

MINUTE ITEM
This Calendar Item No. 39
was approved as Minute Item
No. 29 by the State Lands
Commission by a vote of 3
to 0 at its 5/23/87
meeting.

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CALENDAR ITEM

29

05/28/87
PRC 1824
PRC 3133
PRC 3150
PRC 4000
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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: John Dowling
P. O. Box 6917
Ventura, California 93006

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 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

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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 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 drilling rig can be operated at any time on any of the four platforms. The drilling obligations 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 23, 1986 the State Lands Commission approved the deferment of the drilling obligation under the four leases until May 5, 1987, conditioned upon Chevron, ARCO and Exxon meeting with the State Lands Commission Long Beach staff in four months to discuss the economics of further drilling.

The recently experienced drop in the price of oil had caused the Lessee to suspend new operations and delay all but critical expenditures. The posted price for Carpinteria/Summerland production has risen to \$14.15/barrel (April 1987); yet this still represents a 37 percent decline from the October 1985 posted price of \$22.35 per barrel. This has caused the operation's economics to stabilize, but does not provide the necessary improvement to justify any new drilling operations.

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As a result of the above, Chevron, as operator of these leases, requested that the State Lands Commission grant a one year deferment for the resumption of drilling on the subject leases. During this deferment Chevron proposes doing the following:

1. Subject to the finalization of the Summerland Geological Review, Chevron will make a decision as to a declaration of full field development for PRC 1824.
2. Chevron will investigate the feasibility of permitting the Paradon prospect exploration well (PRC 3150) from an onshore location in the vicinity of the Carpinteria Gas Processing Plant.
3. Chevron/ARCO and Exxon will continue their negotiations towards finalization of the Platform Heidi Use Agreement which should provide for further development of PRC 3133 when economic conditions improve.
4. The Lessees will initiate negotiations with the State Lands Commission staff to modify the December 19, 1978 Amendment of the subject leases which consolidated their drillstring obligations.

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 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

CALENDAR ITEM NO. 29 (CONT'D)

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.
2. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION UNDER STATE OIL AND GAS LEASE PRC'S 1824, 3133, 3150 AND 4000 FROM MAY 5, 1987 THROUGH NOVEMBER 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 STATUS OF FURTHER DRILLING PLANS;
 - 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 NOVEMBER 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, 3153 & 4000
CHEVRON USA, INC.
(OPERATOR)

Santa Barbara County

