MINUTE ITEM
This Calendar Item No. 30
was submitted for information
only, no action thereon
being necessary.

INFORMATIVE
CALENDAR ITEM

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05/22/86
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.
Attn: Doug Uchikura
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San Ramon, California 94583-0905

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Leases PRC's 1824, 3133, 3150 and 4000 are located on tide and submerged lands off the Summerland/Carpinteria area of Santa Barbara County. Chevron and ARCO are co-lessees of PRC's 3150 and 4000; Chevron and Exxon are co-lessees of PRC 1824; Exxon is sole lessee of PRC 3133. Chevron is operator of the 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

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additional drilling could occur, Chevron requested a deferment of further drilling requirements until various studies and related equipment changes could be accomplished. The limiting points that Chevron identified were as follows:

1. Platform Heidi shipping pump is currently 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 and Exxon which hamper determination associated with facilities upgrades and modifications.

B. 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.

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 were 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 May 6, 1986 to present the second quarterly report on the limiting points and concerns for which the deferment was granted.

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 ready to be ordered. Parts will be installed when overall well drilling plans are completed.

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. The existing facility will serve at least two more wells.

4. Structural review of Platform Heidi for possible well-slot modifications has been completed and it has been determined that enough slots are available without platform modification.

5. Chevron has presented Exxon with a platform use agreement and anticipates that the two companies can reach agreement.

6. Chevron has commenced a comprehensive review of the area geology and is reviewing future well workover and development plans in light of this review.

7. The recent precipitous drop in oil prices has significantly affected Chevron, Exxon and ARCO's abilities to commit to future development activity. Chevron and Commission staff will further discuss development economics at the third quarterly meeting.

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

EXHIBIT: A. Location Map.

DEFERMENT OF DRILLSTRING OBLIGATION

PRCs 1824, 3150, 4000, and 3133

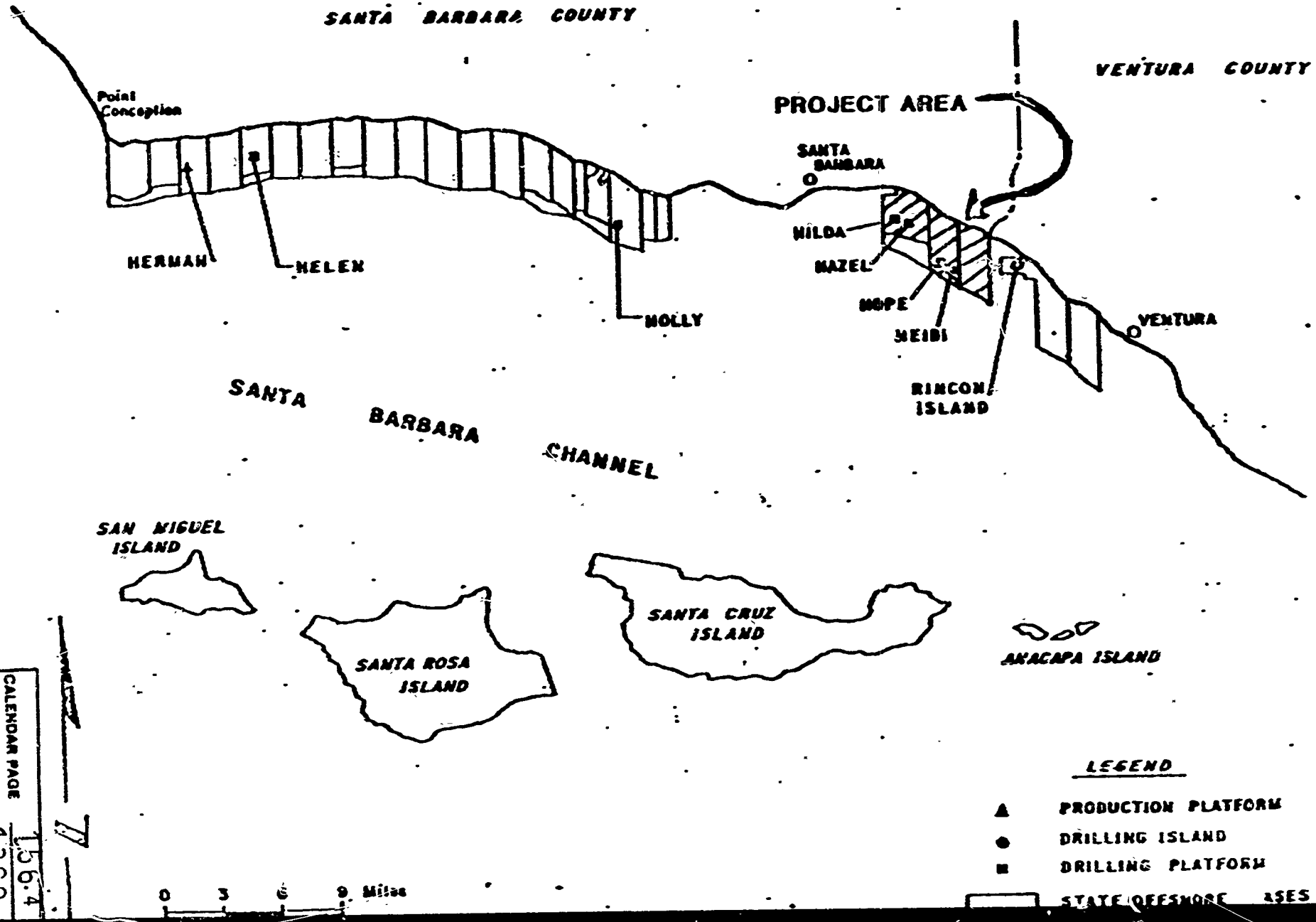

EXHIBIT A

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