

Topic

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4/28/83

MINUTE ITEM

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4/28/83
PRC 3095
Livenick

FORCE MAJEURE CONDITIONS
ON STATE OIL AND GAS
LEASE PRC 3095

During consideration of Calendar Item 32, attached, Assistant Attorney General Taylor stated that the Commission's approval of this item should not be understood as excusing Chevron from diligently pursuing production.

Mr. Carl Down, Chevron, appeared to assure the Commission that Chevron was diligently pursuing production.

Upon motion duly made and carried, the following resolution was approved, as amended, by a vote of 2-0.

THE COMMISSION:

1. ACKNOWLEDGES THAT THE PROVISIONS OF PARAGRAPH 11 OF PRC 3095 ARE APPLICABLE AND ARE PREVENTING CHEVRON FROM COMPLYING WITH THE LEASE OBLIGATIONS AND REQUESTS CHEVRON TO REPORT ON THE STATUS OF THIS MATTER BY JULY 1, 1983; PROVIDED, HOWEVER, THAT NOTHING HEREIN SHALL EXCUSE CHEVRON FROM EXERCISING DUE DILIGENCE TO RESUME OPERATIONS AS SOON AS REASONABLY POSSIBLE.

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CALENDAR ITEM

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4/28/83
PRC 3095
Livenick

FORCE MAJEURE CONDITIONS ON
STATE OIL AND GAS LEASE PRC 3095

LESSEE: Chevron USA, Inc.
575 Market Street
San Francisco, California 94120

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Lease PRC 3095 was issued on January 30, 1964 and contains approximately 3,360 acres of tide and submerged lands lying in the County of Orange. State Lease PRC 3095 is currently held by Chevron USA, Inc.

BACKGROUND INFORMATION:

"Esther", a rock-filled artificial island was completed July 1965 with spaces for 128 wells. By the time of the moratorium on drilling in tide and submerged lands in January 1969, 72 wells had been drilled and "Esther" produced 7,000 barrels of oil per day.

Resumption of drilling operations from existing facilities on Oil and Gas Lease PRC 3095.1 was authorized by the Commission on January 14, 1975. Under the terms of lease, Chevron is required to maintain a continuing drilling program until the underlying oil and gas reservoirs are fully developed. That program requires that each well drilled or redrilled must be commenced within 120 days after the cessation of drilling operations on the preceding well. As of January 1, 1983, 90 wells had been drilled from Island "Esther", but production had declined to approximately 1,900 barrels of oil per day.

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CALENDAR ITEM NO. 32 (CONTD)

On October 28, 1982, the Commission granted a six month deferment from the drilling obligation in order for Chevron to conduct a geophysical survey as a part of re-evaluating the lease geology prior to drilling more wells in unexplored areas. Development drilling within the known limits of the field is now complete.

The State had notified Chevron that it intended to take its royalty share of production in kind effective May 1, 1983.

AB 884:

N/A.

PERTINENT INFORMATION:

Island "Esther" was shut in for repairs, principally to the electrical and control systems, as a result of extensive storm damage on January 27, 1983. "Esther" was expected to be put back on production in the early part of March, 1983. However, on the first and second of March, the island was subject to a second and more severe storm. On the afternoon of March 1, 1983, in anticipation of the storm, all equipment on the island was secured and all personnel were evacuated. The wells were still shut in as a result of the January storm. During the night of March 1-2, approximately 75 percent of the drilling island was destroyed. During the day of March 2, the last auxiliary structures were destroyed and swept off the island by wave action. As a result of that storm, as well as earlier storms during the 1982-83 winter, the area in which Island Esther is located has been declared a state and a federal disaster area.

As soon as the storm abated enough for emergency crews to begin work, remedial actions were put in effect. All wells, many of whose well-heads had been damaged, have been loaded with either weighted salt water or cement in order to secure them from the possibility of leakage. All visible

major equipment debris have been removed from the island and surrounding water. This work was completed April 1, 1983. The Clean Coastal Waters oil spill booms and containment vessels which were deployed around the island immediately following the storm while emergency crews worked have now been removed, but are capable of responding to a spill from Island Esther within one hour of notification. Meanwhile, divers are locating and salvaging significant hazardous debris around the island.

Paragraph 11 of the PRC 3095 Oil and Gas Lease provides for force majeure:

The obligations imposed upon the lessee by the provisions of this lease may be suspended during such time as the lessee is prevented from complying therewith by wars, strikes, riots, acute and unusual labor or material shortages, acts of God, rules and regulations of any federal state county or municipal agency, or by any other unusual conditions that are beyond the control of the Lessee.

Chevron is presently evaluating various options (abandonment or restoration) and comparing the economics of various island/platform facility designs for restoring production.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACKNOWLEDGE THAT THE PROVISIONS OF PARAGRAPH 11 OF PRC 3095 ARE APPLICABLE AND ARE PREVENTING CHEVRON FROM COMPLYING WITH THE LEASE OBLIGATIONS AND REQUESTS CHEVRON TO REPORT ON THE STATUS OF THIS MATTER BY JULY 1, 1983.

(Revised 4/26/83)

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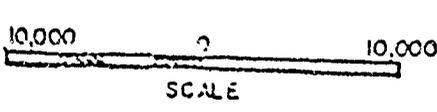
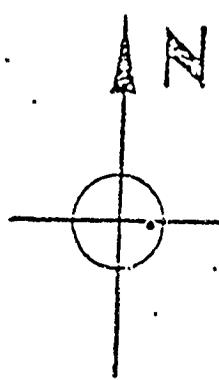
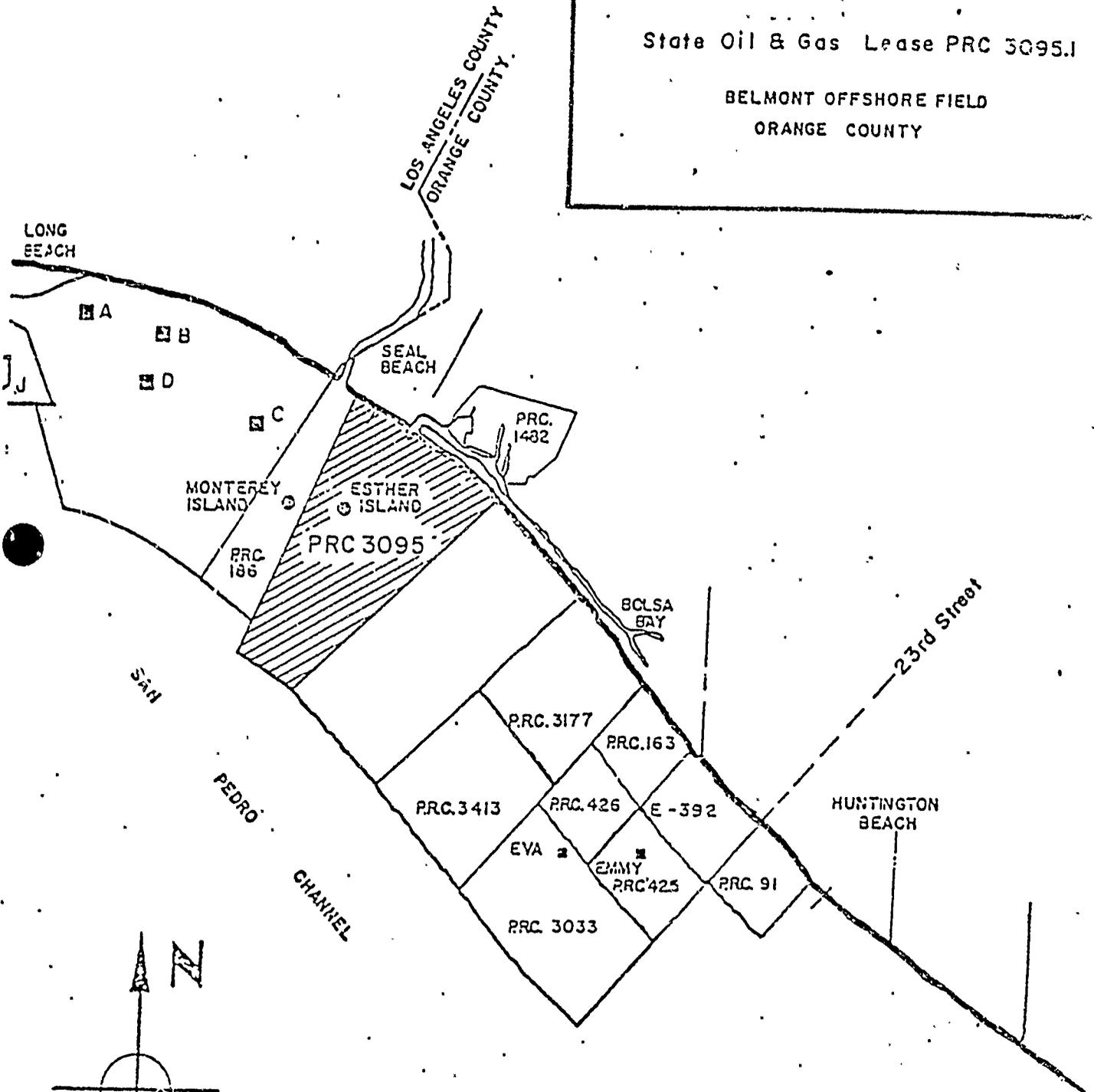
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EXHIBIT "A"

STATE LANDS COMMISSION

State Oil & Gas Lease PRC 3095.1

BELMONT OFFSHORE FIELD
ORANGE COUNTY



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