

**INFORMATIONAL
CALENDAR ITEM
C79**

INFORMATIONAL ONLY
No Action Taken

A 35, 37

04/20/00

PRC 2199.1

PRC 2894.1

PRC 2920.1

A. Nitsche

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**SIX MONTH STATUS REPORT OF DEVELOPMENT PLAN FOR
OIL AND GAS LEASE NOS. PRC 2199.1, PRC 2894.1, AND
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 2920.1 and PRC 2894.1 each contain approximately 4,250 acres of tide and submerged lands located offshore Gaviota in Santa Barbara County.

BACKGROUND

At the meeting of the California State Lands Commission (Commission) on September 3, 1999, the Commission granted a drilling deferment until November 14, 2000, to Benton Oil and Gas Company (Benton) for Oil and Gas Lease Nos. PRC 2920.1, PRC 2199.1 and PRC 2894.1. The deferment was congruent with certain County of Santa Barbara permits providing for a time period in which to commence and restart operations. In granting the deferment, the Commission asked Benton Oil to report back in six months as to the status of the development project. Attached are Benton's status report and Benton's comments to Santa Barbara County's Gaviota R-1 Draft Environmental Impact Report regarding the alternative for future use(s) of the Gaviota Consolidated Facility. The decision on the fate of this facility has a significant economic impact on Benton's plans. Commission staff will continue to monitor the project to promote follow through.

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CALENDAR ITEM NO. C79 (CONT'D)

EXHIBITS:

- A. Six Month Status Letter from Benton Oil and Gas Company
- B. Benton's Response to Gaviota R-1 Draft Environmental Impact Report

PERMIT STREAMLINING ACT DEADLINE:

N/A

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EXHIBIT A

March 31, 2000

VIA FACSIMILE
(562) 590-5210

Mr. Paul B. Mount II, Chief
Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

Re: Six Months Status Report. Benton Molino Project,
Santa Barbara County, California

Dear Mr. Mount:

The purpose of this letter is to report as to the status of the Benton Molino Project. At the meeting of the California State Lands Commission (SLC) on September 3, 1999, the SLC granted a drilling deferment until November 14, 2000 for Molino California State Leases PRC 2920, 2199 and 2894. The deferment corresponded with certain County of Santa Barbara permits providing for a time period in which to commence and restart operations. In granting the deferment, the SLC asked Benton Oil and Gas Company to report back in six months as to the status of the project.

Current plans for the Molino Project center upon the onshore Gaviota/Caliente Sweet Gas Project. The project involves a potential reentry of the 2199 #7 well, cementing and reperfoming the Sacate/Matilija sections and production testing, if warranted. A potential test of the Caliente Field could recur at a later date if the reentry is successful.

The steps that have been completed are as follows:

- Engineering analysis of reentry and testing of 2199 #7 well.
- Review Draft Environmental Impact Report (EIR) for Chevron R-1 hearing and submittal of Letter of Comments (LOC) to County of Santa Barbara for project utilization of certain facilities. (Copy of LOC attached.)
- Preparation of detailed reentry and abandonment cost summary (AFE).
- Gas marketing review including pipeline and meter availability and discussions with various gas purchasers.
- Review of drilling rig availability and transfer permits required, if any.
- Presentation of well reentry to industry for joint participation risk sharing.
- Review of various on-site production facilities and costs.
- Review of unitization procedures for common formations.

Mr. Paul B. Mount II, Chief
March 31, 2000
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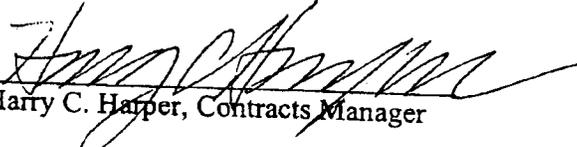
The Santa Barbara County EIR for the Chevron R-1 Hearing which could include complete removal or partial abandonment of the Gaviota Gas Processing Plant has been redrafted and will be recirculated, commencing a new 45-day comment period estimated to start on or about April 1, 2000. Benton's current estimate of when this process will be finalized, including public hearings and potential appeals, could be sometime in the fall of 2000. Benton plans to offer additional comments during the County's R-1 review process and to reiterate its requirements for certain Gaviota facilities which are deemed economically necessary by Benton for project financing and potential joint participation risk sharing. Depending upon timing or results of the Chevron R-1 Hearing, however, Benton may economically be required to request an additional drilling deferment from the California State Lands Commission and an extension of the County of Santa Barbara permit(s).

We trust that this will give you a picture of the progress and status of the project. Please do not hesitate to let us know if you have any questions.

With best regards,

Yours very truly,

BENTON OIL AND GAS COMPANY

By 
Harry C. Harper, Contracts Manager

HCH:cd
Enclosure

cc: Diane Meester
John Stahl
Andrew Mirkin
Al Willard
Jeff Planck

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Post-it® Fax Note		1	Date 1-12	# of Pages 2
To	Chris Doktor		From	J. Strain
Co./Dept.			Co.	
Phone #			Phone #	
Fax #			Fax #	

December 13, 1999

Mr. Kevin Drude, Planner
Energy Division, Planning & Development
County of Santa Barbara
1226 Anacapa Street
Santa Barbara, California 93101

EXHIBIT B

Re: Comments on the Chevron R-1 Programmatic EIR

Dear Mr. Drude:

Benton Oil & Gas Company ("Benton") offers the following comments on the subject Draft EIR. Overall the document provides the reader with a comprehensive evaluation of the alternatives facing the County and the Oil Industry regarding the future of the Gaviota Consolidated facility.

We have one major problem with the Draft EIR, that being the finding that complete removal of all facilities and rezoning the site to non-oil related uses is the environmentally superior alternative. The environmentally superior alternative should be one that provides least amount of eventual impacts associated with continuing use of the existing Consolidated Oil and Gas Planning area, and a portion of the zoning that accompanies the planning area.

The County, Coastal Commission and County voters through adoption of Measure A understood the need for some onshore development associated with offshore oil development. To not allow some form of future potential oil and gas processing to remain at Gaviota will result in future offshore processing having to take place on platforms, even in State waters. The idea of requiring all sour gas to be processed at Las Flores Canyon is uneconomical, infeasible, and may result in no new oil and gas development occurring off of the Gaviota area.

We feel that the following scenario should be considered as the environmentally superior alternative. First, the existing Consolidated Oil and Gas Planning areas at Gaviota would remain untouched as to boundaries. Second, the entire developed area west of Canada Alcatraz which contains 90% of the developed site would be removed, restored, and rezoned to AG-II-320. Only the access road to the area east of Canada Alcatraz would remain west of the creek. Third, the Consolidated Planning area east of Canada Alcatraz would remain intact, except the zoning would be changed to MCR from MCD. This would allow a very small area around the existing NGL storage tanks and bone yard available for small scale processing. The fire water system, AAPL pump station, NGL/Condensate storage and loading system, and "bone yard", would remain for future users. Contrary to a statement made on page 4.0-8 of the report Benton does not have any future use for any of the GTC storage. The existing condensate tanks east of Canada Alcatraz are adequate for future oil storage for Benton's needs.

5267 Carpinteria Avenue, Suite 200 • Carpinteria, CA 93013 • Phone: (805) 566-5600 • Fax: (805) 566-5610

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We feel that our proposed scenario allows the public to enjoy the immediate benefit of removal of over 90% of the equipment and facilities located at the Gaviota site, while maintaining basic minimum options for some future oil and gas development at this location.

By retaining the entire Consolidated Planning area the County would also allow additional drilling opportunities in the area west of the Canada Alcatraz, and continued drilling at the existing Molino drill site. This would provide Benton Oil and Gas Company with direct access to our offshore Caliente and possibly the Alegria reservoirs, plus the Molino field.

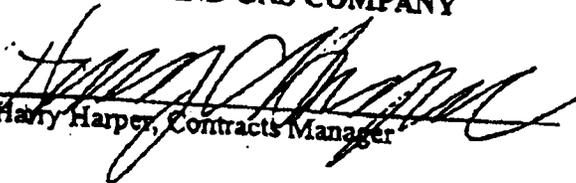
Without leaving the Consolidated Planning Area and a portion of the zoning that allows processing in place, the County is leaving offshore lease holders with little option but to develop their Leases from offshore platforms. In fact, the Draft EIR is moot on the entire critical issue of development of the offshore State Leases except for a brief reference that a future study will be accomplished. There is no discussion under the Full Abandonment alternative as to how the Gaviota area Leases will be developed. Under this alternative the County is leaving the Lease holder with no alternative except for the installation of an offshore drilling and processing platform. This would seem to be contrary to many existing County and State policies that favor onshore processing of offshore oil. Before any decision is made on the future of the Gaviota facilities, the County must address this critical issue.

In conclusion Benton Oil and Gas Company has no objection to the abandonment of the majority of the Gaviota Consolidated Oil and Gas Facility and the GTC Marine Terminal as long as the Consolidated Planning Area and industrial zoning east of Canada Alcatraz is left in place. We are also interested in seeing that portions of the existing equipment in this area remain in place for future users.

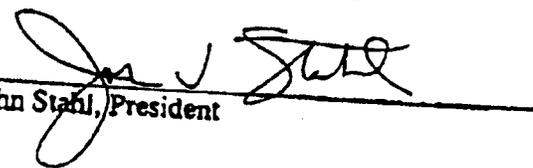
Thank you for your consideration.

Sincerely yours,

BENTON OIL AND GAS COMPANY

By 
Harry Harper, Contracts Manager

MOLINO ENERGY COMPANY

By 
John Stahl, President

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