



*Room at the inn? Sunset Exploration hopes to slant drill from Vandenberg Air Force Base to the offshore Tranquillon Ridge reserve.*

## The Quest For Tranquillon Ridge

**Vandenberg Air Force Base may close the book or write a new chapter in the twisted saga of oil's biggest prize.**

*By Karen Pelland, Dec. 3, 2013*

The baritone din of bobbing oil rigs half a click up a dirt road off the 101 Freeway blankets a windswept northwest corner of Vandenberg Air Force Base. Here, “authorized personnel only” signs warn of unexploded landmines and potentially dangerous chemicals while a handful of drills pump the world’s most coveted and controversial commodity around the clock.

Although many privately held leases have for generations laid claim to parts of the vast Monterey Formation shale-oil reserves beneath Vandenberg, the military owns the base’s 22-square-mile surface and must approve any prospector’s desire to drill below. Currently, there are five active oil wells on Vandenberg property. In a matter of days, however, base officials will decide whether to dramatically up the ante by green-lighting a particularly persistent oil company’s bid to drill from the base out into the much-coveted Tranquillon Ridge offshore reserve.

T-Ridge, as it’s known, is a holy grail of Santa Barbara County oil quests—one of the last lucrative bastions of unclaimed oil and gas beneath California’s coastal waters. Tapping it from land would close the book on a decades-long battle that has seen groundbreaking environmental deals scuttled at the 11th hour, politicians willingly put themselves in compromising positions, and oil companies jockey for a play worth tens of billions. It’s been one of the most curious public policy sagas in recent memory, and it’s almost ironic, in the end, that the party appearing to have the least at stake in the whole affair, Vandenberg Air Force Base, is now holding the cards.

The central character in the latest chapter of this protracted drama is Robert Nunn, the most recent and most relentless of T-Ridge suitors. Nunn is the president of Contra Costa County-based Sunset Exploration, a small company by oil-industry standards, but one with which he has built a thriving business by conceptualizing and kick-starting projects for larger companies to eventually take over operations. For 10 years or so, Nunn has been tirelessly courting the Air Force to allow him to take a shot at T-Ridge, and this past summer, after repeated denials, Vandenberg officials finally consented to at least consider the prospect of drilling out to the reserve from the base.

Nunn says he's involved with onshore oil projects "in more than a dozen counties up and down the state," but his Vandenberg operation would be Sunset's first endeavor using what's known as directional, extended-reach drilling or slant drilling. Sunset has partnered with ExxonMobil for this project, which would begin on terra firma, drill straight down and then turn toward the ocean. The oil would be conveyed thousands of feet below the ocean floor.

Proponents believe slant drilling is the best way to reach offshore reserves without the risk of marine oil spills associated with traditional platform drilling. This would be the first project of its kind in Santa Barbara County. "There isn't a sliver of our activity that is wet," says Nunn. "We're land-based 100-percent of the time, and that's the only reason this opportunity has a chance at success in California."

But while the offshore T-Ridge oil is the undisputed prize here, Nunn's plans include setting up an unknown number of onshore well operations on Vandenberg land as well. County records show Sunset has held the subsurface mineral rights leases on thousands of acres along Vandenberg's southwest coast—directly inland from T-Ridge—since 2003. The entire bid, however, has been on hold, waiting for the base to sign off on the controversial slant-drilling proposal.

As far as that goes, a team of Air Force civil engineers has spent the last several months assessing the feasibility of the operation and is slated to deliver its recommendations to Vandenberg brass anytime now.

And while Nunn may have the most comprehensive proposal on the table, the slant-drilling project would not necessarily be his for the taking. Should Vandenberg go for this long-shot idea, it would not only entertain competitive bids, but miles of state and county red tape would still have to be hacked through with no guarantee ground would ever be broken.

Tranquillon Ridge spreads generously underneath both state and federal waters off Point Arguello on Vandenberg's southern shores. So far, the rich reserve has only been tapped from Platform Irene in federal waters that begin 3 miles from the coast. The estimated 200 million barrels waiting in state waters—within 3 miles of shore—are there for would-be J.R. Ewings to cash in on, if only they could be reached.

The major roadblock is that California, specifically the State Lands Commission, has not issued a new offshore oil and gas lease since 1968. The catastrophic 1969 oil spill in the Santa Barbara Channel abruptly ended that practice, and the 1994 California Coastal Sanctuary Act officially outlawed it. But T-Ridge threads a very narrow legal loophole that allows new offshore state leases to be issued if the reserve in question is already being drained from the federal side.

Since Platform Irene was built in 1986, its three different owners (Torch Operating, Nuevo Energy and Plains Exploration & Production) have all tried to snag that slippery state lease. None came closer than Plains Exploration & Production, or PXP. In 2009, the State Lands Commission came oh-so-close to giving it to PXP (which was recently purchased by Freeport-McMoran Copper & Gold Inc.).

The only reason PXP's proposal had gotten that far was because hell had temporarily frozen over when the Santa Barbara-based Environmental Defense Center, a stalwart adversary to offshore drilling, crafted an unprecedented quid pro quo with PXP. The deal struck would not only deliver huge sums of money to the state and county in revenues and taxes, but also an environmental mitigation and benefits package that was too good to refuse.

Among a slew of green goodies, including thousands of acres of donated land and 100-percent greenhouse gas offsets, PXP agreed to shut down and remove Platform Irene in 2022, as well as cease operations at three other nearby platforms in 2017, and do the same with its many onshore wells in Lompoc as well as two major oil- and gas-processing plants.

In other words, PXP was willing to end offshore drilling and production in northern Santa Barbara County for all intents and purposes *regardless of what was left in the ground*, as well as close down a hefty chunk of its onshore assets, just to drill into California's portion of T-Ridge for a limited time. Two dozen environmental groups joined with the EDC and signed a letter to the State Lands Commission, calling the project "*a win for the environment.*"

The deal took more than four years of tense negotiations, public hearings, legal vetting and enough environmental impact reports to fill up a 4-inch thick binder. It eventually earned a thumbs-up from the Santa Barbara County Planning Commission and nearly every elected official within earshot. Nonetheless, on Jan. 29, 2009, when the project came before the State Lands Commission for what most thought would be its anointment, then-Lt. Gov. John Garamendi, the swing vote on the three-member commission, surprised everyone by voting against it. His vote sent the PXP/EDC deal up in flames by a 2-1 margin.

“It caught us completely off guard when Garamendi made the motion [denying] the project,” says Kevin Drude, deputy director of Santa Barbara County’s Energy Division, who was then the division’s energy specialist and supervised the county permit process for the project. “It just seemed like it was on a path for approval.”

For some, both the confusion and the plot is thickening. U.S. Rep. Garamendi (D-Walnut Creek) is now actively supporting Nunn’s T-Ridge ambitions and has written a letter to Vandenberg officials urging them to reconsider their past rejections of his proposal.

“What is the connection?” asks Santa Barbara County Supervisor Salud Carbajal, who was also present at the 2009 vote and testified in support of the PXP project. “Why is [Garamendi] devoting so much personal and political capital for this specific project in this specific area? It raises eyebrows.”

In the spirit of the modern political lexicon, Garamendi was for the PXP project before he was against it. In his role as Chair of the State Lands Commission, he wrangled a record high royalty rate (the percentage of gross revenues the state would receive over the project’s life) with PXP, while the EDC’s lead counsel, Linda Krop, worked the environmental side.

Krop and Garamendi were in close contact while these details got hammered out. So much so that when Krop reached an impasse with PXP over the exact end dates for its offshore platforms and declared the conversation over, Garamendi came to the rescue.

“I told Garamendi that we were done,” Krop recalls, “and he said ‘I will meet with PXP,’ and he met with them the next day.” Krop soon received a call from PXP agreeing to her end dates.

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Convinced that Garamendi had been in lockstep with her and wanted the deal with PXP to succeed, Krop was understandably unprepared for what happened at a public briefing in Sacramento called by the State Lands Commission just three weeks before the project would go to a vote. Out of the blue, she says, Garamendi threw a curve ball, demanding that all state revenues from the PXP project go toward green-energy research and programs.

“This will be done,” Garamendi stated unequivocally, according to transcripts from that briefing, “or I will be a ‘no’ vote.”





*Bittersweet memories: The Environmental Defense Center's Linda Krop pores over the 2008 PXP environmental impact report.*

Krop was flabbergasted. “The rug was pulled out from under us,” she remembers. “That whole three weeks we tried to meet with him and his staff, and it didn’t happen.

”Equally perplexed was Garamendi’s fellow State Lands Commissioner Tom Sheehy, then-chief deputy director of finance for the Schwarzenegger administration and destined to be the lone “yea” vote on the PXP project. At the time, says Sheehy, the state was grappling with a historic \$26 billion deficit (out of a \$100 billion general fund), which he says made Garamendi’s demands bogus.

“He knew Schwarzenegger was never going to approve all the money going to alternative energy,” says Sheehy, now a government affairs consultant in the private sector. “We were furloughing state employees, cutting health benefits and MediCal, Prop. 98 funding for K-12 schools, and programs for the aged, blind and disabled... I mean, we were in real crisis mode. And now I’ve got Garamendi basically saying we’ve got to take all this precious revenue and put it into his green projects!”

Making Garamendi’s demand more confounding, as Sheehy pointed out during that pre-vote public hearing, were the hundreds of millions of unspent dollars sitting idle in accounts managed by the Public Utilities Commission (from those \$2 and \$3 surcharges you see on your bill). The Energy Commission had that money earmarked for exactly the types of green projects Garamendi was touting, but even then there was more money than projects to fund.

“It was just ridiculous,” Sheehy says.

PXP has refused to comment on the entire affair.

So why did Garamendi change his mind?

“That’s what hearings are for,” Garamendi says flatly in a recent phone call.

Garamendi now says that he was swayed by concerns over environmental dangers voiced throughout multiple meetings and hearings. It’s clear from transcripts, though, that the public’s largest concern was whether PXP’s proposed end dates could actually be enforced. At issue was the federal government’s contract with PXP to drill in federal waters

from Platform Irene and its other three platforms, which, by an anachronistic federal law, are supposed to be tapped until they are no longer economically viable. Most, however, agree it is unlikely the feds would have demanded those operations keep drilling beyond the end dates.

Sheehy says Garamendi and State Controller John Chiang—his fellow “no” vote and long-time fossil fuel opponent—hung their hats on the technicality of end-date enforcements. “Because at that time,” says Sheehy, “for them to stand up and say, ‘Sorry this is too environmentally risky,’ would have been a joke because every major environmental group in the state was for it!”

More than any particular environmental concerns, Sheehy believes politics is the likely culprit for sinking the PXP deal. “In the end, I just think that Lt. Gov. Garamendi did not want to be the swing vote for the first new offshore oil lease in California in 40 years.”

It would have been a politically tough sell for Garamendi, considering he was running as a Democratic candidate for governor. Supporting an offshore oil-drilling project—even a landmark, win-win one—might have spelled the final blow for an already sagging statewide campaign.

According to news reports at the time, Garamendi was also getting leaned on by then-U.S. House Speaker Nancy Pelosi (D-San Francisco), as well as other members of California’s congressional delegation, who warned the candidate that PXP’s project could undermine efforts to reintroduce the federal moratorium on California offshore oil drilling that had been lifted during the Bush administration.

Given his flailing gubernatorial campaign, it’s perhaps no surprise that when California’s 10th congressional district (between Oakland and Sacramento) opened up for a special election that summer, Garamendi jumped into the race.

Watching all this from the front row was Sunset President Nunn. Less than two weeks before the special election, the first of several campaign contributions from Nunn made its way into Garamendi’s campaign coffer. Six personal



*Sitting this one out: PXP and environmental groups almost made hell freeze over with a landmark agreement in 2009 that never happened.*

donations totaling \$13,300—spanning October '09 to June '13 rolled in—including \$2,500 from Nunn's wife under her company, Beyond Golf Inc., an event-planning and hostess outfit. Nunn's initial donations came under the company Nunn Farms, an agricultural business his family has been operating in Brentwood, Calif. for generations, and later under Sunset Exploration, a name that lights up like neon among a donor list heavy with labor unions and alternative-energy companies.

Nunn was present and active during the 2008-2009 PXP debate, unsuccessfully appealing the county Planning Commission's approval of the deal and testifying before the State Lands Commission against the PXP proposal and for onshore alternatives (namely his) to get at T-Ridge oil. He was also a constituent of Garamendi's before redistricting put the congressman in the nearby 3rd district.

"I first became aware of Robert Nunn during the PXP process," says Garamendi, "and we've continued to discuss the issue of accessing oil from the land."

The irony is that even accessing the reserve via slant drilling from land would still require the State Lands Commission to issue California's first offshore oil and gas lease in over 40 years. Nonetheless, Garamendi believes it's the logical way forward.

"Given the current technology of directional drilling," says Garamendi, "most of the oil—or a good portion of the oil off the California coast—can be accessed from land, both in state in federal waters, virtually eliminating the ocean environmental hazard."

Garamendi says the campaign donations from Nunn are no big deal, citing mutual interests, such as community charitable programs in their shared home territory, that have nothing to do with oil. "There's a whole series of reasons why a person will support me," he says.

Nunn is less equivocal about where he and Garamendi are in sync. "He consistently opposed offshore drilling. I oppose offshore drilling. We're aligned," says Nunn. "So if there's something nefarious about it, that's what it is."

Opposition to offshore drilling may be a principled bond between the two, but Garamendi's December 2011 letter to Vandenberg in support of Nunn's slant-drilling plan goes beyond simply opposing offshore drilling. In it, Garamendi writes how PXP's proposal to access T-Ridge via Platform Irene "*was rejected due to the potential for damage to the marine environment,*" and furthermore that during the 2009 hearings, "*another proposal was put forth to access this deposit from the shore,*" which, Garamendi writes, "*would present little, if any risk, to the marine environment.*"

Then there's the long-standing relationship between Nunn and State Superintendent of Public Instruction and former state assemblyman and senator Tom Torlakson, who's received more than \$40,000 from Nunn for his various campaigns since 1998, and who also wrote to Vandenberg three days after Garamendi did in support of Nunn's plan. In the letter, Torlakson urges the Air Force to conduct a thorough environmental assessment of Sunset's drilling proposal as "*it has the potential to provide a new revenue stream for our schools in an environmentally superior way to offshore drilling.*"

For what it's worth, most of the tax revenues going to the county in PXP's scuttled plan were slated for public schools.

Torlakson declined to comment on his letter or on the campaign contributions from Nunn.

Nunn's list of political beneficiaries is long, but in a strange twist, it happens to include Susan Jordan. The Santa Barbara activist and erstwhile state assembly candidate was unpleasantly surprised to learn from *Mission and State* that Nunn had donated \$3,000 to her unsuccessful 2010 race against then-City Councilmember Das Williams to succeed Jordan's termed-out husband, Pedro Nava.

The PXP deal, though no longer on the table, became the race's political football, or stick of dynamite. Williams had favored it, and the Nava-Jordan team feverishly opposed it. Accusations about who took money from whom ricocheted like a high-speed game of Pong, with Jordan accusing Williams of accepting money from oil interests, a stab he called "an abject lie."

Jordan says Nunn's donations, which came under Nunn Farms and not Sunset Exploration, didn't set off any alarms at the time. Nor, she says, would she have linked the name Robert Nunn with Sunset. "I would have had no way of



associating him with Sunset, and had I known, I would have certainly returned it,” says Jordan.

Nunn makes no apologies for the contributions to Garamendi, Torlakson and Jordan. “All three of them oppose more offshore drilling, and so do I. End of story.”

No doubt, the T-Ridge scrum has created some strange bedfellows within and betwixt the political and environmental worlds, exposing impressively flexible attitudes toward otherwise unwavering principles about fossil fuels, corporate profits and environmental stewardship. And given how the PXP deal unfolded, many now look to Sunset—or whoever may win Vandenberg’s hand—for what it can offer in return.

Assemblyman Das Williams (D-Santa Barbara) is pessimistic about the Sunset proposal’s potential upside. “There’s already been a bar set of what would be expected in terms of environmental benefits, and that bar was set by the PXP project,” says Williams.

Linda Krop of the EDC isn’t holding her breath either, despite ExxonMobil’s impressive portfolio of local assets, including three platforms in federal waters off Gaviota and Refugio state beaches. But those operations, Krop says, can’t reach the state water hotspots already identified by surveyors that the four PXP platforms could, and still can for that matter. Killing those would have been a truly historic coup.

“I just don’t think Sunset and Exxon have that same ability,” says Krop.

Nunn is aware of the high demands and low expectations, yet he remains confident. “We recognize that we have to have a package to this proposal that includes a variety of beneficial things,” says Nunn. “We fully expect that we’re going to create something that will be attractive.”

But don’t expect that package to include end dates to shut down operations à la PXP, since Nunn estimates his project would last at least 30 years. Though he believes projects like his, if approved, will help end offshore drilling. “The easiest way to get rid of offshore facilities is to take away the oil operations they can pursue,” says Nunn.

While Nunn insists his plan for T-Ridge is “environmentally superior” to both offshore drilling and shipping oil through the channel via tanker ships, its environmental efficacy will be thoroughly vetted if Vandenberg gives the nod and allows comprehensive environmental reviews to take place. For now, though, the 2008 environmental impact report prepared for the PXP project, which went into great detail analyzing a “VAFB Onshore Alternative” (modeled “to some extent” after the Sunset proposal) is instructive.

To summarize the exhaustive report’s findings, approaching T-Ridge from land via slant drilling would significantly reduce the chances of an ocean spill, but that benefit is all but canceled out by environmental impacts *on land*, where new production facilities and pipelines would have to be built. The report states, “It is extremely difficult to determine that one is environmentally preferable over the other.”

Despite that, Garamendi is standing by his decision to deny PXP and now support Sunset. “The environmental issue was a significant concern, about drilling offshore...” he says. “[It] has been since 1962, -3, -4, whatever that date of the oil spill was, and it was discussed at the hearing.” (It was 1969.)



*Mission improbable: Can slant drilling and rocket launching make good bedfellows? (Courtesy Vandenberg Air Force Base)*

It's not likely, however, that the environmental community will see things the way Garamendi does. In yet another letter sent to Vandenberg this past September, written by the EDC and signed by a host of green groups including the Sierra Club, The Santa Barbara Audubon Society, Ocean Conservancy, Surfrider Foundation and the Natural Resources Defense Council, a slew of concerns over accessing T-Ridge from the base were laid out.

Front and center is how Sunset's plan, with all its new construction and potential for oil seepage into the surrounding area, would endanger one of the most bio-diverse and ecologically important areas in the world.

Indeed, the National Park Service studied 215,000 acres along a 76-mile stretch of the Gaviota coast, including Vandenberg land, for possible inclusion into the national park system. The report published in 2003 calls the area "*part of one of the rarest global biomes... characterized by a mild Mediterranean climate caused by the interaction of global weather and cold-water upwelling on the west coast of a continent. It is one of only five such locations in the world that contain this unique climate and associated vegetation.*"

The NPS report also lists two dozen threatened or endangered plant and animal species in the area, and another 60 "*of rare and special concern.*"

In Congress, this rare global biome is represented by Lois Capps (D-Santa Barbara), who supported the PXP deal with the same vigor she now opposes Sunset's ambitions. Capps says Garamendi and she are good friends and talk frequently, though as yet not about his lobbying in her district on behalf of Sunset. The opportunity assessment being green-lit at Vandenberg, she says, is a far cry from an actual meat-and-potatoes proposal.

"So, really, there's no reason for me to have a conversation with Mr. Garamendi because there's no *there there*," says Capps.

Still, Capps found enough *there there* to write Vandenberg officials to let them know she "*strongly oppose[s] additional coastal oil development at Vandenberg and believe[s] it is neither in the interests of the Air Force nor the public to permit such an activity. Doing so would result in damage not only to the environmental resources of our region, but also to the reputation Vandenberg has developed over many years as a steward of natural resources on the Central Coast.*"



*The oil beneath its feet: Sunset Exploration owns the mineral rights under thousands of acres on Vandenberg's southwest coast.*



As for the Air Force, its change of heart regarding Sunset's proposal remains fuzzy. Its official statement cites "technological advances in slant drilling," but since its crude prototypes dazzled the industry in the 1930s, the most recent meaningful improvements—especially the horizontal distances that could be reached by drills—were made in the 1990s.

Money would seem a logical motive, considering the onset of federal sequestration budget cuts earlier this year. At Vandenberg, that has translated to six furlough days and chunky cuts to various contracts (maintenance, cleaning, among them) and small purchases, including office equipment. Major hits to the base's missile-testing and satellite-launching missions have so far been averted. Next year and beyond promises more hurt, though.

But a deal with Sunset and ExxonMobil isn't really a salve. In this case, the Air Force would draw up an "enhanced use lease," or EUL, a tool for the military to make use of its otherwise unused land. Cash or in-kind contributions are always part of an EUL contract, but as Vandenberg's chief spokesperson Robin Jackson says, "EULs aren't guaranteed income, and previously those funds have been used for quality-of-life initiatives." That is, non-mission related stuff, such as construction of a new on-base daycare center or gym, office-space repairs or hurricane upgrades.

So, no matter how you slice it, EULs will simply not end furloughs or launch satellites into orbit, and it's a stretch to presume that sequester cuts might have lured Vandenberg to the negotiating table after years of giving Sunset the cold shoulder.

Either way, the Tranquillon Ridge saga won't end anytime soon. Even if Vandenberg finally agrees to not block slant drilling into the reserve, we would likely see a bidding war, followed by lengthy state and federal environmental impact reports, county Planning Commission hearings (followed by appeals to the Board of Supervisors if the commission approves), public vetting and workshops, and, even after all that, the California Coastal Commission and the State Lands Commission would have to approve the project. If everything went ahead, it would still take years just to get a project approved.

And, if Vandenberg once again rejects a slant-drilling project out to sea, Robert Nunn's Sisyphean quest won't end.

"If the timing's not right for the Air Force, I completely respect that," says Nunn. "We're not going anywhere. This opportunity is not going anywhere. This oil is not going anywhere."

