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12/19/85

CALENDAR ITEM

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12/19/85
PRC 3499
Gonzalez

DEFERMENT OF DRILLING OPERATIONS
STATE OIL AND GAS LEASE PRC 3499

LESSEE/OPERATOR:

Phillips Oil Company
Attn: Kyle H. Pickford
1306 Santa Barbara Street
Santa Barbara, California 93101

AREA, TYPE LAND AND LOCATION:

State oil and gas Lease PRC 3499 contains approximately 1,340 acres of submerged lands located immediately south of State oil and gas Leases PRC 2879 and PRC 2207 (quitclaimed July 25, 1975) and three miles south of Government Point, at the western end of the Santa Barbara Channel, Santa Barbara County, California (see Exhibit "A").

LEASE INFORMATION:

State oil and gas Lease PRC 3499, originally issued to Phillips Petroleum Company (50 percent) and Pan Petroleum Company Inc. (now Amoco Production Company) (50 percent) on June 15, 1966, contains a continuous drilling provision of 120 days.

On February 23, 1984, the State Lands Commission authorized the resumption of offshore exploratory drilling operations on State oil and gas Lease PRC 3499. Under this authorization the lessee was required to commence drilling by August 23, 1984. A deferment was granted to January 1, 1986, pending receipt of an OBCD permit.

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REQUESTED ACTION:

Phillips is now requesting an additional deferment of drilling obligation under State oil and gas Lease PRC 3499 from January 1, 1986 until December 31, 1987 (two years).

SUMMARY:

In late April 1984, the Santa Barbara County Board of Supervisors adopted County APCD Rule 205.C - New Source Review (NSR)/Prevention of Significant Deterioration (PSD). This rule requires that before an application for an Authority to Construct or Permit to Operate is accepted as complete, the applicant shall conduct an ambient air quality monitoring study of not less than one year's duration to study the effects emissions may have on air quality in the area. To comply with this rule, Phillips must conduct an air quality study prior to commencing drilling operations on the lease.

Phillips started negotiating with the Santa Barbara County APCD in January 1984 regarding the pollutants to be monitored. Actual data collection in the field began in April 1985. Issuance of the Authority to Construct will require the collection of one year of data; a two or three month period to interpret the field data; negotiation of an "offset agreement" and a maximum six month review period by the APCD after acceptance of the application as complete. This is a time period of approximately 12 months or until January 1987. Approvals for the Coastal Development Permit and United States Army Corps of Engineers Permit could require an additional eight months or until approximately September, 1987. However if applications could be filed concurrently with the final APCD review and approval the lessee could be in a position to commence drilling by April 1, 1987.

The State Lands Commission was the lead agency for the purposes of CEQA and the Permit Streamlining Act (AB 884). The staff does not believe that Phillips should delay applying for

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its Coastal Development Permit and the United States Army Corps of Engineers permit. The deferment should be conditioned on Phillips applying for its Coastal Development Permit and United States Army Corps of Engineers permit by January 31, 1986. Copies of the applications and correspondence regarding such Coastal Commission and Corp of Engineers permits should be provided to the Commission's staff.

AB 884:

N/A.

ENVIRONMENTAL INFORMATION:

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

EXHIBIT:

A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

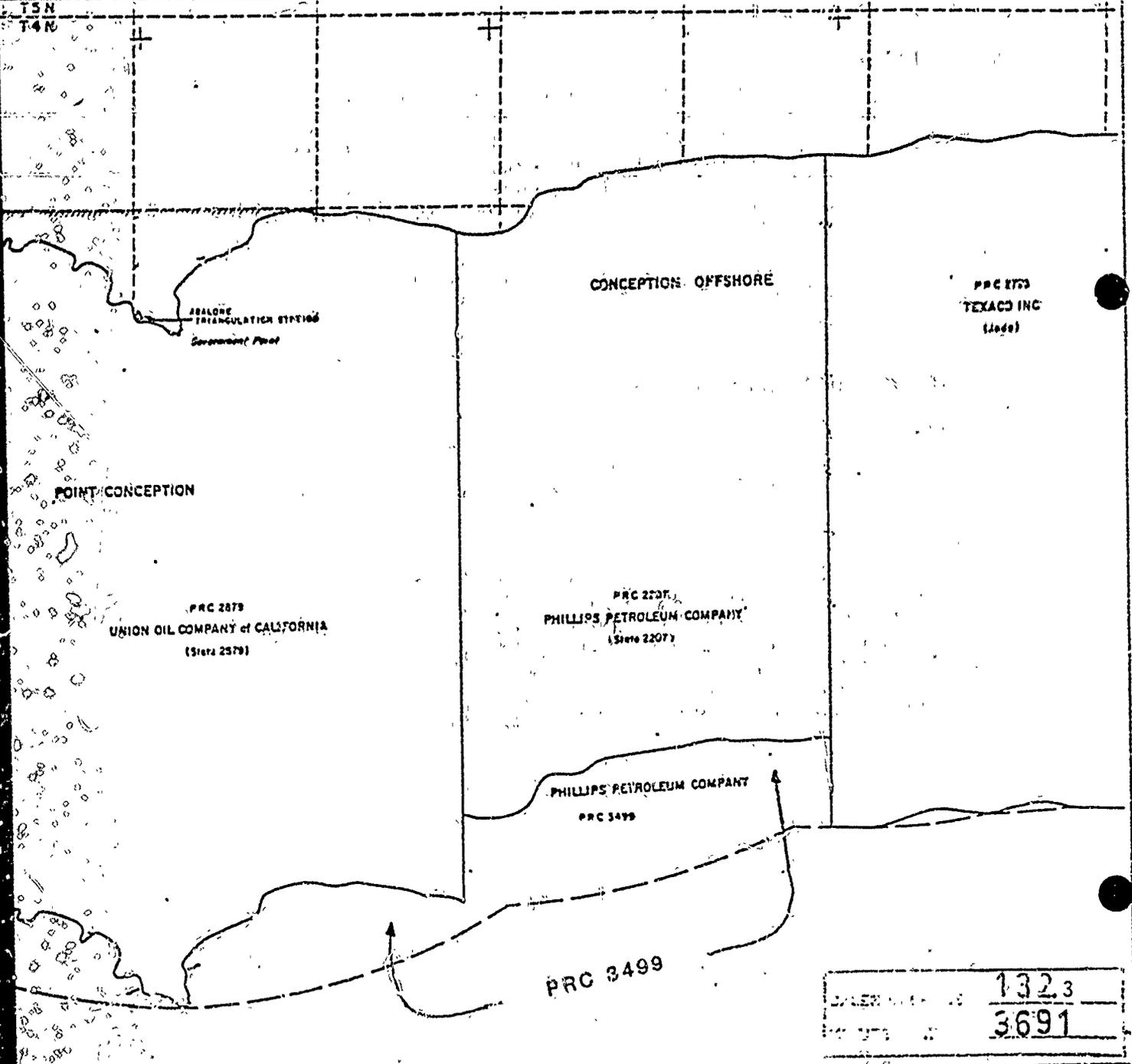
1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION OF STATE OIL AND GAS LEASE PRC 3499 UNTIL APRIL 1, 1987 SUBJECT TO THE CONDITIONS THAT PHILLIPS SUBMIT APPLICATIONS FOR ITS COASTAL COMMISSION PERMIT AND UNITED STATES ARMY CORPS OF ENGINEERS PERMIT BY JANUARY 31, 1986, AND, PROVIDE COPIES OF SUCH APPLICATIONS AND CORRESPONDENCE REGARDING THE APPLICATIONS TO THE COMMISSION'S STAFF; ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

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EXHIBIT "A"
STATE LANDS COMMISSION

Location Map

STATE OIL AND GAS LEASE
PRC 3499.1
SANTA BARBARA COUNTY



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