

MINUTE ITEM

This Calendar Item No. 40
was submitted for information
only, no action thereon
being necessary.

INFORMATIVE
CALENDAR ITEM

40 !

10/28/82
W 40185
Todhunter

QUARTERLY REPORT TO THE LEGISLATURE
OIL AND GAS DEVELOPMENT PROGRAM
PT. CONCEPTION AND PT. ARGUELLO,
SANTA BARBARA COUNTY

Included in the State Lands Commission's 1982-83 fiscal year budget was the requirement to submit a quarterly report to the Joint Legislative Budget Committee or the status of the Commission's oil and gas development program at Point Conception, Santa Barbara County.

The proposed report is attached as Exhibit "A". Briefly the report summarizes the activities that have taken place since the "Supplement Report to the Legislature on Proposed Oil and Gas Lease Sale Program, Pt. Conception/Pt. Arguello, Santa Barbara County" was submitted in May, 1982.

Public meetings were held on the Draft Program E.I.R. in Santa Barbara on April 30, 1982 and May 15, 1982 and Sacramento on June 7, 1982. On September 23, 1982 the Commission certified the final E.I.R. as complete in accordance with CEQA and applicable regulations. As a result of the environmental analysis the Commission directed that a survey of marine biota be conducted in the area. This study was completed on October 13, 1982 and is currently under review by a scientific panel. The results of the survey and the expert comment will be available to the Commission prior to any leasing decisions. Further the Commission directed that a public hearing be held on the leasing procedures and preliminary tract selections between Pt. Conception and Pt. Arguello. That hearing was held on October 4, 1982 in Santa Barbara.

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S 18 (Revised 12/22/82)

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CALENDAR ITEM NO. 40 (CONTD)

Recent OCS activity included 12 exploration/delineation wells and two lease sales on OCS tracts adjacent to or near the 40,000-acre potential State lease area. An OCS tract adjacent to the proposed State lease area had the high bid of \$8 million rejected as insufficient by the Mineral Management Service (MMS). Highlight of the OCS activity was an announcement by Texaco of their estimated 50 million bbl. "Hueso" oil field discovery about three miles southwest of State land.

The report indicates the Commission has yet to adopt a specific leasing program. Should the Commission determine it is in the State's interest to proceed with leasing for oil and gas development, the report suggests some projects for the remaining funds. The recommended priority of expenditures of funds in the Commission's offshore oil and gas leasing program is:

1. Geophysical surveys preparatory to releasing quitclaimed State parcels PRC 2198, 2205, 2207 in the Santa Barbara Channel.
2. Geophysical surveys preparatory to leasing the 70,000 acre State Tidelands between Pt. Arguello and the San Luis Obispo-Santa Barbara County line.
3. Interpretation of geophysical data obtained through permitting on the 40,000 acre Pt. Conception/Pt. Arguello potential lease area.

AB 884:

N/A.

EXHIBIT:

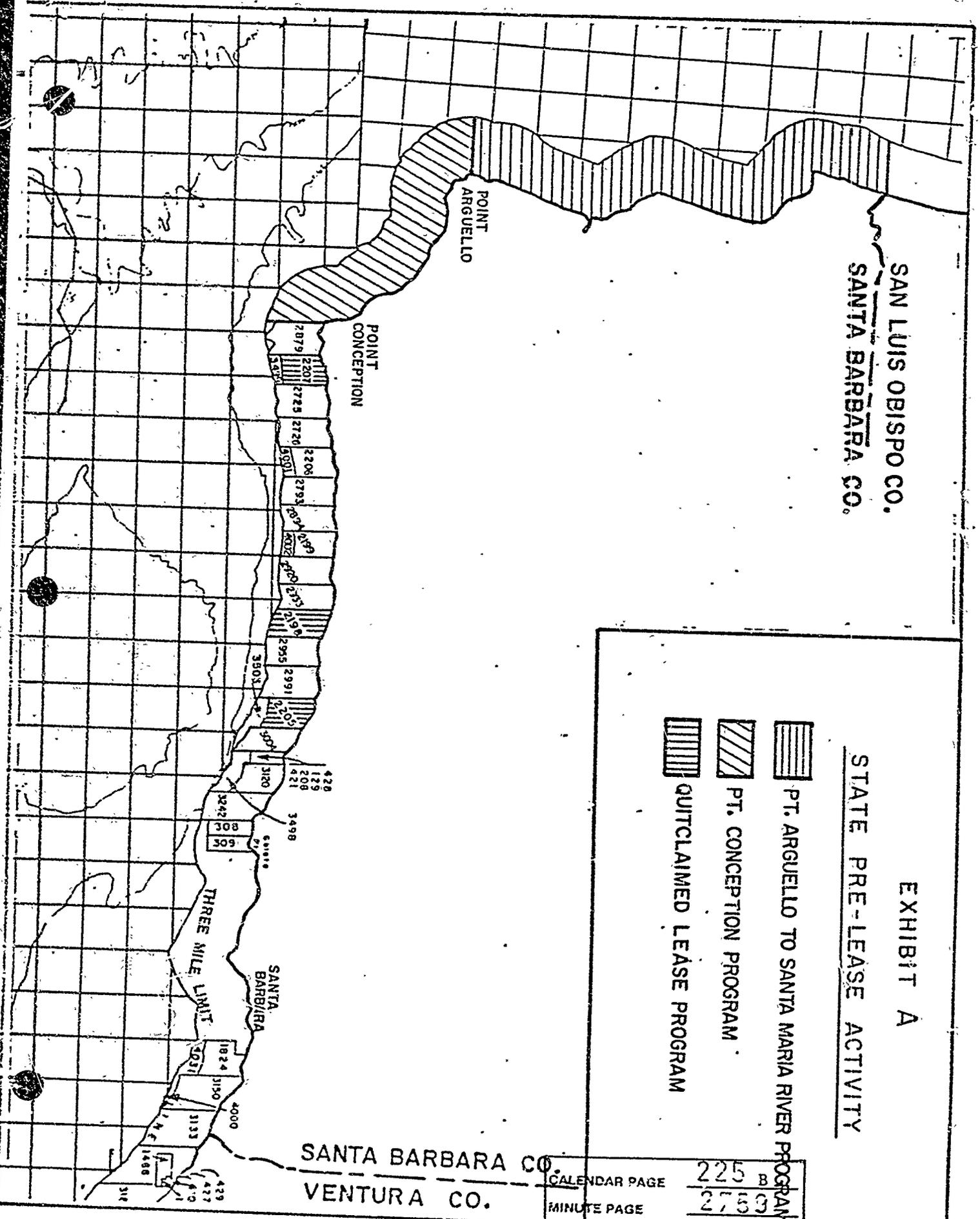
- A. Proposed Report.
- B. Location Map.

SAN LUIS OBISPO CO.
SANTA BARBARA CO.

EXHIBIT A

STATE PRE-LEASE ACTIVITY

-  PT. ARGUELLO TO SANTA MARIA RIVER PROGRAM
-  PT. CONCEPTION PROGRAM
-  QUITCLAIMED LEASE PROGRAM



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**EXTRACTIVE DEVELOPMENT
PROGRAM DIVISION**

**W. THOMPSON
CHIEF, EXTRACTIVE
DEVELOPMENT PROGRAM**

**G. SHOWALTER
MANAGEMENT
SERVICES TECH**

**E. OWEN
EXECUTIVE
SECRETARY I**

**D. EVERITTS
ASST CHIEF, EXTRACTIVE
DEVELOPMENT PROGRAM**

**C. BOOTHE
OFFICE TECH
(TYPING)**

**OPERATIONS
SECTION**

ORANGE COUNTY

**VACANT
SUPV MINERAL
RESOURCES ENGR**

**SANTA BARBARA
AND VENTURA CO.**

**C. EATON
SUPV MINERAL
RESOURCES ENGR**

**LOS ANGELES CO
AND NO. CALIF.**

**D. LAMMERS
CHIEF
PETROLEUM ENGR**

**LEASING
SECTION**

**A. WILLARD
SUPV MINERAL
RESOURCES ENGR**

**RESERVOIR
ENGINEERING
SECTION**

**VACANT
CHIEF
RESERVOIR ENGR**

**GEOLOGY
SECTION**

**C. ROQUIST
CHIEF
GEOLOGIST**

**ECONOMIC
SECTION**

**W. PACE
RESEARCH MGR
III (GENERAL)**

**EQUITY PROJECT
SECTION**

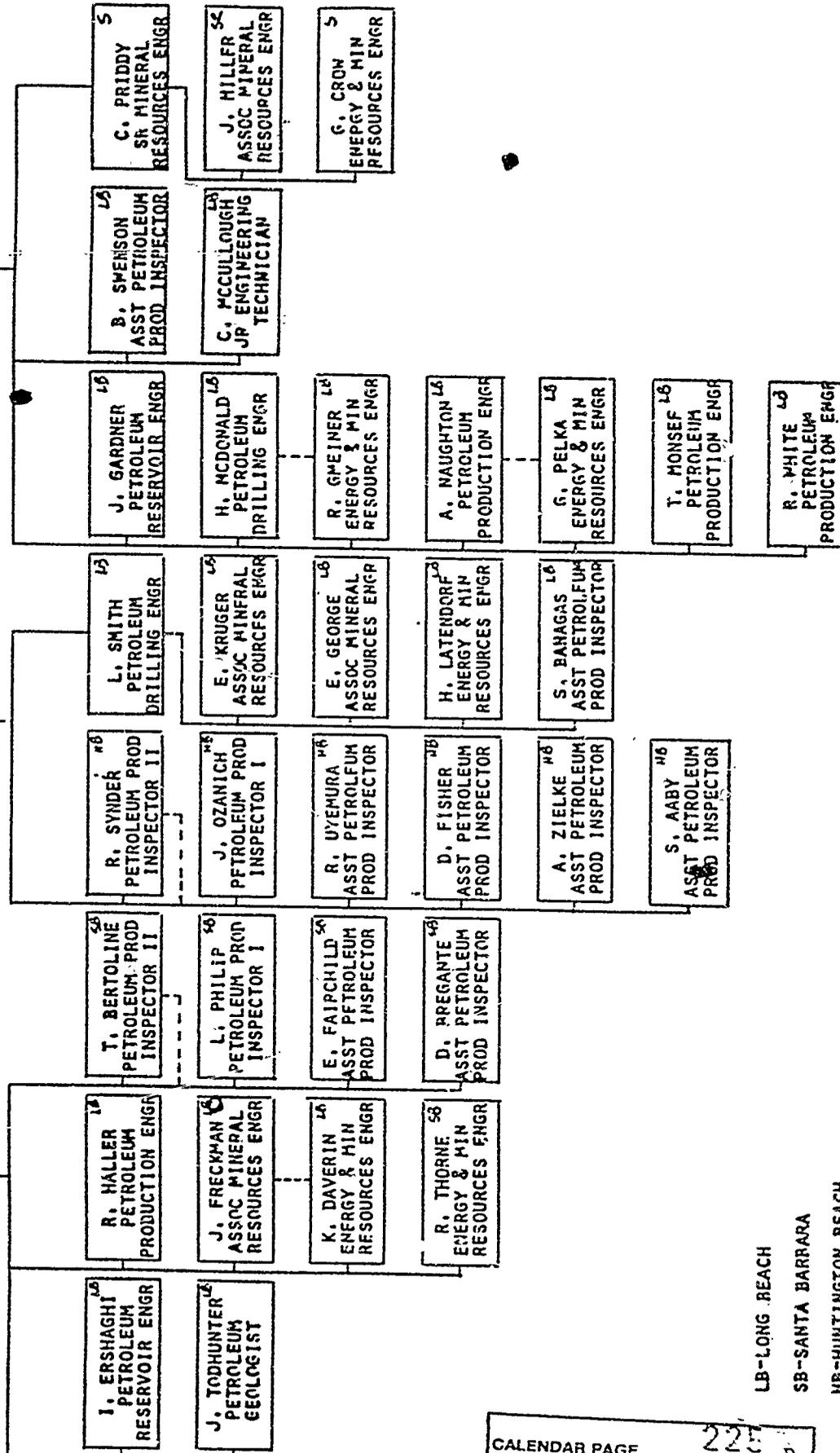
**D. HAYWARD
CHIEF
RESEARCH & DEV**

OPERATIONS SECTION

SANTA BARBARA AND VENTURA COUNTY
 C. EATON
 SUPV MINERAL RESOURCES ENGR

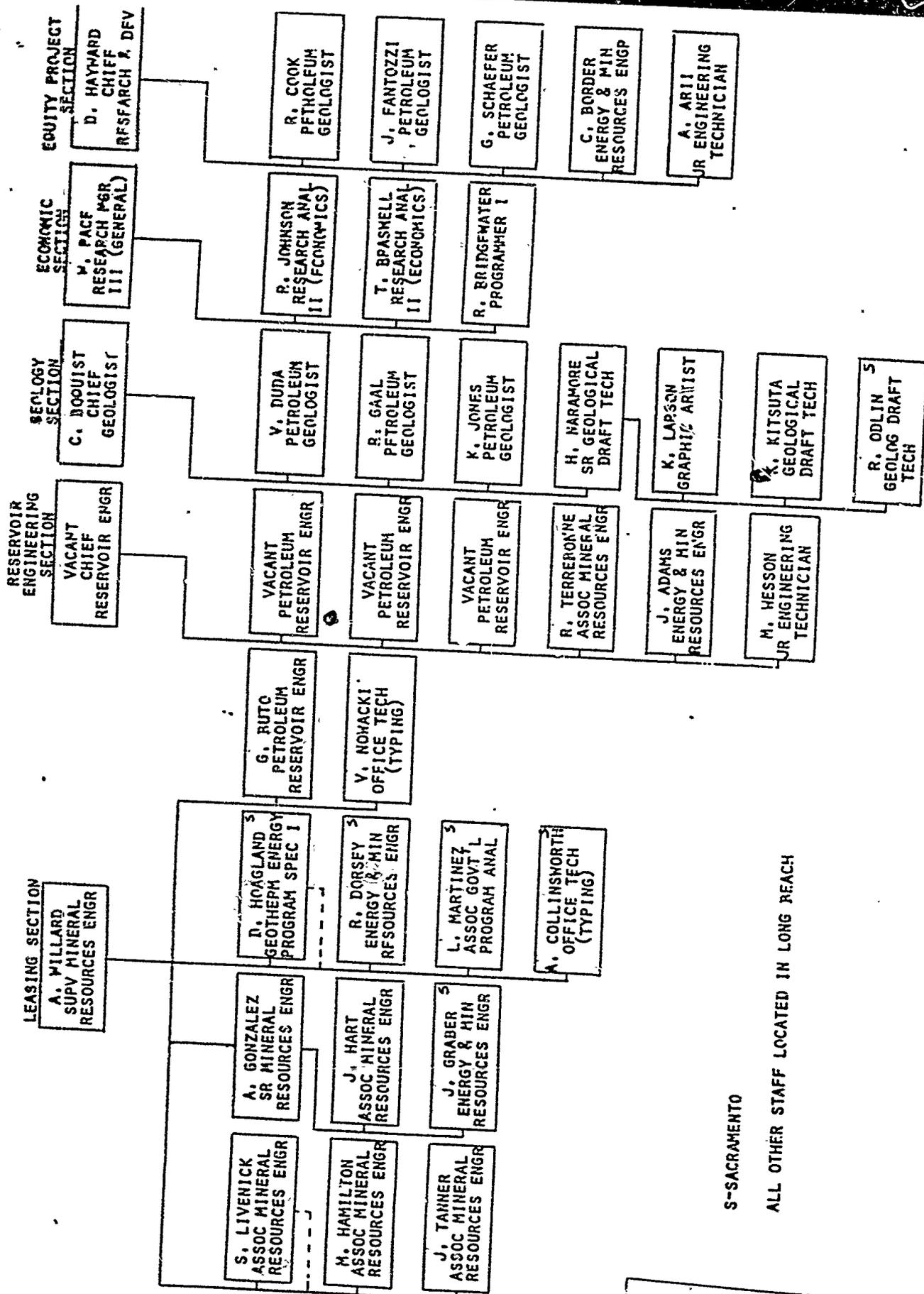
ORANGE COUNTY
 VACANT
 SUPV MINERAL RESOURCES ENGR

LOS ANGELES COUNTY AND NORTHERN CALIF
 D. LAMIFRS
 CHIEF PETROLEUM ENGR



LB-LONG BEACH
 SB-SANTA BARRARA
 HB-HUNTINGTON BEACH
 SR-SANTA ROSA
 S -SACRAMENTO

DIVISION CHIEF



S-SACRAMENTO

ALL OTHER STAFF LOCATED IN LONG REACH

DIVISION OF GEOLOGY

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Report on Oil and Gas Development
Program at Point Conception
July - September 1982

Supplemental budget language directs the State Lands Commission to report quarterly in detail on the Pt. Conception oil and gas program. This report covers the first quarter of the 1982-83 fiscal year.

Specific areas to be covered in the report are:

- a) any expenditures of funds for preleasing activities
- b) the current status of the program and future actions to be taken
- c) any staffing changes or reorganization related to this work, and
- d) the impact on the state's program from any federal leasing activities.

The report is to address also the restrictions contained in budget language for item 3560-001-001 concerning Point Conception leasing which limit expenditures until certain things are done. The budget item included \$425,000 for this program area.

SUMMARY

A portion of the funds (\$150,000) was allocated for a biological survey and analysis in the Pt. Conception/Pt. Arguello area. The Final Program EIR has been accepted and certified. Reorganization of the Extractive Development activities has taken place with the Long Beach Operations and Statewide Leasing staff combined and assigned on functional

grounds.

The program is moving ahead with the final biological survey report to be published in late November. A hearing was held in Santa Barbara on October 4 to review public and industry comments on leasing, lease proposals and tract selection. Meetings are scheduled with individual and companies interested in giving further input. Staff has met with representatives of concerned environmental groups to get thoughts on specific lease terms should leasing proceed.

It must be emphasized that no decision to lease has been made. Emphasis during this first quarter has been on receiving maximum public comment on the options.

During the second quarter, a specific leasing policy will be formulated and considered by the Commission.

EXPENDITURE OF FUNDS FOR PRELEASING ACTIVITIES

During the report period, \$150,000 was allocated for conduct of a biological survey of the marine environment within the 40,000 acres to complement the EIR information. The Commission, encouraged by public comment, indicated a desire for this further study. Use of a portion of the 82-83 funds was requested by Section 28 letter dated July 30, 1982, and approved August 23, 1982. The study was conducted by Chambers Consultants and Planners and completed in early October. A Commission-sponsored task force of five respected scholars in the marine field including a representative of California Fish and Game, was organized with its comments expected to be received by November 22.

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A balance of \$275,000 remains available in the program allocation.

CURRENT STATUS OF PROGRAM

The geophysical surveys purchased and run for resource evaluation have been processed and interpreted. The final report was completed and received by the State in April, 1982.

The cultural and hazards surveys were completed and the Draft Program EIR was submitted to the State Clearinghouse (OPR) on April 2, 1982. Two public hearings were held in Santa Barbara; April 30 and May 15, 1982. An additional public hearing on the Draft Program EIR was held June 7, 1982 in Sacramento.

As a result of the resource surveys, six anticlinal structures with numerous fault blocks that have potentially productive capacity, have been delineated. Preliminarily eight tracts of nearly equal acreage were delineated so as to avoid dividing the major geologic structures. These preliminary tracts were the subject of a public hearing held October 4, 1982 in the City of Santa Barbara. The purpose of the hearing was to receive public and industry input on potential bidding systems, leasing timing, tract selection and the effects of leasing on adjacent areas.

FUTURE ACTION

Configuration of proposed lease tracts are shown on the attached map.

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Exploratory and development operations on State lands adjacent to proposed tracts 1 and 2 provide compelling evidence of the extension of the resource into the unleased area. Additional future activity on the OCS lands, as well as on adjoining existing State lease, will provide further information. Because of the high probability that more data will be available on these two tracts, when the offset federal parcel is leased, these parcels might be considered for future leasing when a more accurate determination can be made of their value.

Staff reviewed the relative significance of these prospects and proposed preliminarily that the Commission consider six parcels (three through eight) with final tract selection based on the results of the Final EIR, biological characterization study and public input. It would appear that if the Commission determines it is in the best interests of the State 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 resources information will add to the data base and support future decisions on the location, size, value, and timing of subsequent sales.

Geophysical data obtained through permitting will be raw field data and will need both processing and

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interpretation to be of use by the state. Usually this is just a fraction of the cost of a complete geophysical survey. Expenditures for processing and interpretation of this geological data may not be needed. If necessary, staff wages and overhead are the only anticipated costs prior to leasing.

Following the scientific and public review of the biological report and the analysis of public input on the leasing procedures and preliminary tract selection, the Commission will be in a position to determine if leasing the area between Pt. Conception and Pt. Arguello is in the best interests of the State. It is anticipated that these matters will be considered by the Commission before the end of 1982.

STAFFING CHANGES OR REORGANIZATION

All of the oil and gas, geology and mineral activities have reorganized and placed under a single division chief. The new Extractive Development Program has been organized along functional lines of Operations, Leasing, Reservoir, Engineering, Geology, Economics (Revenue estimating included) and Equity. Charts of the new division and the respective sections are attached.

FEDERAL ACTIVITY

Activity on federal OCS leases and tracts since the May, 1982 "Supplemental Report to the Legislature" includes two Federal lease sales, numerous geophysical surveys, and 12 exploration/delineation wells. Seven of the wells have been drilled, evaluated and abandoned, three wells are currently

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being tested and two are drilling . One of the current drilling wells and a proposed location are on tracts that directly offset State land.

Texaco has announced a discovery from two wells drilled on their P-0315 lease (about three miles southwest of State land) with rates up to 4,200 barrels of oil per day (BOPD) from an estimated 50 million bbl. oil field. This field has been named "Hueso" and is adjacent to Chevron's Pt. Arguello field discovery announced in November, 1981 from a well drilled on their P-0316 lease. Texaco is currently testing the third delineation well on the P-0315 lease.

OCS Sale #68 was held June 11, 1982. It included several tracts near Pt. Conception. Partial Tract No. 9, adjacent to State land near the south end of the proposed lease area had been withdrawn from former sales because of potential geologic hazards. It was offered for lease for the first time in Sale #68 where a high bid of over \$8 million by Texaco was rejected by the U.S. Department of Interior as insufficient. The next closest tract to the project area in the #68 Sale was Tract No. 4 (about 4-1/2 miles from State land) adjacent to the Texaco announced "Hueso" field discovery. It received a high bid of \$4.5 million.

OCS Sale #RS-2 was held August 5, 1982 in Reston, Virginia. It included 27 Tracts that had either received no bids or the bids had been rejected in the Southern California OCS Sale No. 53. The resale resulted in twelve tracts

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receiving bids. The only tract close to the project area. Tract No. 233, (approximately two miles from State land) due west of Pt. Arguello had a high bid of \$157,000 by Shell and was rejected as insufficient.

There is a sharp contrast between the bids in the hundreds of million dollars for the OCS Sale No. 53 tracts and the bids of the latter No. 68 and RS-2 Sales in the Pt. Conception/Pt. Arguello OCS area. However, we believe this can be attributed to the following:

1. Most tracts had been exposed in former sales..
2. Almost all tracts were in water depths of 1,500 feet or greater.
3. The industry was becoming saturated with tracts from former sales.
4. The economic projections of industry changed.

Following is a list of OCS Leases that border the State-owned lands between Pt. Conception and Pt. Arguello:

P-0197 At the south end at Pt. Conception.
Leased by Exxon and Chevron at OCS Sale,
2/8/68.

Drilled, discovery Date 8/19/68. Santa
Ynez Unit Approved 11/12/70.

P-0325 South end at Pt. Conception.
Leased by Conoco and Texas Eastern OCS
Sale No. 48 6/29/79.
Expiration Date: 11/18/84.

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No announced activity.

Tract No. 9 at the south end of
Pt. Conception.

Offered for sale first time in OCS Sale
No. 68, 6/11/82. High bid of
8,000,238.73 by Texaco; rejected.

P-0318

Near south end.

Leased by Chevron et. al. OCS Sale No. 48,
7/29/79.

Expiration Date: 2/18/85. One
exploratory well drilled. Oil shows
rumbred.

P-0453

Central lease area.

Leased by Chevron et. al. OCS Sale No. 53
5/28/81.

Expiration Date: 6/30/86.

Exploration well proposed.

P-0451

North Central lease area.

Leased by Chevron et. al. OCS Sale No. 53
5/28/81.

Expiration Date: 6/30/86.

Exploration well spud: 9/30/82

P-0452

Central lease area.

Leased by Chevron et. al. OCS Sale No. 53
5/28/81

Expiration Date: 6/30/86

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No announced activity.

P-0447/0448

North project areas near Pt. Arguello.

Leased by Chevron and Phillips OCS Sale

No. 53 5/28/81.

Expiration Dates: 6/30/86.

No announced activity.

P-0440

North end of project area at Pt. Arguello

Leased by ARCO OCS Sale No. 53 5/28/81

Expiration Date: 6/30/86

No announced activity.

BUDGET LANGUAGE

Budget control language item 2 requires that no funds be spent for geophysical/geological data collection and analysis relating to Pt. Conception unless or until the Commission certified a Final EIR and adopted a leasing policy. No funds have been encumbered or expended for these purposes. As discussed under Current Status above, the EIR was certified on September 23, 1982. No decision has yet been made that "...offshore oil and gas leasing in the Point Conception to Point Arguello area is environmentally acceptable and in the best interests of the state."

The Commission has not adopted a leasing policy for the Point Conception offshore area. Public and industry testimony has been sought concerning the points of timing, lease sequence, tract allocation or configuration and prelease exploratory drilling.

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Following the finalization of the biological report and the analysis of public input on the leasing procedures and preliminary tract selection, the Commission will be in a position to determine if leasing the area between Pt. Conception and Pt. Arguello is in the best interests of the State. It is anticipated that these matters will be considered by the Commission before the end of 1982..

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