Minute Item
C75

09/03/99
PRC 2199, 2894
A. NITSCHE
M. VOSKANIAN

BENTON OIL AND GAS COMPANY
(APPLICANT)

Calendar Item C75 was amended to state that staff would report back to the Commission in six months prior to the deadline with a progress report.

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MINUTE ITEM
This Calendar Item No. C75
was approved as Minute Item
No. 75 by the State Lands
Commission by a vote of 3
to Ø at its 9/3/99
meeting.

CALENDAR ITEM
C75

A 35, 37

09/03/99
PRC 2199.1
PRC 2894.1
PRC 2920.1
A. Nitsche
M. Voskanian

S 18

CONSIDER APPROVAL OF A DEFERMENT OF DRILLING OBLIGATIONS, OIL AND GAS LEASE NOS. PRC 2199.1, PRC 2894.1, PRC 2920.1, OFFSHORE GAVIOTA AREA SANTA BARBARA COUNTY

LESSEE/OPERATOR:

Benton Oil and Gas Company
Attn.: Mr. Harry C. Harper
6267 Carpinteria Avenue, Suite 200
Carpinteria, CA 933013

AREA, TYPE LAND AND LOCATION:

Oil and Gas Lease Nos. PRC 2199.1, PRC 2894.1, and PRC 2920.1 (Lease) each contain approximately 4,250 acres of tide and submerged lands located offshore Gaviota in Santa Barbara County (Exhibit A).

BACKGROUND:

Oil and Gas Lease Nos. PRC 2199.1, PRC 2920.1 and PRC 2894.1 were issued between July 25, 1958, and August 28, 1962. The ownership of the leases was divided between Shell Western E&P, Inc. (SWEPI) and Chevron, USA (Chevron).

On August 3, 1994, the Commission approved SWEPI's assignment of its interest in the three leases to Molino Energy Company (Molino). As a result, Molino became the operator of the lease. On July 11, 1997, Chevron assigned its interest in the leases to Molino and Molino, in turn, assigned an undivided 40 percent interest in the leases to Benton Oil and Gas Company (Benton). Benton became the operator under the leases.

A final Molino Gas Project EIR was prepared and certified by the County of Santa Barbara on September 3, 1996. Benton proposed to develop the offshore gas fields by drilling from an onshore drill site in Gaviota, in an area designated by the California Coastal Commission and the County of Santa Barbara as a "Consolidated Oil and Gas Planning Area" using extended reach drilling technology. On September 11, 1996, the California Coastal Commission considered and approved the Santa Barbara County Local Coastal Plan amendment to allow for the proposed development. The California State Lands Commission approved the development plan on July 11, 1997.

The onshore drilling and production site is approximately three acres in size, and located within the County designated Consolidated Oil and Gas Planning Area which includes the Gaviota Consolidated Oil and Gas Processing Site (Exhibit B).

In 1998, Benton and its partner, Molino Energy Company, drilled well 2199 #7, targeting four sandstone intervals in the offshore Gaviota Field anticline, spending in excess of $10 Million to directionally drill the well from the approved onshore site. Two drill stem tests proved the presence of gas and condensate, but the sandstone reservoir was not sufficiently permeable to produce at economic levels.

The County has advised Benton that if further drilling required the use of any facilities on the Chevron Consolidated Gaviota Oil and Gas Processing site, such use could not be considered until the R-1 Hearing on the Consolidate site are complete. Condition R-1 of Chevron's Final Development Plan (FDP) required a public review of the project once oil or gas processing throughput of the onshore facility fall below minimum volumes to determine if abandonment or other options are appropriate for continued operation of the facility. The facility has reached those minimum levels and Benton is actively involved in the hearings to ensure sufficient processing facilities are retained for its project should Chevron's plant capacity be reduced.

The Santa Barbara Planning Commission has granted Benton operational and drilling deferments (from its onshore site) until November 14, 2000, for each of the three offshore leases, and has advised, it would consider granting Benton one additional year on each lease if requested and warranted in view of new or changed circumstances.

Benton, by letter of July 30, 1999, has requested a two year deferment through August 31, 2001, of the drilling obligations for Oil and Gas Lease Nos. PRC 2199.1, PRC 2920.1 and PRC 2894.1. However, Staff recommends that the deferment conform to the period granted by Santa Barbara County, i.e., to November 14, 2000. Additionally, Benton is exploring the possibility of creating a gas unit within the three leases, in order to provide for an orderly and systematic development program and to minimize the required wells for full development of the leases.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code section: Division 6, Parts 1 and 2; Division 13.

B. California Code of Regulations section: Title 3, Division 3; Title 14, Division 6.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 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 the CEQA and the State CEQA Guidelines.

   Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

A. Location Map
B. Gaviota Consolidated Oil and Gas Sites

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE

SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

APPROVE A DEFERMENT OF THE DRILLING OBLIGATIONS UNDER OIL AND GAS LEASE NOS. PRC 2199.1, PRC 2920.1 AND PRC 2894.1 UNTIL NOVEMBER 14, 2000.

PRC 2199
PRC 2920

EXHIBIT "A"

LOCATION MAP

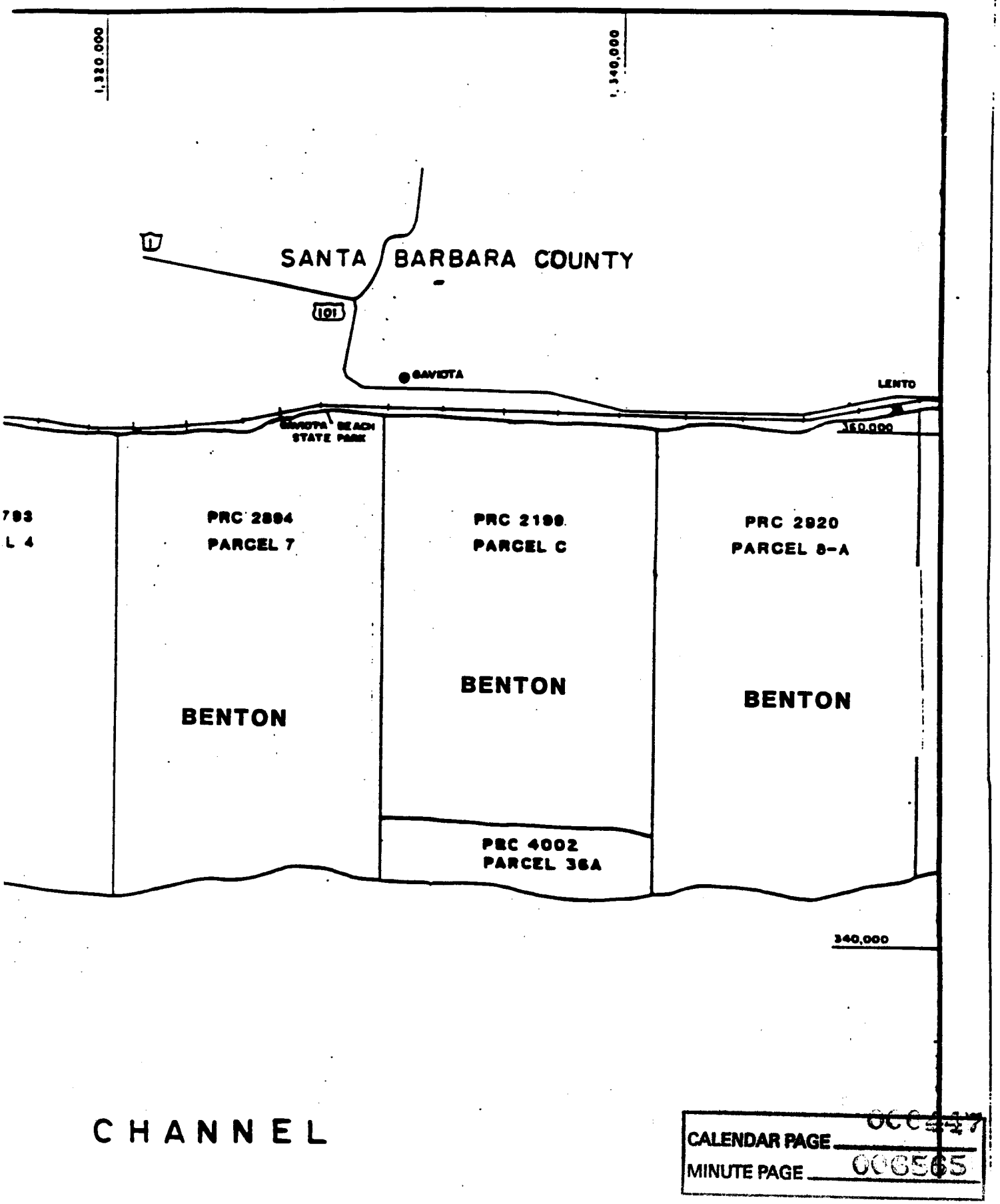

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Figure ES-1 Gaviota Consolidated Oil and Gas Processing Site Boundary and Consolidated Oil and Gas Planning Area Boundary

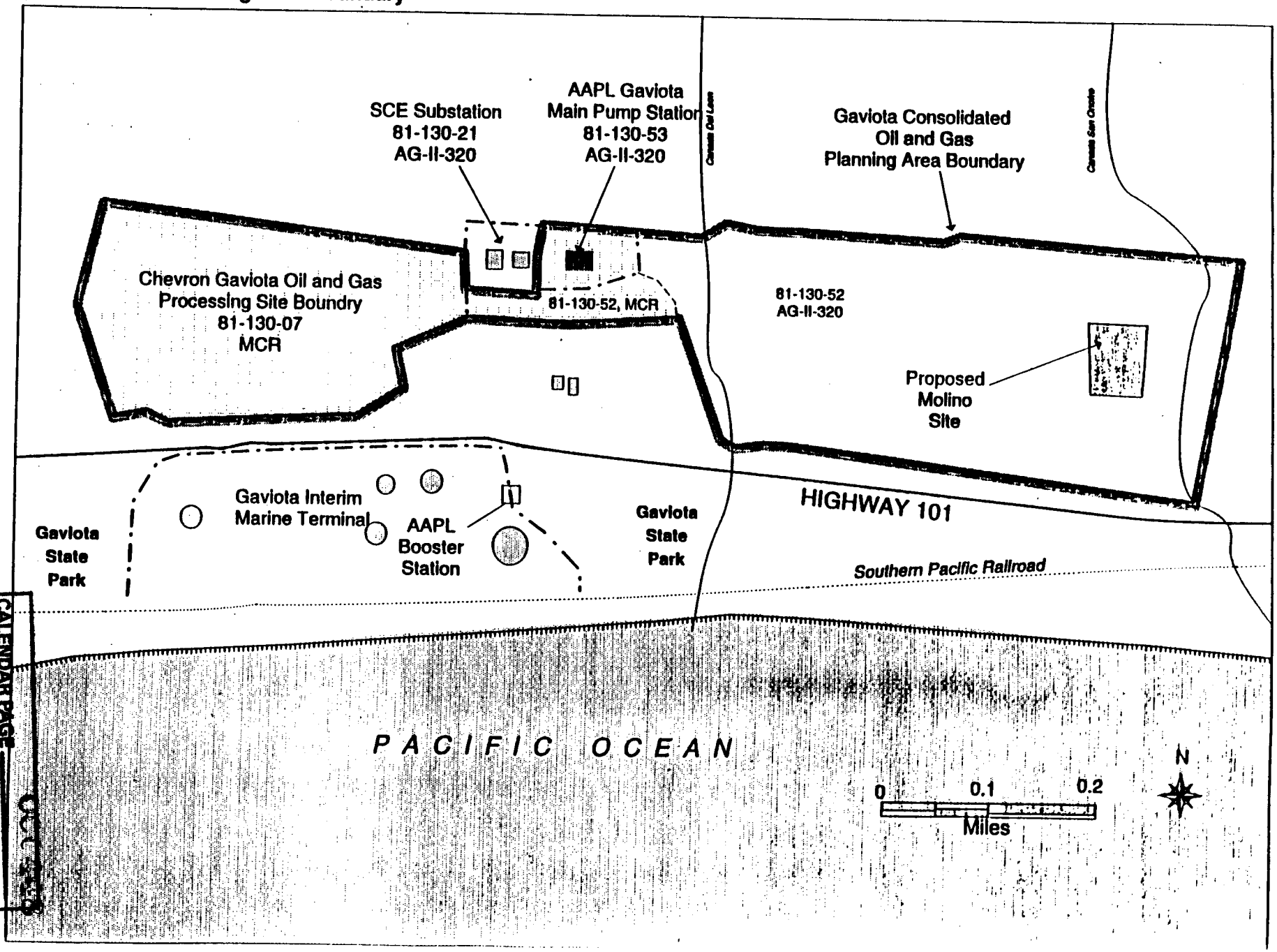

EXHIBIT B

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