

MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No. 25 by the State Lands
Commission by a vote of 3
to 0 at its 1171990
meeting.

CALENDAR ITEM

25

A 35
S 18

01/17/90
PRC 2199
PRC 2894
Nitsche

**APPROVAL OF A ONE YEAR EXTENSION
TO THE AMENDMENT OF STATE OIL AND GAS
LEASES PRC 2199 AND PRC 2894
SANTA BARBARA COUNTY**

OPERATOR: Chevron U.S.A., Inc.
Attn: James W. Seymour
P. O. Box 5050
San Ramon, CA 94583-0905

AREA, TYPE LAND LOCATION:
State oil and gas leases PRCs 2199 and 2894
each contain approximately 4,250 acres of tide
and submerged lands located offshore Gaviota in
Santa Barbara County, California.

PERTINENT INFORMATION:
Chevron U.S.A., Inc. and Shell California Production, Inc.,
lessees under State oil and gas leases PRC 2199 and PRC 2894,
requested and received Commission approval on August 21, 1984
for an amendment to State oil and gas leases PRC 2199 and
PRC 2894.

The Amendment provided for the suspension of production from
the two leases during the construction of the Point Arguello
Oil and Gas Processing facilities. The facilities are
installed and ready for operation and Chevron is awaiting final
approval for operation of the facilities as well as the Gaviota
Interim Marine Terminal.

(REVISED 01/19/90)

CALENDAR PAGE	<u>146</u>
MINUTE PAGE	<u>234</u>

0.982

The amendment further provided that compensatory royalty would be paid to the State until: (1) production is re-established from the wells; or (2) oil and/or gas is being produced from other wells on the leases; or (3) the lessees exercise their rights to quitclaim the leases; or (4) September 1, 1989. The payment of compensatory royalty for the suspended gas production and compliance with all other terms and conditions of the leases have maintained the leases in full force and effect. The amendments did not grant the lessees any right or interests not otherwise granted by the leases.

In consideration for the suspended gas compensatory royalty, the lessees have paid as monthly compensatory royalty, \$400 for PRC 2199 and \$9,600 for PRC 2894. Each lease had one producing well. As of August 30, 1989, Chevron as operator, on behalf of the lessees, has paid almost \$600,000 to the State in compensatory royalty for PRC's 2199 and 2894.

Chevron has now requested a one year extension of the amendment through September 1, 1990.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 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: PRC 21065 and 14 Cal. Code Regs. 15378.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTION IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL CODE REGS., SECTION 15061, BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. EXTEND, FOR ONE YEAR FROM SEPTEMBER 1, 1989 TO SEPTEMBER 1, 1990, THE AMENDMENTS TO STATE OIL AND GAS LEASE PRCS 2199 AND 2894 PROVIDING FOR THE SUSPENSION OF GAS PRODUCTION FROM WELLS STATE 2199-SSGS-6 AND STATE 2894-SSCS-1 IN CONSIDERATION OF THE PAYMENT OF COMPENSATORY ROYALTY ON EACH LEASE AT THE RATE OF \$400 and \$9,600 PER MONTH,

CALENDAR ITEM NO. 25 (CONT'D)

RESPECTIVELY, UNTIL: 1) SUCH GAS PRODUCTION IS COMMENCED FROM THE WELLS; OR 2) OIL AND/OR GAS IS BEING PRODUCED FROM OTHER WELLS UNDER THE LEASES; OR 3) THE LEASES ARE TERMINATED PURSUANT TO PARAGRAPH 5 OF THE LEASES.

-3-

CALENDAR PAGE	<u>146</u>	<u>2</u>
MINUTE PAGE	<u>236</u>	

0.994