

Gulf of Mexico oil spill may scuttle California offshore drilling deal

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Michael Hiltzik, Los Angeles Times, 5-12-10

It isn't just the waters of the Gulf of Mexico that have been turned murky by the gulf-oil-spill-the-blame-game.

Consider its impact on California's offshore waters. Specifically, an undersea formation in the Santa Barbara Channel known as Tranquillon Ridge.

During the last couple of years, three Santa Barbara environmental groups worked out a deal with a big offshore drilling company under which the driller would dismantle four offshore rigs under federal jurisdiction in return for the right to extend its drilling temporarily into state waters.

The deal was highly controversial — in fact, an earlier version was rejected last year by the State Lands Commission. But it was supported by a number of environmental groups around Santa Barbara and by Gov. Arnold Schwarzenegger, who seemed to think the trade-off was worthwhile.

Then came the gulf spill, and the governor bailed. Now the T-Ridge deal looks to be dead in the, er, water, evidently because making any sort of deal associated with oil drilling just looks bad. But is the net result for California a loss?

"This would have been a huge benefit to the California coast, with the shutdown of three platforms in nine years and one in 14 years," says Linda Krop, chief counsel to the Santa Barbara-based Environmental Defense Center, who negotiated the deal with Plains Exploration & Production Co. of Houston (PXP), the driller. "Now they're just going to continue operating for another 30, 40, 50 years."

In a way, this sequence of events was predictable. That's because whenever there's an eruption of heated news related to a topic of public discussion, the quality of that discussion heads south.

Let Alex Rodriguez get caught taking steroids and you can kiss rational debate about drug policy in sports goodbye. After a horrific murder you won't hear a reasoned debate about the death penalty for months, maybe years. Even a failed car bombing and the prompt apprehension of a suspect produces immeasurable volumes of irresponsible blather about how *some* people don't deserve to have civil rights.

One shouldn't be too surprised about this; it's a biological reaction, like moths swarming around lights or senators around microphones. But it's no way to make public policy.

Here's the background on T-Ridge.

No new drilling has been approved off the California coast since the catastrophic Santa Barbara oil spill in 1969, but there are still 20 platforms operating in the Santa Barbara Channel.

By law, the State Lands Commission, which has jurisdiction, can't approve any leases in state waters (within three miles of the shore) except under limited circumstances. These include situations where oil under state waters drains naturally into the federal coastal zone, and when the lease is in the state's "best interest." The

former condition is met at Tranquillon Ridge, and the latter — that depends.

PXP operates Platform Irene in the federal zone at T-Ridge, where it already sucks up oil draining across the boundary. The firm has been hankering to drill from Irene directly into the state zone, which would allow it to produce oil a lot faster but also requires the permission of the State Lands Commission, an agency made up of the lieutenant governor, the state controller and an appointee of the governor.

The driller offered a compromise to local environmentalists: In return for their supporting its applications to local and state agencies for new wells, PXP would shut down production and dismantle three other platforms it controls no later than nine years after acquiring the state lease. It would shut down Irene five years later.

It also would decommission several onshore oil facilities, convey 4,000 acres of real estate to the public and mitigate greenhouse gas emissions. It agreed to fork over nearly \$2 million over 14 years, including \$100,000 to cover the Environmental Defense Center's expenses. Potentially billions of dollars more in state oil royalties would flow from the additional drilling.

Among its supporters have been Rep. Lois Capps (D-Santa Barbara), who has pointed out that the platforms in question "pose the biggest threat for new drilling in the federal waters off our coast" unless and until they're removed. Its opponents include the Sierra Club and Assemblyman Pedro Nava (D-Santa Barbara), who fears it will set a precedent reopening California to expanded offshore drilling.

So those are the elements of the "best interest" debate. As for PXP, the firm didn't reply to my request for comment — perhaps its executives are hiding out in the same bunker where the rest of the drilling industry is taking refuge at the moment.

When the State Lands Commission rejected the deal in early 2009, it cited two major concerns. One was that the agreement had been kept secret, at PXP's request. The other was that its enforceability was uncertain, since the platforms remain subject to their federal lease terms.

"PXP isn't the final arbiter as to the use of those lands," state Controller John Chiang told me last week. Although the Obama administration hasn't shown any inclination to open California to new offshore drilling, Obama won't be president forever. "Suppose it's Sarah Palin saying 'Drill baby drill?'" Chiang says, as though outlining a nightmare. "I'm not taking that risk with the coast of California."

After the rejection, Krop and PXP redrafted the deal (and made it *very* public by posting an annotated draft online). Krop says enforceability was made ironclad, with the state given the right to go to court to uphold it. The new agreement says that if PXP were to operate the platforms past their agreed-upon end dates, it would have to give up any profits earned from that production — a potent incentive to comply.

All signs pointed toward PXP bringing the new agreement before the lands commission, and then the Deepwater Horizon blew up in the Gulf of Mexico.

About two weeks later, Schwarzenegger did his about-face on T-Ridge. He said he had supported the project earlier based in part "on numerous studies making me feel that it was safe to drill." He indicated that what he was seeing now on TV made him realize that, hmm, maybe those studies weren't to be believed so readily.

Of course, the truth about T-Ridge is that PXP is drilling now, and there's nothing to stop the firm from continuing as long as it's extracting oil. The agreement would have stepped up the pace of extraction but shortened its time period, while shutting down other production years — maybe decades — ahead of schedule.

Is it to be lightly abandoned because of a disaster in the Gulf of Mexico that, if anything, *underscores* the advantages of reducing the offshore rig count?

Possibly the new agreement has all sorts of secret trap doors making it a great deal for PXP and a lousy one for California. We won't know unless PXP submits it to the State Lands Commission and that body works it over but good, and publicly. But now that the governor has run for the hills, its supporters agree that's a not-gonna-happen, at least any time soon. The platforms stay.

"At this point the agreement's not going forward," says Krop, "and it's just a real shame."