

Denver-based driller wants Calif. voters to overrule city's opposition

Mark Jaffe, the Denver Post, 3-3-10

Carpinteria — a coastal California city of 15,000 — is up in arms over a campaign by Denver-based Venoco Inc. to gain approval for a new oil-drilling operation through the ballot box.

Venoco, which is run by Denver philanthropist Tim Marquez, has an initiative on Carpinteria's June ballot to rewrite the city's zoning ordinance and require the city to give the company development permits.

Voters should have a voice on the project, which could provide the town with \$13 million to \$200 million in royalties over 20 years, said Lisa Rivas, a Venoco community-relations specialist.

But city officials warn that the election gambit could set a California precedent enabling companies to skirt local regulations by going to the voters.

"This would be a fundamental rewriting of California land-use law," said Carpinteria City Attorney Peter Brown.

And so the battle lines are drawn in the town of palms, stucco and red tile, surrounded by avocado fields and greenhouses growing flowers.

The city has spent \$317,000 fighting the initiative in court. Venoco has raised a \$205,000 ballot war chest, according to campaign-finance reports.

Venoco had a near-death experience in late 2008 as its shares dropped from \$23.99 to \$2.07 on fears it could not meet its debt obligations.

"People didn't expect they'd survive 2009," said Michael Scialla, an analyst with Thomas Weisel Partners. "But they were able to renegotiate their loans, and their stock has made up ground."

Shares of Venoco, which is 61 percent held by Marquez, closed Tuesday at \$12.36 on the New York Stock Exchange.

Moving forward, expanding reserves in coastal areas, such as the Monterey Shale, is key for Venoco, according to a Global Hunter Securities LLC analyst note.

The company has been trying to develop the so-called Paredon Project in Carpinteria for more than five years.

"The initiative was an act of desperation," said Nathan Alley, an attorney for the Santa Barbara-based Environmental Defense Center, which represents two Carpinteria groups opposing Paredon.

The plan is to drill directionally from Venoco's 45-acre oil-and-gas-processing facility on the shore into leases in the Santa Barbara Channel.

"This has been evaluated as the safest way to get the resource to land," Venoco's Rivas said.

A 1969 oil spill from an offshore drilling platform in the channel coated 35 miles of beaches, killed birds, dolphins and sea lions and is considered one of the incidents that gave impetus to the environmental movement.

A draft Environmental Impact Report done for the original Paredon permit identified 11 "significant and unavoidable impacts" of the project, such as the risk of spills and hazardous releases.

"Venoco is proposing to put a 140-foot rig in an area between a very nice neighborhood, a nature preserve and a seal colony and drilling night and day for six years," said Donna Jordan, a former Carpinteria mayor.

Jordan and four other former mayors are part of a ballot committee opposing the initiative. The City Council also voted to oppose the measure.

The project still faces reviews by state agencies on environmental and operating issues, Rivas said.

"Local approval is just one layer," she said.

The trade-off is "more royalty money than this community has ever seen," Rivas said. The exact amount will depend on how successful the drilling is, she said.

For the city, the key legal sticking point is not changing the zoning code to allow for the drilling but the requirement that it must give Venoco a permit with no future oversight.

Initiatives can't be used for administrative actions such as permitting, Brown said.

A district judge struck part of the initiative but let the rest stand, and the city has appealed to a state appellate court.

"It doesn't look like the appeals court will rule before the June 8 election," Jordan said. "So we'll see what happens at the polls."