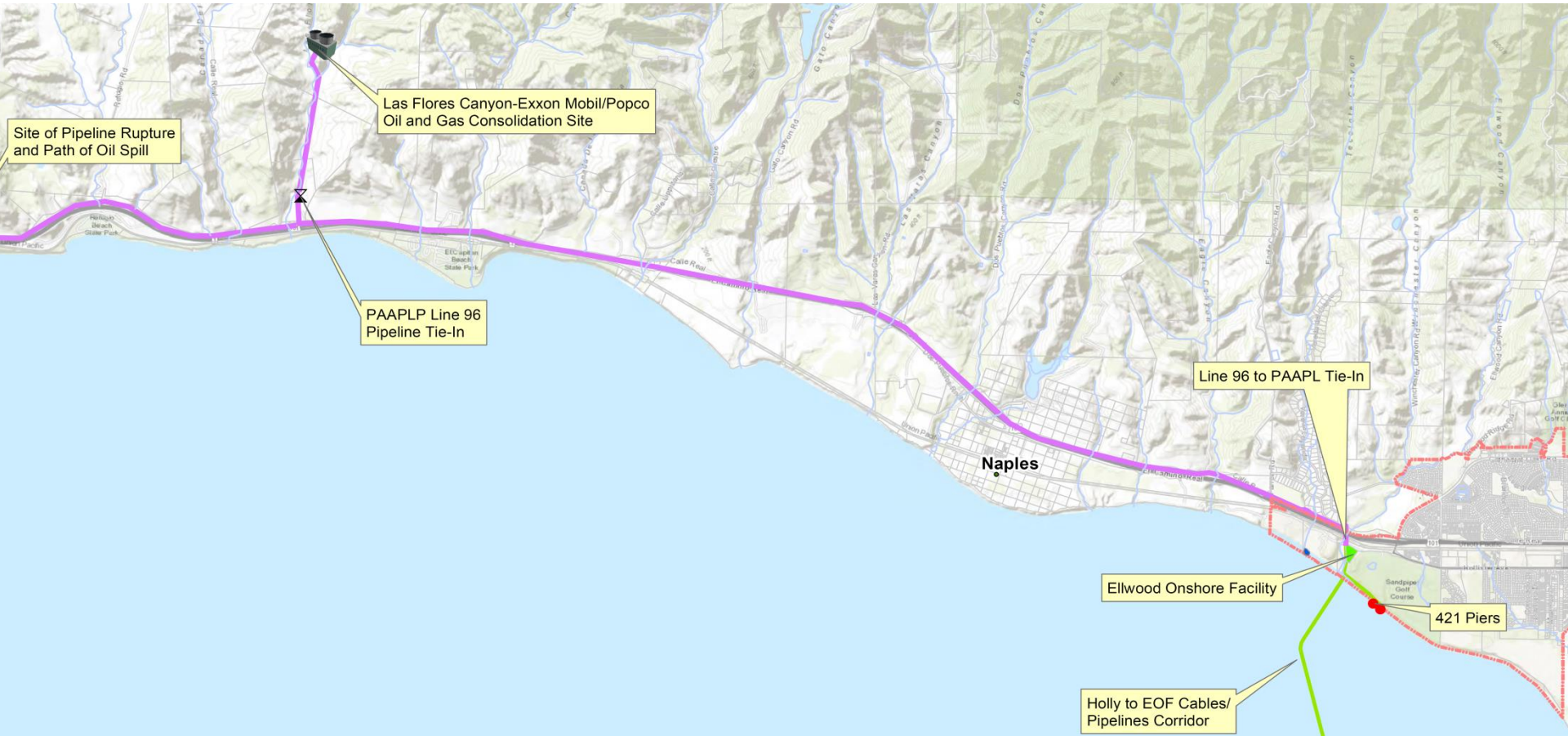
- City Amortization Study (3/4/16)
(confidential version)
- Venoco Amortization Study (4/8/16)
- City Amortization Study (9/6/16)



[Refer to this link to view Amortization Reports: www.cityofgoleta.org/city-hall/planning-and-environmental-review/advance-planning-division/oil-and-gas/oil-and-gas-projects](http://www.cityofgoleta.org/city-hall/planning-and-environmental-review/advance-planning-division/oil-and-gas/oil-and-gas-projects)

PLAINS PIPELINE SPILL

- On May 19, 2015, the Plains All American Pipeline ruptured
- As a result, the EOF product path to market was disrupted and Venoco ceased operations, and they continue to not operate today
- Platform Holly and EOF were evacuated of product for safety reasons



BANKRUPTCY

- On March 18, 2016, Venoco filed for protection in Federal Bankruptcy Court
- Federal law provides an automatic stay on any action against debtor (Venoco) or Debtor's property (EOF)

Title 11 United States Code section 362:

“....a petition operates as a stay, applicable to all entities, of..... the commencement or continuation..... of a judicial, administrative, or other action or proceeding against the debtor that was or could have been commenced before the commencement of the case under this title...”

- City is prohibited from proceeding with involuntary termination of EOF use

BANKRUPTCY

- Venoco reorganization plan has now been approved by the Court

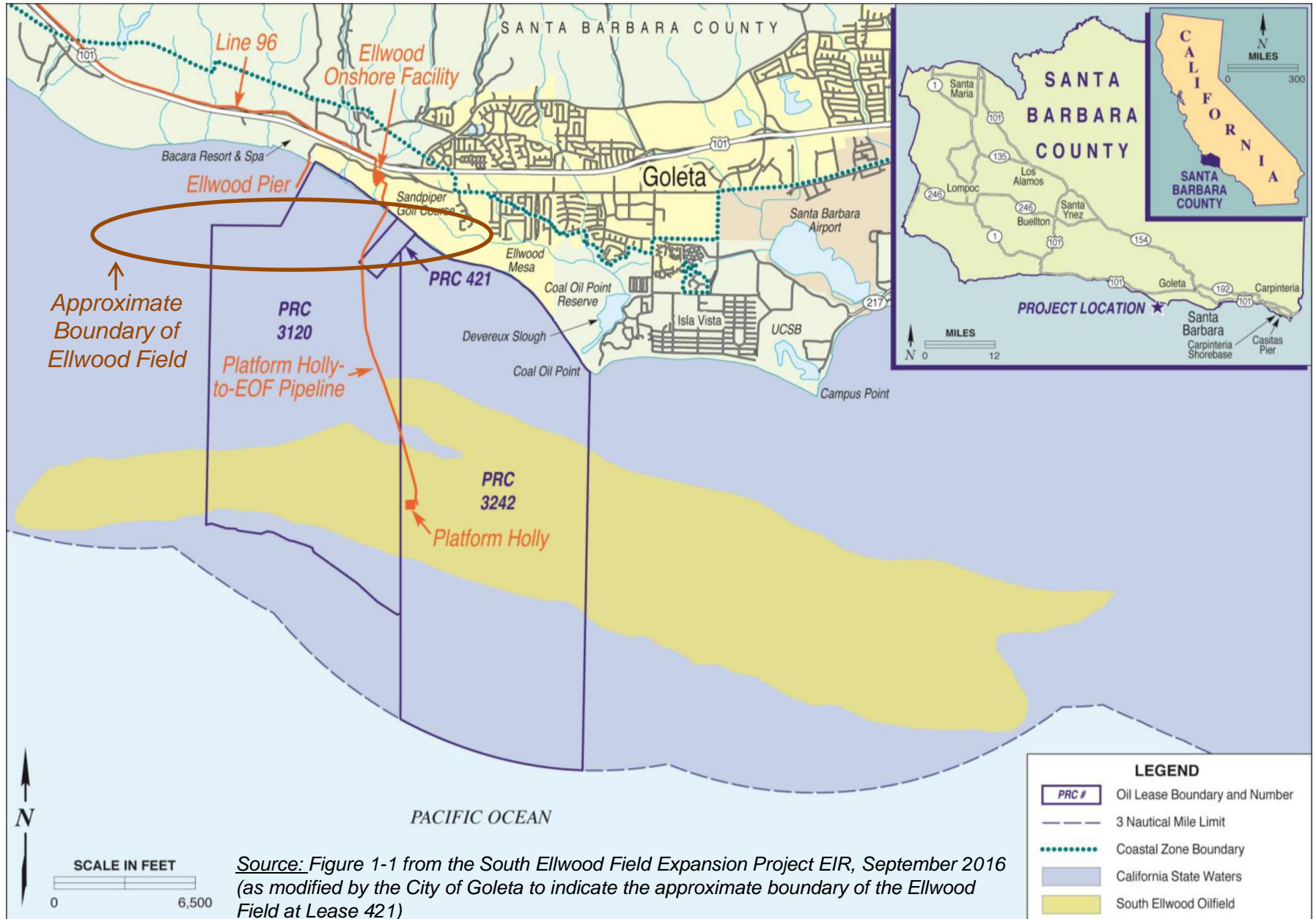
Creditor, Apollo Investment Corp., takes equity position

Prior Sole Owner, Marquez, gives up equity position

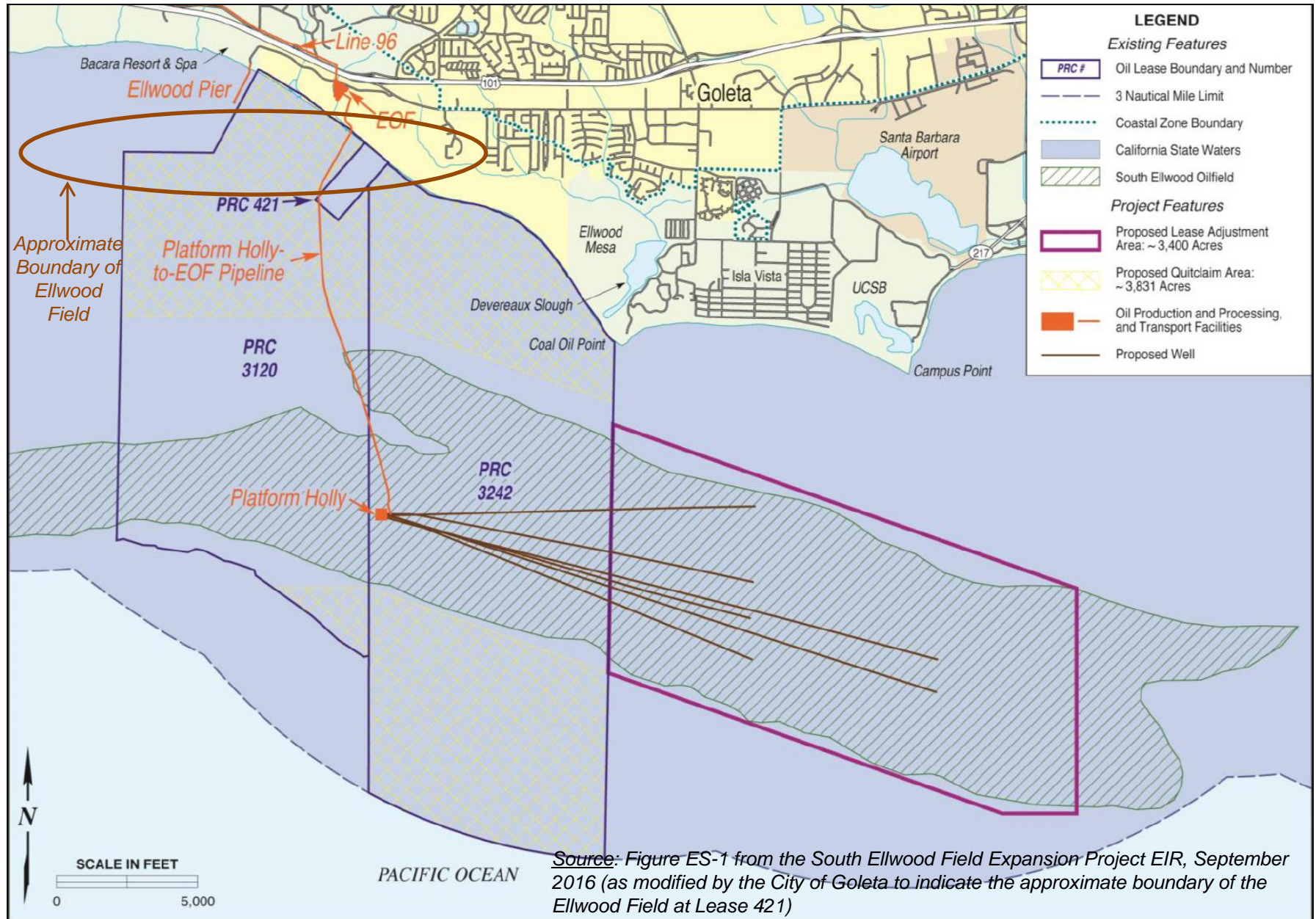
Management team remains intact

- The Bankruptcy Court case remains pending primarily for administrative matters
- EOF involuntary termination proceedings are not an option for the City while case is pending

PROPOSED SOUTH ELLWOOD EXPANSION PROJECT



PROPOSED SOUTH ELLWOOD EXPANSION PROJECT



Source: Figure ES-1 from the South Ellwood Field Expansion Project EIR, September 2016 (as modified by the City of Goleta to indicate the approximate boundary of the Ellwood Field at Lease 421)

South Ellwood Field Project Draft EIR

- California State Lands Commission (CSLC) released the Venoco South Ellwood Field Project Draft Environmental Impact Report (DEIR) on 9/14/16

Assesses the potential environmental impacts of the project, identified mitigation measures and evaluates the project against various alternatives

- The Draft EIR is available to view on the CSLC's website at www.slc.ca.gov (under the "Information" tab and "CEQA Notices" link)
- A hard copy of the Draft EIR is available for review at City Hall
- Written public comment is due by 11/14/16 by 5pm
- Send comments to: Eric Gillies, Project Manager, CSLC, 100 Howe Avenue, Suite 100-South Sacramento, CA 95825
Email: CEQA.comments@slc.ca.gov FAX: (916) 574-1885

VENOCO'S LATEST PUBLIC PROPOSAL

- If the Lease Line Adjustment is approved, Venoco says they will:

Limit of 25 years of additional production

Quitclaim leases

Quitclaim Paredon Project

Carbon Neutrality

VENOCO'S LATEST PUBLIC PROPOSAL

Observations:

- Not proposed with force of law, it is not the project described in the EIR nor is there an enforceable agreement proposed
- Does not address abandonment and decommissioning of EOF or Platform Holly
- Does not address the future ownership and use of EOF site
- Does not address Lease 421 and related facilities
- Does not address the impact borne by residents of Goleta
- Does not address the fiscal inequity of Goleta residents continuing to bear the burden of additional production with all royalties continuing to go to the State and County – with no benefit to Goleta residents.

CITY'S RESOURCES ASSEMBLED BY CITY COUNCIL

- Team-Based Approach

- Legal Team

 - City Attorney's Office Staff

 - Outside litigation legal services

 - Outside Amortization Study services

 - Outside environmental legal services

 - Outside bankruptcy legal services

- Planning Team

 - Advance Planning staff

 - Outside planning technical support services

 - Hands on review of all environmental documents and studies

COUNCIL DIRECTED NEXT STEPS

- The Planning Commission will receive a presentation on the future of the EOF after the bankruptcy case is resolved and following an extended public vetting process
- Following Planning Commission presentation, the City Council will hold a hearing on the future of the EOF
- Staff and legal counsel will review and comment on the South Ellwood Field Lease Line Adjustment Project Draft EIR
- Staff and legal counsel will continue to pursue the 421 Recommissioning Project litigation
- Staff will continue to monitor the status of the Plains Pipeline repairs and will provide advance notice to City Council and the public of any future restart at Platform Holly/EOF/Line 96

TONIGHT'S RECOMMENDATION

- Allow public comment
- Due to pending litigation and need to preserve due process for future noticed consideration of termination of EOF use, take no action and do not deliberate at this time
- Receive the report and public comment

