

~~Minute Item~~
This Calendar Item No. 24
was approved as Minute Item
No. 24 by the State Lands
Commission by a vote of 2
to 0 at its 11-19-87
meeting.

CALENDAR ITEM

A 35

S 18

24.

11/19/87
PRC 3314
Gonzalez

DEFERMENT OF DRILLING OPERATIONS
STATE OIL AND GAS LEASE PRC 3314

LESSEE: Shell Western E&P, Inc.
Attn.: R. L. Avery
P. O. Box 527
Houston, Texas 77001

OPERATOR: Chevron U.S.A., Inc.
Attn.: Mr. John Dowling
P. O. Box 6917
Ventura, California 93006

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Lease PRC 3314, issued on
July 1, 1965 contains approximately 5,430 acres
of tide and submerged lands located west of
Oxnard in Ventura County. Current lessee of
PRC 3314 is Shell Western E&P, Inc. (SWEPI);
Chevron U.S.A., Inc. (Chevron) is operator of
the lease.

SUMMARY: Resumption of drilling operations was
authorized by the State Lands Commission (SLC)
on April 29, 1981. Exploratory drilling of up
to six wells from a floating vessel, as well as
drilling of nearshore prospects from an upland
drillsite operated by Chevron, were authorized
by the SLC. The lease provides for a 120-day
drill string obligation. Only one well has
been drilled on the lease since resumption was
authorized. The 3314 #1 well was drilled for
SWEPI by Chevron from an onshore location which
is referred to as the Patterson Ranch drillsite.

On November 21, 1985, the SLC granted a
one-year deferment of the drilling obligation

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for State Lease PRC 3314 through February 7, 1987. The purpose of the deferment was to allow Shell and its operator:

- (1) to evaluate further the 3314 #1 well by placing it on production;
- (2) to obtain approvals to consolidate two existing drillsites located in the Mandalay State Beach area into one larger, more efficient drillsite, and obtain appropriate permits to conduct drilling operations from that site; and
- (3) to evaluate gas production potential and the economics of constructing a gas processing plant.

In January, Chevron requested an additional two-year deferment on economic grounds, citing (1) a steep decline in production of the well, (2) a steep decline in the price of crude oil, (3) a decline in gas prices making a gas processing plant uneconomical, thus necessitating burning the gas, and (4) the high cost of transporting the crude oil by truck to the refinery.

On March 26, 1987, the Commission, therefore, granted an additional six-month deferment of the drilling obligation.

There has been some recovery in crude-oil prices. Additionally, Chevron believes that it may have a market for its gas if it can obtain the right-of-way for a pipeline. New drilling is still not economical, however, and Chevron U.S.A., Inc., as operator of PRC 3314, and on behalf of Shell Western E&P, Inc., the Lessee, therefore, requests a one-year drilling deferment on State Lease PRC 3314. During this deferment, the Lessee proposes to complete studies related to transportation alternatives and consolidated drillsite feasibility. In

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addition, the Lessee plans to have the necessary right-of-ways to install and make operational the gas pipeline.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

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.
2. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION UNDER STATE OIL AND GAS LEASE PRC 3314 FROM AUGUST 8, 1987 THROUGH AUGUST 7, 1988. ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT PROVIDED, THAT AS A CONDITION OF THIS DEFERMENT, LESSEE AND OPERATOR SHALL REPORT QUARTERLY TO COMMISSION STAFF ON THE STATUS OF PERMIT PROCESSING FOR THE GAS PRODUCTION PIPELINE AND THE LEASE OPERATING ECONOMICS.

LOCATION MAP

PRC 3314

SANTA BARBARA CO.

SANTA BARBARA

MONTECITO

SUMNERLAND

CARPINTERIA

422

427

410

193

1224

4031

3180

5153

RINCON PT.

SEA CLIFF

4003

1486

PITAS PT.

3184

3402

VENTURA

MONTALVO

VENTURA CO.

OXNARD

HOLLYWOOD BY THE SEA
PCAF H. LENENE

3348

3348

LAGUNA PT.

LOS ANGELES CO.

GOLDFAR

POUME

SANTA CRUZ ISLAND

ANACAPA I.

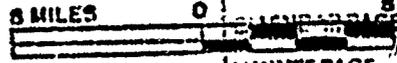
PRC 3314



NORTH



8 MILES



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