

EXHIBIT E – VENOCO’S ELLWOOD MARINE OIL TERMINAL STATEMENT OF OVERRIDING CONSIDERATIONS

The California Environmental Quality Act (CEQA) requires a lead agency to balance the benefits of a project against the unavoidable environmental effects of such project in determining whether to approve the project. The Final Environmental Impact Report (EIR) identifies significant impacts of the Ellwood Marine Oil Terminal Project (Project or proposed Project) that cannot feasibly be mitigated to below a level of significance (Class I impacts). Therefore, the California State Lands Commission (CSLC), as the lead agency, must state in writing its specific reasons for approving the Project in a Statement of Overriding Considerations pursuant to sections 15043 and 15093 of the State CEQA Guidelines.

Based on the Final EIR, and other information provided by Venoco (Applicant) and gained through the public involvement process that is documented in the administrative record, this Statement of Overriding Considerations provides the specific reasons supporting the approval of this Project by the CSLC. State CEQA Guidelines section 15093(a) notes that, “If the specific economic, legal, social, technological, or other benefits of a proposed project outweigh the unavoidable adverse environmental effects, the adverse environmental effects may be considered ‘acceptable’.”

The CSLC adopts this Statement of Overriding Considerations with respect to the impacts identified in the Final EIR that cannot be reduced, with mitigation stipulated in the EIR, to a less than significant level. This includes the following impacts:

- HM-2: A spill of oil could result in impacts to the surrounding areas by impacting environmental resources.
- WQ-1: Accidental discharge of petroleum hydrocarbons into marine waters would adversely affect marine water quality.
- WQ-2: A rupture or leak from the marine loading line, oil storage tanks, or other EMT infrastructure could substantially degrade surface and groundwater quality.
- BIO-1: Accidental discharge of petroleum hydrocarbons into marine waters would adversely affect marine biological resources.
- BIO-2: Accidental discharge of petroleum hydrocarbons into marine waters

would adversely affect commercial and recreational fishing.

- BIO-7: An accidental oil spill and subsequent cleanup efforts would potentially result in the loss or injury of threatened, endangered, or candidate species, the loss or degradation of functional habitat value of sensitive biological habitat, or cause a substantial loss of a population or habitat of native fish, wildlife, or vegetation.
- LU-1: A number of sensitive habitats and high quality recreational resources are located within the potential area that would be impacted by the spread of oil from an accidental release. Shoreline and water-related uses would be disrupted by oil on the shoreline and in the water.
- LU-2: Spills that reach shore along sensitive land use areas or heavily used areas, including recreational areas, would limit or preclude such uses.
- VR-1: The barge *Jovalan* currently makes approximately two trips to the EMT per month for loading. Under the proposed Project, the barge *Jovalan* could be present at the EMT approximately seven times per month.
- VR-2: Potentially long term visual impacts of an oil spill, depending on the level of physical impact and cleanup effectiveness.
- VR-3: Spills would change the color and texture of water and shoreline conditions. The level of public sensitivity and expectations of viewers would result in a negative impression of the viewshed, depending on the various characteristics of a spill and its residual effects.

Specifically, the Final EIR finds that accidental spills from the EMT loading line or barge could cause significant adverse environmental effects. Impacts from a terminal loading line rupture or accidental spills were identified in the analyses for safety, biological resources, fisheries, water quality, land use/recreation and visual resources.

A comprehensive set of mitigation measures is presented in the Final EIR, and those measures have been adopted by the CSLC. Many of these measures will reduce the probability, severity or frequency of an accidental oil spill. These measures include developing spill response and notification procedures for protection of biological resources, waterway protection, fisheries protection, groundwater protection, and ensuring proper leak detection.

The safety features, inspection and maintenance, and emergency response practices proposed in the Final EIR would reduce, above and beyond existing levels, impacts related to accidental spills. The proposed features and procedures include enhanced monitoring and inspection; seismic monitoring and inspection; reduction in crude oil hydrogen sulfide levels; enhanced crude oil storage tank maintenance program; changes in loading line operation to accommodate vacuum conditions; flow metering; non-destructive testing of loading pipeline; EMT drain containment; additional soil spill response drill requirements; conversion to a double-hulled barge or construct a pipeline within 18 months of approval; operational limitations to reduce air pollutant emissions; vapor control devices on the crude oil storage tanks; pressure sensors to prevent lifting of the barge pressure relief valves and venting of air pollutants to the atmosphere; barge diesel particulate emission controls; designated marine vessel traffic corridors; vessel speed reduction; and, marine mammal observers.

The CSLC finds that all mitigation measures identified in the Final EIR have been imposed to avoid or lessen impacts to the maximum extent feasible and, furthermore, finds that the No Project Alternative is infeasible. Venoco's right to renew the lease is subject only to the Commission's right to impose reasonable terms and conditions on that renewal. Since March 1993, Venoco has been operating the terminal under the renewal provisions while CSLC staff has been evaluating what terms and conditions to impose. The purpose of the EIR was to determine what those terms and conditions should be.

The CSLC hereby finds that the EMT Lease Renewal Project will provide numerous benefits to the State of California and its residents as described below.

California is a major refining center for West Coast petroleum markets with combined crude oil distillation capacity totaling more than 1.9 million barrels per day, ranking the state third highest in the nation. In 2005, the total receipts to refineries of roughly 674 million barrels came from in-state oil production (39.4%), combined with oil from Alaska (20.1%), and foreign sources (40.4%).

As described in the 2005 Integrated Energy Policy Report prepared by the CEC, within the last 10 years consumer demand outpaced California petroleum refining capacity, which grew by an average of 1.5 percent per year. The CEC 2007 Integrated Energy Policy Report, adopted December 5, 2007, projects California vehicle miles travelled over the next 20 years will grow by an average of two and a half percent per year. In

order to meet this increasing demand, California refiners will rely on more imported petroleum products.

Specific benefits provided by the Project including the following.

- The Project will continue crude oil transportation of South Ellwood Field production to refineries in the Los Angeles and San Francisco Bay area refineries to maintain the existing supply of domestically produced oil and decrease the need to import foreign oil to replace such supply in absence of the proposed Project.
- The Project would maintain the continued, uninterrupted production of petroleum from the South Ellwood Field that provides approximately \$8,000,000 annually in royalty revenue to the State's General Fund.
- The Project will be subject to more stringent operational and environmental controls, which will provide additional benefits to public and environmental safety, than are presently required by the provisions of its previous lease.

The Final EIR thoroughly evaluates the No Project Alternative which includes two oil transportation options that would reasonably be expected to occur if the lease were denied; crude oil transportation via trucking, or transportation via a new 10-mile pipeline to an existing common carrier pipeline. Of the two transportation options evaluated in the Final EIR, the pipeline transportation option is the more environmentally preferred option. However, the Commission does not have the legal authority to require construction of the pipeline in lieu of renewing the lease. Based on the above discussion, the CSLC finds that the benefits of the EMT Lease Renewal Project outweigh the significant unavoidable impacts that could occur after mitigation is applied and considers such impacts acceptable.