

MINUTE ITEM

This Calendar Item No. 29
was approved as Minute Item
No. 29 by 2 votes and 1
abstention at its 10/23/86
meeting.

MINUTE ITEM

29

10/23/86
PRC 1824
PRC 3133
PRC 3150
PRC 4000
Livenick

DEFERMENT OF DRILLING OPERATIONS
STATE OIL AND GAS LEASE, SANTA BARBARA COUNTY,
PRC 1824, PRC 3133, PRC 3150 AND PRC 4000

During consideration of Calendar Item 29 attached, Executive Officer Dedrick submitted for the record an October 21, 1986 letter from Get Oil Out, Inc. (GOO) in support of Calendar Item 29. Acting Chairman McCarthy requested that staff respond, in writing, to the GOO letter.

Upon motion duly made by Commission-Alternate Ordway, and seconded by Acting Chairman McCarthy, the Resolution in Calendar Item 29 was approved by two votes, with Commission-Alternate Harvey abstaining.

Attachment: Calendar Item 29.

CALENDAR PAGE	
MINUTE PAGE	3606

CALENDAR ITEM

29 1

A 35

S 18

10/23/86
PRC 1824
PRC 3133
PRC 3150
PRC 4000
Livenick

DEFERMENT OF DRILLING OPERATIONS,
STATE OIL AND GAS LEASES, SANTA BARBARA COUNTY
PRC 1824, PRC 3133, PRC 3150 AND PRC 4000

LESSEES:

Chevron U.S.A., Inc.
Attn: Doug Uchikura
6001 Bollinger Canyon Road
San Ramon, California 94583-0905

Exxon Company, U.S.A.
Attn: Bruce Bowen
P. O. Box 5025
Thousand Oaks, California 91359

ARCO Oil and Gas Company
Attn: Doug Logan
P. O. Box 147
Bakersfield, California 93302

AREA, TYPE LAND AND LOCATION:

State oil and gas Lease PRC 1824, issued on January 10, 1957, contains approximately 5,500 acres of tidelands. Current lessees of PRC 1824 are Chevron U.S.A., Inc. (Chevron) and Exxon Company, U.S.A. (Exxon). State oil and gas Lease PRC 3133, issued on May 28, 1964, contains 5,535 acres. The current lessee is Exxon. State oil and gas Lease PRC 3150, issued on July 28, 1964, contains 5,553 acres of tidelands. Current lessees of PRC 3150 are Chevron and ARCO. State oil and gas Lease PRC 4000, issued August 28, 1968, contains 204 acres. Current lessees of PRC 4000 are Chevron and ARCO. By separate agreement dated

June 22, 1968, Chevron is operator of the existing facilities (platforms and onshore) which serve all four tracts.

SUMMARY:

Resumptions 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 Chevron facilities, located on Platform Heidi on Lease PRC 3150, was authorized on December 17, 1981. As a condition to the resumption of drilling on these four leases, the Commission has required that no more than one rig can be operated at any time on any of the four platforms. The drilling term obligation on each of the four leases was modified so that drilling on any one of the leases satisfied the drilling obligation for all four leases. The leases were also modified to provide for a 90-day interval between drilling obligations. Since resumption of drilling was approved, 27 wells have been drilled on the four leases.

On October 24, 1985 the State Lands Commission granted Chevron, ARCO, and Exxon a 12-month deferment of the drilling obligation for these four state leases. This deferment was conditioned on Chevron and Exxon's reporting quarterly to the Commission staff on the progress of the studies on each of certain limiting points and concerns identified by Chevron and on Chevron commencing the drilling of a well by November 5, 1986.

The Lessees have met quarterly with the Commission staff and kept them apprised of the progress of studies to ensure that the key issues and concerns have been addressed. Chevron is working on finalizing an agreement for Exxon's continued drilling off Platform Heidi. In the meantime, however, the posted price for Carpinteria/Summerland production has dropped from \$22.35/bbl (October 1985) to \$10.05/bbl (September 1986); a 55 percent decline. This price change has made further drilling uneconomic, and the Lessees have asked for a two-year deferment from the drilling requirement.

The price drop has caused suspension of new operations and delay on all but the critical expenditures. The workover rig

on Platform Hope was shut down on April 10, 1986 and remains stacked at the platform. The Lessee's only viable plan revolves around the abandonment of certain wells. During the requested deferment the Lessees propose to meet semi-annually with the Commission staff to keep them apprised of the development economics.

Staff concurs with Chevron's and Exxon's assessment of the problem. Staff does not agree with Chevron's request for a two-year deferment, however, recommends that a six-month deferment of drilling obligations be granted, staff further recommends that the deferment be conditioned on Chevron, Exxon and ARCO reporting to the staff in four months on the status of development economics affecting the leases and Chevron's drilling a well on one of the four leases by May 5, 1987. All economic data provided by the Lessees will be subject to audit verification.

OTHER PERTINENT INFORMATION:

1. 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 THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE 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 UNDER STATE OIL AND GAS LEASE PRC'S 1824, 3133, 3150 AND 4000 FROM NOVEMBER 5, 1986 THROUGH MAY 4, 1987 WITH THE FOLLOWING CONDITIONS:
 - A. CHEVRON U.S.A., INC., EXXON COMPANY, U.S.A. AND ARCO OIL AND GAS COMPANY SHALL REPORT TO THE COMMISSION STAFF IN FOUR MONTHS ON THE ECONOMICS OF FURTHER DRILLING;

CALENDAR ITEM NO. 29 (CONT'D)

- B. UNLESS A FURTHER DEFERMENT IS GRANTED LATER, CHEVRON U.S.A., INC. SHALL HAVE COMMENCED DRILLING A WELL ON ONE OF THE FOUR LEASES BY MAY 5, 1987;
- C. ALL OTHER TERMS AND CONDITIONS OF THE LEASES TO REMAIN IN FULL FORCE AND EFFECT.

EXHIBIT "A"

LOCATION MAP

STATE OIL AND GAS LEASES
PRC 1824, 3150, 3133 & 4000

CHEVRON USA, INC.
(OPERATOR)

Santa Barbara County

