

AMENDED IN SENATE SEPTEMBER 10, 2009

AMENDED IN SENATE SEPTEMBER 8, 2009

AMENDED IN SENATE SEPTEMBER 2, 2009

AMENDED IN SENATE JUNE 23, 2009

AMENDED IN ASSEMBLY MAY 6, 2009

AMENDED IN ASSEMBLY APRIL 14, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 1536

Introduced by Assembly Member Blakeslee

February 27, 2009

An act to add and repeal Sections 6245 and 6246 of the Public Resources Code, relating to public resources, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1536, as amended, Blakeslee. Oil and gas leases.

(1) Existing law authorizes the State Lands Commission to enter into a lease for the extraction of oil or gas from state-owned tide and submerged lands in the California Coastal Sanctuary if the commission determines that those oil and gas deposits are being drained by means of producing wells upon adjacent federal lands and if the lease is in the best interests of the state.

This bill would create the Interim Resources Management Board, consisting of the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, and the Controller. The bill would authorize the board to consider a lease, lease application, or

revised lease application filed with the State Lands Commission pursuant to that provision and subsequently rejected by the commission. The bill would authorize the board to approve that lease if specified terms and conditions are met.

The bill would provide for the repeal of these provisions on January 1, 2011. The bill would set forth related declarations and findings.

(2) The bill would annually appropriate, commencing with the 2010–11 fiscal year, up to \$50,000,000 from ~~the any~~ amounts received annually by the state from ~~the~~ royalty payments made ~~pursuant~~ *according to a lease entered into under or leases executed pursuant to* the bill, as scheduled. The bill would provide that \$34,000,000 would be allocated to the Department of Conservation for purposes of making subvention payments under the Open Space Subvention Act of 1971 to eligible counties participating in the California Land Conservation Act of 1965, and that \$16,000,000 would be allocated to the Department of Parks and Recreation for the acquisition and operation of state parks along the coast.

(3) The bill would appropriate, for the 2009–10 fiscal year, up to \$50,000,000 from ~~the any~~ amounts received during that fiscal year by the state from ~~the prepaid~~ royalty payments ~~made pursuant to a lease entered into under~~ *required to be made according to a lease executed pursuant to* the bill to the State Department of Public Health, as scheduled.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) Since 1994, the State Lands Commission has been prohibited
- 4 by the California Coastal Sanctuary Act of 1994 (Chapter 3.4
- 5 (commencing with Section 6240) of Part 1 of Division 6 of the
- 6 Public Resources Code) from granting any new oil or gas leases
- 7 on state-owned tide and submerged lands, unless the state's oil or
- 8 gas resources are being drained from producing wells on adjacent
- 9 federal lands and the commission determines that a lease is in the
- 10 best interests of the state.
- 11 (b) Since 1994, no application for a lease has been granted under
- 12 this exception by the State Lands Commission.

1 (c) In the current fiscal emergency, it is in the public interest to
2 consider an application considered and rejected by the commission
3 prior to the effective date of this act, pursuant to Section 6244 of
4 the Public Resources Code, from an operator with existing offshore
5 drilling platforms on federal lands and with existing and operating
6 infrastructure that seeks to access state offshore oil or gas reserves
7 for a limited period.

8 (d) The provisions of this act are necessary for the promotion
9 of the public interest and are of statewide concern.

10 SEC. 2. Section 6245 is added to the Public Resources Code,
11 to read:

12 6245. (a) The Interim Resources Management Board is hereby
13 created for the limited purpose of considering an oil or gas lease
14 application meeting the criteria set forth in Section 6246.

15 (b) The members of the board shall be the Secretary of the
16 Natural Resources Agency, the Secretary for Environmental
17 Protection, and the Controller. The Secretary of the Natural
18 Resources Agency shall be the chairperson of the board.

19 (c) The board shall hold at least one public hearing when
20 considering an oil or gas lease application.

21 (d) If a majority of the members of the board determine pursuant
22 to Section 6246 that an oil or gas lease be entered into, the
23 chairperson of the board shall execute pursuant to Section 6246
24 the lease on behalf of the state. Thereafter, the terms and conditions
25 of the lease shall be administered by the commission.

26 (e) This section shall remain in effect only until January 1, 2011,
27 and as of that date is repealed, unless a later enacted statute, that
28 is enacted before January 1, 2011, deletes or extends that date.

29 SEC. 3. Section 6246 is added to the Public Resources Code,
30 to read:

31 6246. (a) Notwithstanding Section 6244, within 30 days after
32 the effective date of this section, the Interim Resources
33 Management Board shall meet in accordance with the
34 Bagley-Keene Open Meeting Act for the purpose of considering
35 a lease, lease application, or revised lease application, including
36 the terms and conditions, filed with the commission pursuant to
37 Section 6244 and that meets all of the following criteria:

38 (1) The lease, lease application, or revised lease application was
39 considered and rejected by the commission prior to the effective
40 date of this section, pursuant to Section 6244.

1 (2) The record before the commission demonstrates that state
2 oil or gas deposits are being drained by means of producing wells
3 upon adjacent federal lands.

4 (3) The lessee has an existing offshore platform on adjacent
5 federal lands from which the state oil or gas reserves will be
6 accessed.

7 (4) The lessee has existing and operating pipelines and other
8 infrastructure to transport and process the oil or gas.

9 (5) The board determines that the lease is in the best interest of
10 the state.

11 (b) The chairperson of the Interim Resources Management
12 Board may enter into a lease or leases on behalf of the State of
13 California if the lease or leases contain the following conditions
14 that are enforceable by the Attorney General:

15 (1) The lease has a fixed termination date that is 14 years from
16 the effective date of the lease.

17 (2) The lease requires the lessee to make a single prepaid royalty
18 payment to the State Treasury in the total amount of one hundred
19 million dollars (\$100,000,000) for the lease or leases considered
20 and rejected by the commission prior to the effective date of this
21 section, pursuant to Section 6244.

22 (3) The lease shall provide, at a minimum, the rental fee and
23 royalty payments as specified in the lease considered and rejected
24 by the commission prior to the effective date of this section,
25 pursuant to Section 6244.

26 (4) The lessee is required to avoid, reduce, or offset all direct
27 greenhouse gas emissions from project operations under the lease.

28 (5) Upon expiration of the lease, the lessee shall terminate all
29 oil and gas production operations offshore California, if any, and
30 remove all related onshore processing facilities, if any, that are
31 owned, controlled, or operated by the lessee at the time the lessee
32 accepted the lease, and shall clean up, restore, and donate not less
33 than 3,900 acres of land for public use and conservation, including
34 land on which the onshore processing facilities were located.

35 (6) The lessee shall use all feasible efforts to decommission or
36 remove four outer continental shelf federal platforms and provide
37 funds, in an amount and manner to be determined by the Interim
38 Resources Management Board, in an escrow account, letter of
39 credit, or equivalent instrument, to be used to address any adverse
40 environmental effects of offshore oil drilling from the four

platforms, or for decommissioning or removal of the platforms, if the platforms are not decommissioned or removed due to circumstances beyond the control of the lessee.

(7) The terms and conditions of any agreement related to the lease, lease application, or revised lease application identified in subdivision (a) between the lessee and a nongovernmental third party shall collectively constitute a condition of any lease. The lessee shall provide a copy of any agreement to the Interim Resources Management Board as soon as feasible, and the agreement shall be made public in a conspicuous location on the Natural Resources Agency's Internet Web site at least 30 days prior to the reconsideration of any lease pursuant to subdivision (a).

(8) The lease shall provide, without limitation, that the Attorney General shall enforce the terms of the lease.

(c) The lease shall contain all other terms agreed to by the lessee in a lease or lease application considered and rejected by the commission prior to the effective date of this section, pursuant to Section 6244, that are not in conflict with this section. Nothing in this section precludes the board from requiring lease terms that are more protective of the environment or will produce greater revenue to the state and that are not in conflict with this act.

(d) Any action to challenge Section 6245 or this section may only be filed and served within 60 days of the effective date of those sections.

(e) Except as provided in paragraph (8) of subdivision (b), any challenge by a person to a lease executed pursuant to this section may only be filed and served within 60 days following execution of the lease and notification of its execution. The complaint or petition shall also be served within the 60-day period on the lessee as a real party in interest. Notification of the execution of the lease shall be posted on the Natural Resources Agency's Internet Web site and through a press release issued by the Natural Resources Agency.

(f) This section shall remain in effect only until January 1, 2011, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2011, deletes or extends that date.

SEC. 4. (a) ~~Of the Commencing with the 2010–11 fiscal year, of any amounts received by the state annually from the royalty payments made pursuant according to a lease made or leases~~

1 *executed* pursuant to Sections 6245 and 6246 of the Public
2 Resources Code, up to fifty million dollars (\$50,000,000) is hereby
3 appropriated, ~~commencing with the 2010-11 fiscal year~~, in
4 accordance with the following schedule:

5 (1) Up to thirty-four million dollars (\$34,000,000) to the
6 Department of Conservation for purposes of making subvention
7 payments in accordance with Chapter 3 (commencing with Section
8 16140) of Part 1 of Division 4 of Title 2 of the Government Code
9 to eligible counties participating in the California Land
10 Conservation Act of 1965 (Chapter 7 (commencing with Section
11 51200) of Part 1 of Division 1 of Title 5 of the Government Code).

12 (2) Up to sixteen million dollars (\$16,000,000) to the
13 Department of Parks and Recreation for the acquisition and
14 operation of state parks along the coast.

15 ~~(b) The one hundred million dollars~~ *For any lease or leases*
16 *executed pursuant to Sections 6245 and 6246 of the Public*
17 *Resources Code, the one-hundred-million-dollar* (\$100,000,000)
18 *prepaid royalty payment received by required to be paid to the*
19 *state pursuant to paragraph (2) of subdivision (b) of Section 6246*
20 *of the Public Resources Code is not subject to the appropriation*
21 *pursuant to made in subdivision (a) of this section.*

22 SEC. 5. ~~(a) Of the~~ *Of any* amounts received by the state during
23 the 2009-10 fiscal year from ~~the prepaid~~ *prepaid* royalty payments ~~made~~
24 ~~pursuant to a lease made required to be made according to~~
25 ~~paragraph (2) of subdivision (b) of Section 6246 of the Public~~
26 ~~Resources Code for a lease executed~~ pursuant to Sections 6245
27 and 6246 of the Public Resources Code, up to fifty million dollars
28 (\$50,000,000) is hereby appropriated for the 2009-10 fiscal year;
29 in accordance with the following schedule:

30 ~~(1)~~

31 (a) Up to twenty-one million six hundred sixty thousand dollars
32 (\$21,660,000) to the State Department of Public Health for various
33 programs administered by the Office of AIDS.

34 ~~(2)~~

35 (b) Up to sixteen million three hundred thirty-seven thousand
36 dollars (\$16,337,000) to the State Department of Public Health for
37 the Domestic Violence Program.

38 ~~(3)~~

1 (c) Up to nine million dollars (\$9,000,000) to the State
2 Department of Public Health for the Adolescent Family Life
3 Program.

4 ~~(4)~~

5 (d) Up to three million three thousand dollars (\$3,003,000) to
6 the State Department of Public Health for the Black Infant Health
7 Program.

8 ~~(b) The one hundred million dollars (\$100,000,000) prepaid~~
9 ~~royalty payment received by the state pursuant to paragraph (2)~~
10 ~~of subdivision (b) of Section 6246 of the Public Resources Code~~
11 ~~is not subject to appropriation pursuant to this section.~~