

MINUTE ITEM

This Calendar Item No. 27
was submitted for information
only, no action thereon
being necessary.

INFORMATIVE
CALENDAR ITEM

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02/27/86
PRC 1824
PRC 3133
PRC 3150
PRC 4000
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STATUS OF DEFERMENT OF DRILLING OPERATIONS,
STATE OIL AND GAS LEASES
PRC 1824, PRC 3133, PRC 3150 AND PRC 4000

OPERATOR: Chevron U.S.A., Inc.
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AREA, TYPE LAND AND LOCATION:
State oil and gas Leases PRC's 1824, 3150, 4000
and 3133 are located on tide and submerged
lands off the Summerland/Carpinteria area of
Santa Barbara County. Chevron, ARCO and Exxon
are lessees; Chevron U.S.A. is operator of the
existing facilities (four platforms and an
onshore processing facility) which serve all
four tracts.

SUMMARY: Resumption of drilling operations from existing
facilities (platforms) on oil and gas Leases
PRC 1824, PRC 3150 and PRC 4000 were authorized
by the Commission on October 28, 1976.
Resumption of exploratory drilling on PRC 3133
from existing facilities, located on Platform
Heidi on adjacent Lease PRC 3150, was
authorized on December 17, 1981. Since
resumption of drilling was approved, 27 wells
have been drilled on the four leases. The last
well was completed on August 7, 1985. Because
of certain limiting factors involved before
additional drilling could occur, Chevron
requested a deferment of further drilling
requirements until various studies and related

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equipment changes could be accomplished. On October 24, 1985, the State Lands Commission authorized a one-year deferment of the drillstring obligation from November 5, 1985 through November 4, 1986 on the leases, subject to the following conditions:

1. Chevron and Exxon to report to the Commission Staff quarterly on the progress of the studies on each of the limiting points and concerns identified by Chevron in its letter dated October 11, 1985.
2. Chevron shall have commenced drilling a well by November 5, 1986; and
3. All other terms and conditions of the leases to remain in full force and effect.

Chevron and Exxon met with Commission staff on February 4, 1986 to present the first quarterly report on the limiting points and concerns for which a deferment was granted. The limiting points that the operator Chevron had identified previously were as follows:

1. Platform Heidi shipping pump is currently at capacity with daily thruput of 7,000 to 8,000 total barrels of fluid;
2. Platform Hope gas compressor is currently at capacity - being reviewed for retrofit (horsepower upgrade);
3. The Carpinteria Plant wastewater handling facilities are now at capacity and are under review.
4. Exxon PRC 3133 well proposals require Platform Heidi structural review and possible well-slot modifications. The initial study is due approximately January, 1986.

Chevron and Exxon have additional concerns pertaining to facilities:

- A. There are various combinations of facilities ownership between Chevron, ARCO

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and Exxon which hamper determination associated with facilities upgrades and modifications.

8. Any substantial production increases and/or drilling activity will require negotiations of a new well-slot agreement and operating agreement between Chevron/ARCO and Exxon.

Significant progress had been made toward solving a number of the problems:

1. The capacity of the shipping pump on Platform Heidi is being upgraded. Engineering is completed, and parts and materials are being ordered. Anticipated start-up is August 1986.
2. Exxon and Chevron jointly have determined that the retrofit of the gas compressor is not required at this time.
3. The engineering design phase of upgrading the Carpinteria plant waste water handling facilities is completed and permitting (potentially involving New Source Review) is beginning. Chevron anticipates this phase will be completed in October 1986.
4. Structural review of Platform Heidi for possible well-slot modification has commenced.
5. Exxon and Chevron have initiated discussions of cost distributions and well-slot agreements.
6. Additionally, in anticipation of a resumption of drilling activity, in the future Chevron has commenced a comprehensive review of the area geology.

Schedules for each of the above projects were reviewed with Commission staff by Chevron and Exxon. A second quarterly meeting has been scheduled for May, pursuant to the Commission direction in granting the deferment.

EXHIBIT:

- A. Location Map.

DEFERMENT OF DRILLSTRING OBLIGATION

PRCs 1824, 3150, 4000, and 3133

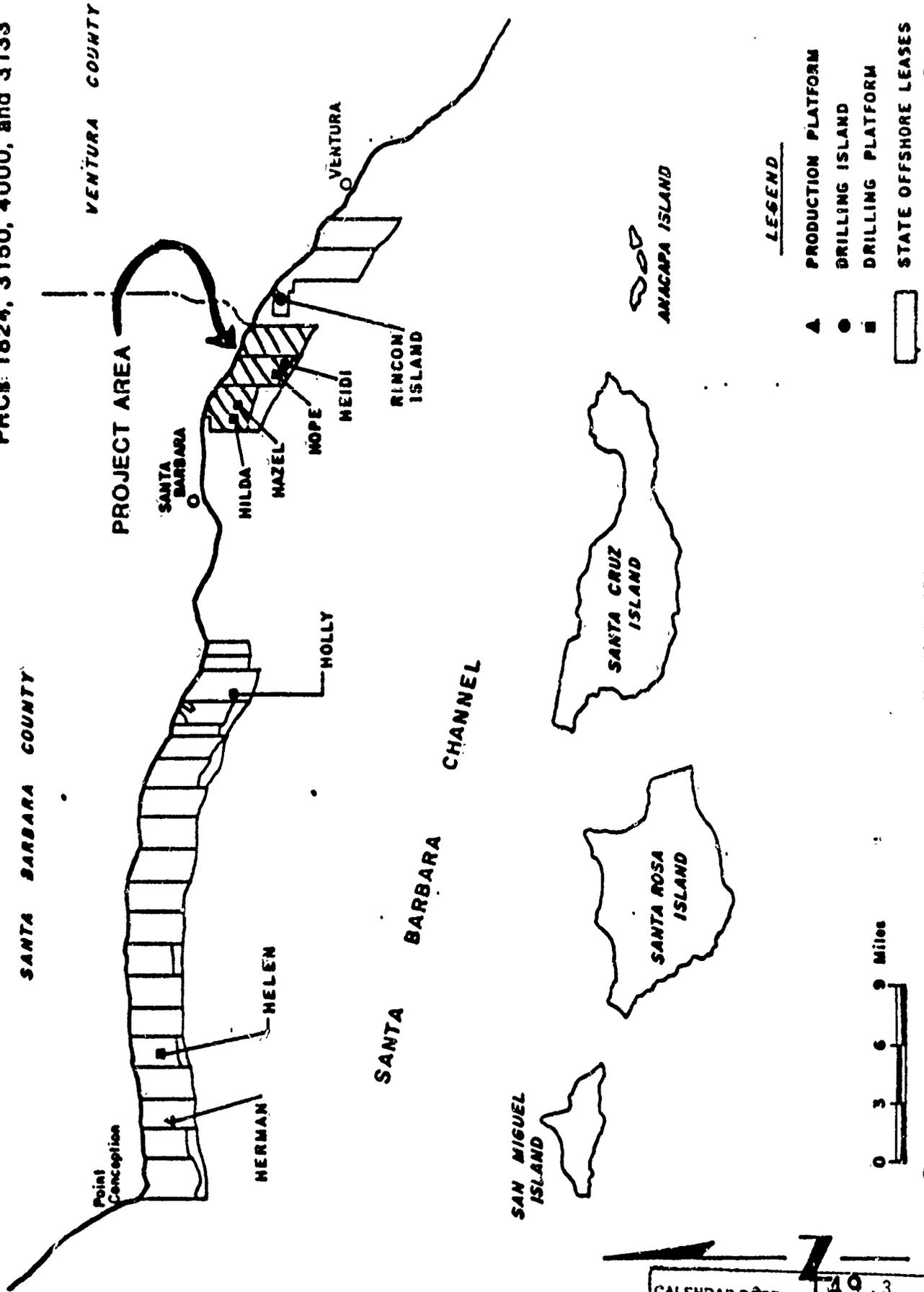


EXHIBIT A

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