

MINUTE ITEM

This Calendar Item No. 38
was approved as Minute Item
No. 38 by the State Lands
Commission by a vote of 2
to 0 at its 9/14/88
meeting.

CALENDAR ITEM

A 35

38

09/14/88
PRC 1824
PRC 3133
PRC 3150
PRC 4000
Gonzalez

S 18

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

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease PRC 1824, issued on January 10, 1957, contains approximately 5,500 acres of tide and submerged lands. Current lessees of PRC 1824 are Chevron U.S.A., Inc. (Chevron) and Exxon Company, U.S.A. (Exxon). State Oil and Gas Lease 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. The current lessees 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 platforms on Oil and Gas Leases PRC 1824, PRC 3150 and PRC 4000 were authorized by the Commission October 28, 1976. Resumption of 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 be operated at any time on any of the four platforms. The drilling obligations on each of the four leases

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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, 24 wells have been drilled on the four leases.

On January 21, 1988, the State Lands Commission approved the deferment of the drilling obligation under the four leases through July 4, 1988. During the deferment period, Chevron, as operator of the leases together with ARCO and Exxon were to finalize a Use Agreement for Platform Heidi. This agreement among the lessees has not been reached because of unresolved issues involving distribution of costs of using the platform rig, air emission offset costs, allocation of abandonment, and lease restoration costs if the productive life of one lease extends beyond the others.

Chevron has requested a further deferment of the drilling obligation of the four subject leases to allow for further negotiation of a Platform Use Agreement among the parties.

Staff has met with the lessees and has urged the parties to make a determined effort to reach agreement on a Platform Use Agreement for Platform Heidi or be prepared to meet the respective terms and conditions of the individual leases rather than on a combined basis as at present.

AB-884:

N/A.

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.

CAL. ADMS. CODE	289
MINUTE BOOK	2839

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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 LEASES PRCs 1824, 3133, 3150, AND 4000 FROM JULY 5, 1988 THROUGH JANUARY 31, 1989.
3. IN THE EVENT THE LESSEES OF PRC's 1824, 3133, 3150 AND 4000 HAVE NOT REACHED AN AGREEMENT BY JANUARY 31, 1989 REGARDING THE ECONOMIC ISSUES FOR CONTINUATION OF THE USE OF ONE DRILLING RIG ON ANY ONE OF THE LEASES TO MEET THE DRILLING OBLIGATION OF THE OTHER LEASES, THEN THE EXECUTIVE OFFICER WILL SEND A NOTICE OF DEFAULT TO ALL LESSEES. IN THE EVENT THE DEFAULT IS NOT REMEDIED, THEN STAFF WILL REPORT BACK TO THE COMMISSION REGARDING APPROPRIATE REMEDIES.

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DEFERMENT OF DRILLSTRING OBLIGATION

PRCs 1824, 3133, 3150 and 4000

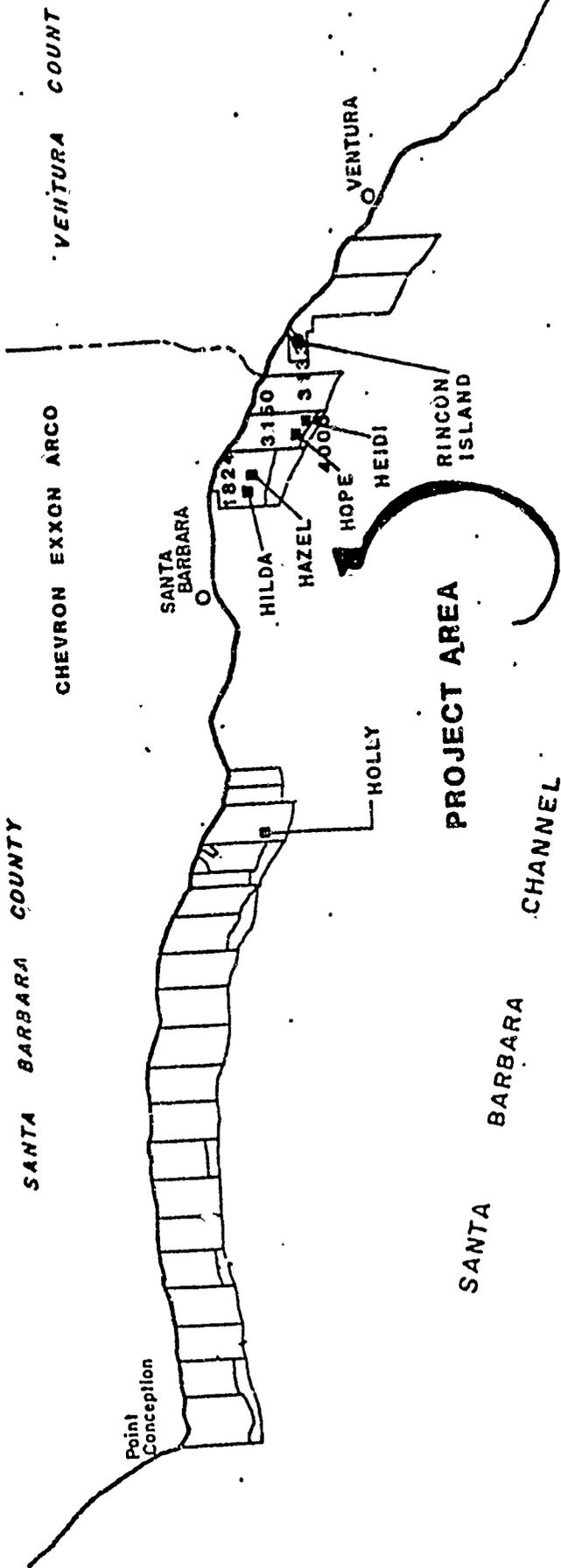


EXHIBIT A

LEGEND

- ▲ PRODUCTION PLATFORM
- ◻ DRILLING ISLAND
- ◻ DRILLING PLATFORM



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