MINUTE ITEM

This Calendar Item No. 21 was approved as Minute Item 21 by the State Lands Commission by a vote of 3 to 0 at its 9/23/82 meeting.

MINUTE ITEM

21

9/23/82
W 40185
Willard

PRELIMINARY TRACT SELECTION
OIL AND GAS LEASE SALE PROGRAM
PT. CONCEPTION AND PT. ARGUELLO,
SANTA BARBARA COUNTY

During consideration of Calendar Item 21 attached, Chairman Cory shared the concerns of Commission-Alternate Morgan regarding the necessity of more information before proceeding with a decision to lease.

Executive Officer Dedrick summarized the intent of Calendar Item 21.

The Commission expressed concern that specific parcels were being excluded from the proposed public hearing requested by staff.

Upon motion duly made and carried, the recommendation in Calendar Item 21 was amended as follows:

THE COMMISSION:

DIRECTS STAFF TO CONDUCT A HEARING WITH RESPECT TO LEASING OF PARCELS ONE THROUGH EIGHT, WITH PARTICULAR EMPHASIS ON PARCELS THREE THROUGH EIGHT, AND TO PREPARE APPROPRIATE NOTICES, LEASE PROPOSALS AND LEASE DOCUMENTS FOR CONSIDERATION BY THE COMMISSION IN OCTOBER, 1982.

Attachment:

Calendar Item 21

CALENDAR ITEM

9/23/82
W 40185
Willard

21

PRELIMINARY TRACT SELECTION,
OIL AND GAS LEASE SALE PROGRAM
PT. CONCEPTION AND PT. ARGUELLO,
SANTA BARBARA COUNTY

On April 27, 1982 the State Lands Commission approved the Supplemental Report to the Legislature on Proposed Oil and Gas Lease Sale Program Pt. Conception/Pt. Arguello, Santa Barbara County.

The report detailed the Commission's review of existing resource information and the geophysical exploratory activities of the Commission in the area offshore between Pt. Conception and Pt. Arguello containing approximately 40,000 acres. It has been concluded from an evaluation of the resource data that this area has at least six significant geologic structures that could contain hydrocarbon accumulations.

In that report and in subsequent review, various analyses and risk-weighted estimates of recoverable oil have been made for the area. There is no reason to alter that original estimate of recoverable oil in the 40,000 acres. That is, at a probability of 95 percent - 63 million barrels, 50 percent - 153 million barrels, and at five percent - 278 million barrels. There is no direct evidence of hydrocarbon accumulation, as no wells have been drilled. Therefore, it is misleading to assign any recoverable estimates to specific tracts.

(Revised 9/23/82)

For Parcels 1 and 2 shown on the attached map, activity on adjacent OCS lands has given some confirming evidence of resources. Additional future activity on the OCS lands, as well as on an adjoining existing State lease, will provide additional information. Because of the high probability that more data will be available on these tracts, when the offset federal parcel is leased, these parcels should be withheld from current leasing until a more accurate determination can be made of their value.

Staff has reviewed the relative significance of these prospects and would propose that the Commission consider six parcels (three through eight) for initial consideration with subsequent tract selection based on the results of public input. It would appear that based on the Commission's decision to initiate leasing in this area additional geological and geophysical surveys would be commenced by industry. Under the Commission's new regulations regarding these exploratory activities such data would be made available for the confidential use of the Commission. The resource information will add to the data base and support future decisions on the location, size, value, and timing of subsequent sales.

These six parcels could be leased all at once or sequentially. Several lease terms are available: bonus bidding with either fixed or sliding scale royalty, or net profits. Both the lease sequence and bid procedure have advantages and disadvantages. As stated, the geology in the area is uncertain. The complexity increases to the north and west of Point Conception.

Local governmental agencies and citizens have encouraged the Commission to hold a public meeting in Santa Barbara on the tract selection, lease sequence and terms of sale. Such a hearing would provide valuable input to the Commission ultimately choosing to lease or not, and if to lease, then in what order, how many tracts and on what terms.

It is recommended that staff be authorized to hold a public meeting in Santa Barbara within two weeks on tracts three through eight to solicit comments on the leasing consideration.

AB 884: N/A.

EXHIBIT: A. Preliminary Tract Selection.

IT IS RECOMMENDED THAT THE COMMISSION DIRECT STAFF TO CONDUCT A HEARING WITH RESPECT TO LEASING OF PARCELS THREE THROUGH EIGHT AND TO PREPARE APPROPRIATE NOTICES, LEASE PROPOSALS AND LEASE DOCUMENTS FOR CONSIDERATION BY THE COMMISSION IN OCTOBER, 1982.

(Revised 9/23/82)

(Revised 9/23/82)

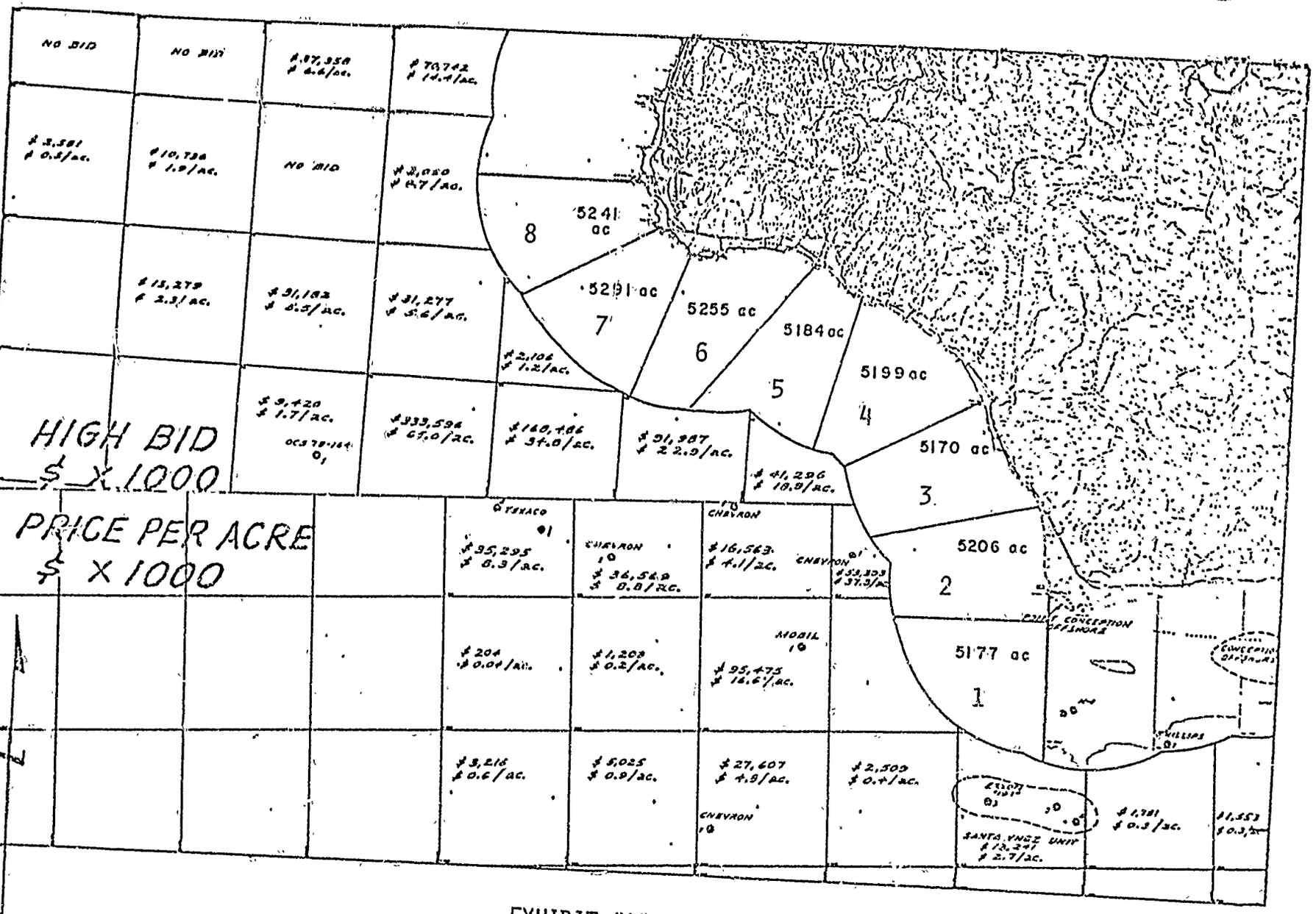

EXHIBIT "A"

PRELIMINARY TRACT SELECTION

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(Revised 9/23/82)

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