MINUTE ITEM
This Calendar Item No. 37
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 3
to 0 at its 3/26/87
meeting.

CALENDAR ITEM

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03/26/87
PRC 2920
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APPROVAL OF AMENDMENT TO
STATE OIL AND GAS LEASE PRC 2920,
SANTA BARBARA COUNTY

OPERATOR: Shell California Production, Inc.
Attn: Terry L. Peterson
P. O. Box 11164
Bakersfield, California 93389

AREA, TYPE LAND AND LOCATION:
State oil and gas Lease PRC 2920 covers approximately 4,250 acres of tide and submerged lands located offshore Gaviota in Santa Barbara County, California.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Shell California Production, Inc. and Chevron, U.S.A., lessees under State oil and gas Lease PRC 2920, have proposed a program for the continuation of their development of the lease. This matter is being evaluated in an EIR being prepared by the County of Santa Barbara and the State Lands Commission, and is expected to be brought to the Commission for its consideration in 1988.

2. The lease currently has one producing gas well which is shut-in because of subsurface mechanical problems. The operator has reviewed the repairs necessary and has concluded that repair will best be conducted during the favorable weather conditions of late spring and summer.

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(ADDED 03/18/87)

Because this will result in production being shut-in for more than six months, an amendment of the lease is necessary pursuant to paragraph 1 of the lease. The operator has agreed to a lease amendment providing for payment to the State in lieu of royalty on production of a compensatory royalty of $25,000 per month from February 27, 1987 until production is restored but in no event later than September 30, 1987 when the lessee must restore production.

3. The payment of compensatory royalties for the suspended gas production together with compliance with all other terms and conditions of the lease, including the drilling obligations of Exhibit "A" of the lease, will maintain the lease in full force and effect. The amendment has been executed by both lessees. This amendment does not grant the lessees any rights or interests not otherwise granted by the lease.

4. 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 the activity 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.

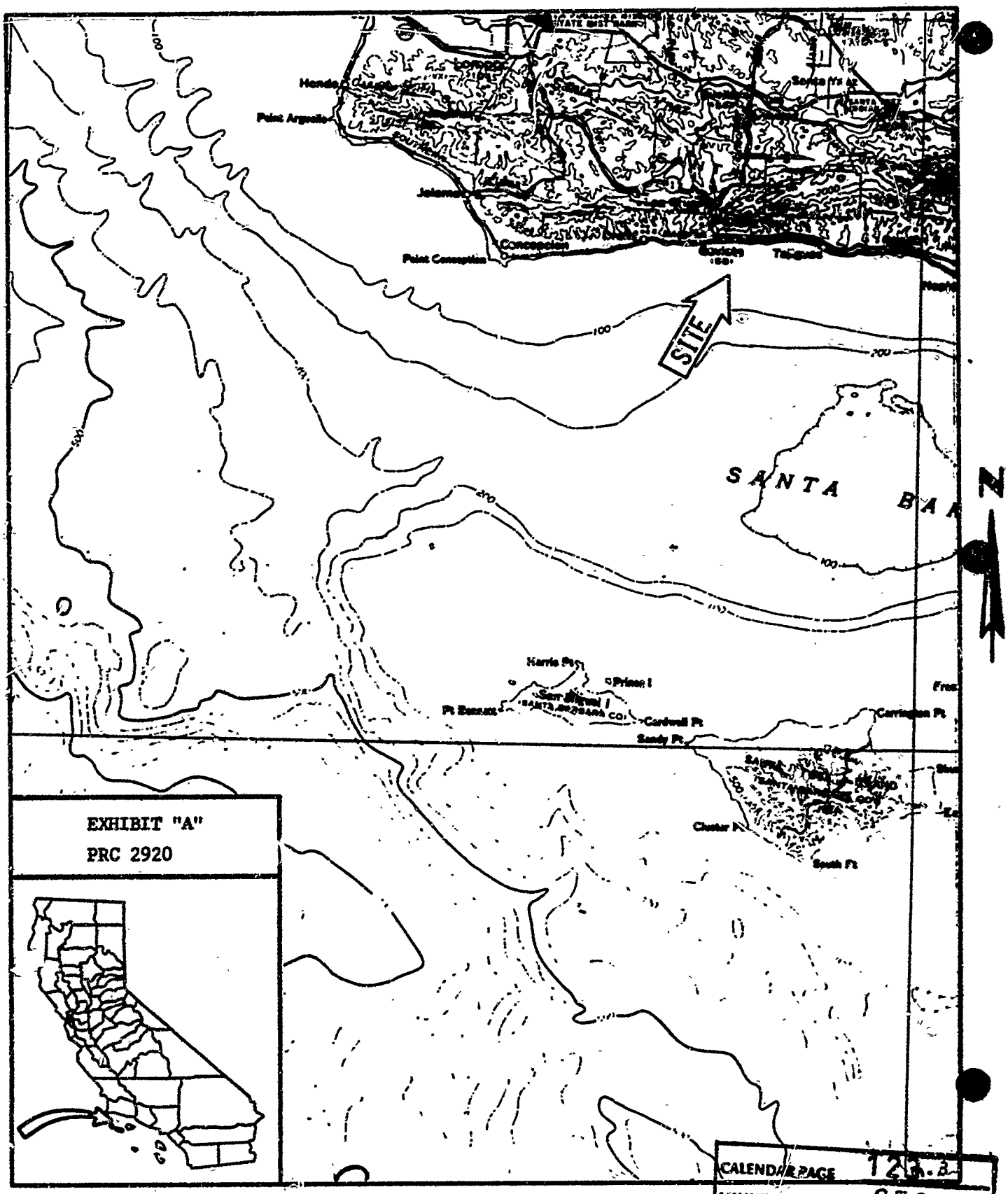
IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.

(ADDED 03/18/87)

2. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE AMENDMENT TO STATE OIL AND GAS LEASE PRC 2920 WHICH IS ON FILE IN THE OFFICE OF THE COMMISSION AND MADE A PART HEREOF, TO PROVIDE FOR THE SUSPENSION OF GAS PRODUCTION FOR MORE THAN SIX MONTHS AND FOR THE PAYMENT OF COMPENSATORY ROYALTY AT THE RATE OF $25,000 PER MONTH UNTIL SUCH GAS PRODUCTION IS RESTORED BUT NOT LATER THAN SEPTEMBER 27, 1987 WHEN THE LESSEES MUST RESTORE PRODUCTION OR DRILLING OPERATIONS ARE COMMENCED FOR RESTORATION OF THE PRODUCTION.

(ADDED 03/18/87)



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