MINUTE ITEM
This Calendar Item No. 25
submitted for information
only, no action thereon
being necessary.

INFORMATIVE
CALENDAR ITEM

25

1/27/83
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 on the status of the Commission's oil and gas development program at Point Conception, Santa Barbara County. The initial report covering the first quarter of 1982-83 was submitted on November 9, 1982.

This report covers the second quarter of the 1982-83 fiscal year.

EXPENDITURE OF FUNDS FOR PRELEASING ACTIVITIES:

During the report period there were no expenditures of funds allocated to the preleasing activities. A balance of $275,000 remains available in the program allocation.

CURRENT STATUS OF PROGRAM:

On December 23, 1982 the State Lands Commission after review and consideration of the information contained in the Final EIR, certified on September 23, 1982, and related materials authorized:

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1. Solicitation of bids on all eight parcels;

2. Receipt of bids on August 15, 1983;

3. Bids based on the percentage of net profits to be shared with the State, with minimum acceptable bids of 65 percent for Parcels 1 and 2 and 50 percent for Parcels 3 through 8;

4. Rental payable annually in advance for the first three years of the lease as follows:

a.	Parcel 1,	$10	million	per	year
b.	Parcel 2,	$10	"	"	"
c.	Parcel 3,	$ 2	"	"	"
d.	Parcel 4,	$ 2	"	"	"
e.	Parcel 5,	$ 4	"	"	"
f.	Parcel 6,	$ 2	"	"	"
g.	Parcel 7,	$ 2	"	"	"
h.	Parcel 8,	$ 2	"	"	"

Commencing with the fourth year and each subsequent year, the annual rental for each lease will be one dollar per acre. The first three years of each lease will be paid in full regardless of whether all or any portion of the leased lands is quitclaimed during the first three years; and

5. Reserved the right to change on or before May 1, 1983, the method of paying the rental for the first three years. Instead of having the rental payable annually in advance, the Commission may ask for a guarantee of the entire first three years' rental upon execution of the lease with payment of the threeyear rental obligation to be made with interest at the end of the third year of the lease.

6. Adoption of special operating requirements (environmental safeguards) to be included as lease provisions.

A copy of the Commission Minute Item will be attached to the report as Exhibit "A".

The "bid package" which includes the Notice of Intention, the Proposal and form of Lease is to be included as Exhibit "B".

FUTURE ACTION:

Bids will be received and opened on August 15, 1983. Following evaluation of the bids (within 90 days) the Commission will consider the award and issuance of leases on the eight parcels between Pt. Conception and Pt. Arguello.

STAFFING CHANGES OR REORGANIZATION:

The staffing organization of the Commission's Extractive Development Program was detailed in the first quarterly report. No changes have been made.

FEDERAL ACTIVITY:

Activity on Federal OCS leases since the first quarterly report includes the postponement of a federal lease sale, several geophysical surveys and nine exploratory/delineation wells. One well has been drilled, evaluated and abandoned, five wells are currently being tested and three proposed locations have been selected on leases adjacent to State lands.

Chevron and Phillips completed testing of one well and are currently testing and evaluating two other wells on their record high bid tract, P 0450 ($333.56 million).

Three leases that border State lands are currently active. Chevron, on P 0451 is testing a well drilled to 10704 feet and testing a second well on P-0318. The well being tested on P 0318 is extremely close to the federal/State boundary. Union has completed drilling and is testing a well drilled in P 0441 (this lease offsets State lands north of Pt. Arguello).

Three wells have been proposed on leases P 0318, P 0452 and P 0453.

Funding for OCS lease sale No. 73 (Central and Northern California) was withheld from the federal budget for the fiscal year ending September 1983. Therefore, the sale

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scheduled for September 1983 will necessarily be postponed at least nine months. The postponement will remove any conflict that the federal sale may have had with the scheduled State sale.

BUDGET LANGUAGE:

Budget control language item 2 requires that no funds be spent for geophysical/geological data collection and analysis relating to the Point Conception proposed lease area unless and until the Commission has certified a Final EIR and adopted a leasing policy.

The final EIR was certified on September 23, 1982 and the leasing policy adopted on December 23, 1982 (see discussion under Current Status).

Industry has commenced an intensive geophysical survey program in the subject area. Under the Commission's regulations covering these operations these data are available for the confidential use of the Commission. Interpretation and possible specialized processing of this data may require some expenditures, although the major costs will be in staff time and overhead. This information will assist in the evaluation of the bids.

AB 884: N/A.

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