

# Rincon Island company files for bankruptcy to head off termination of its lease

**John Scheibe, Ventura County Star, 8-9-16**

Faced with the possible termination of its lease, an oil company that operates on Rincon Island filed for bankruptcy protection in Dallas on Monday.

Rincon Island Limited Partnership "took this step to protect its key oil and gas leases from a wrongful attempted termination by the state of California," David Zdunkewicz, a bankruptcy attorney in Houston, wrote in a news release sent out Tuesday.

The bankruptcy was filed as California state Sen. Hannah-Beth Jackson, D-Santa Barbara, sent a letter to the California State Lands Commission, urging that it terminate Rincon Island Limited Partnership's lease to operate on Rincon Island, located off shore from Mussel Shoals in northern Ventura County.

Jackson said the company "has not produced oil or gas on Rincon Island since October of 2008." California State Lands Commission staff found "there is an increased risk of an oil spill due to a natural increase in well pressure that has caused oil to flow without mechanical assistance" in the area around Rincon Island, Jackson stated in her letter.

Zdunkewicz could not be reached for comment after the notice of the company's bankruptcy filing was released.

Also on Monday, state regulators issued an emergency order to Rincon Island Limited Partnership to quickly make repairs to its facility around the island. This includes plugging two oil wells "to prevent environmental harm and protect the public," according to a news release from the state's Department of Conservation.

"The facilities on Rincon Island have not been properly maintained," said Ken Harris, an oil and gas supervisor with the state of California.

As part of the emergency order issued by state's Division of Oil, Gas, and Geothermal Resources, Rincon must bring an oil rig and other equipment to the island to complete the repair work.

"Getting a rig to the facility will require the use of a vessel," since the causeway from the mainland to the facility is in disrepair and must be recertified for the passage of heavy vehicles and equipment," the Department of Conservation said this week.

Sheri Pemberton, a California State Lands Commission staff member, said in an email on Tuesday in response to the bankruptcy filing that commissioners "are still evaluating the situation and are unable to comment at this time." Pemberton's email was sent as State Lands commissioners met Tuesday in San Pedro.

Jackson, meanwhile, released a short statement on Tuesday saying "while we are still working to determine the implications of this bankruptcy filing, the health and safety of our residents, and the prevention of another environmentally and economically disastrous oil spill, remain my chief concerns."

Tuesday's meeting in San Pedro came nearly four months after the commission notified Rincon Island Limited Partnership that it had 60 days to fix a list of problems found by state regulators at the site.

Inspections by state regulators showed "a failure to perform the required maintenance over a number of years on the wellheads, piping, tankage and safety systems," said Mark Meier, chief counsel for the State Lands Commission, in a letter to the company.

Assemblyman Das Williams, D-Carpinteria, who has introduced legislation (Assembly Bill 2729) to strengthen state laws for idle oil wells, said recently that state regulators are worried about the environmental danger posed by unplugged wells and the damage that an oil spill would cause.

State officials also worry that should an oil company suffer financial hardship or declare bankruptcy, that it might just walk away from unplugged wells, leaving taxpayers with the costs to properly cap them.

Such concerns have only increased as the price of oil has fallen, Williams said.

California has more than 21,000 idle oil and gas wells, according to Williams' office. More than half of them have been idle for 10 years or longer and 4,700 have been unused for 25 years or more.

The state Senate's Natural Resources Committee, approved AB 2729 in June.