

**CALENDAR ITEM
C65**

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06/18/02
PRC 7976.1
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**CONSIDER APPROVAL OF A DEFERMENT OF THE DRILLING
OIL AND GAS LEASE NO. PRC 7976.1,
NURSE SLOUGH,
SOLANO COUNTY**

LESSEE/OPERATOR:

Slawson Exploration Company, Inc.
Attn.: Ms. Helen Capps
1625 Broadway, Suite 1450
Denver, CO 80202-4714

Santa Barbara Resources, Inc.
Attn.: Ms. Phyllis N. Ventura
5813 Goleta Road
Santa Barbara, CA. 93117

AREA, TYPE LAND AND LOCATION:

Oil and Gas Lease No. PRC 7976.1 (Lease) contains approximately 42 acres in the bed of Nurse Slough in Solano County.

BACKGROUND:

Oil and Gas Lease PRC 7976.1 was issued on July 11, 1997 to McFarland Energy Company (80%) and Santa Barbara Resources Inc. (20%). McFarland directionally drilled the Kirby Hills 24-1 Well under Nurse Slough in August 1997. The Kirby Hills 24-1 had significant shows of natural gas, but was considered uncommercial and was plugged and abandoned. One Hundred percent (100%) of McFarland Energy Company's 80 percent (80%) interest in PRC 7976.1 was assigned to Slawson Exploration Company, Inc. (Slawson) on January 29, 1999. Slawson drilled the B&B #1 Well adjacent to Nurse Slough in 2001. The well was unproductive and was plugged and abandoned in June 2001.

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Slawson, by letter of March 8, 2002, has requested a one-year extension of the drilling term set forth in Exhibit B, Paragraph 1 of the Lease. Slawson has advised Staff of its intent to pursue a development program in the area. Their plans could include negotiations with Towne Exploration Company (Towne) for a pooling unit depending on the results of Towne's upcoming redrill and deepening of the B&B #1 well adjacent to Nurse Slough. Slawson has requested additional time to evaluate geological data to determine future drilling locations and/or to complete pooling negotiations with Towne (which would include all or part of this lease). Slawson is, and has been, diligently pursuing activities to make PRC 7976.1 a productive lease. Staff recommends granting a one-year extension of the drilling term to July 10, 2003, to enable Slawson time to accomplish this goal.

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 under the general rule that the CEQA applies only to projects, which have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, that there is no possibility that this project may have a significant effect on the environment.

Authority: Title 14, California Code of Regulations, section 15061 (b) (3).

EXHIBITS:

- A. Land Description
- B. Location Map
- C. Slawson's Extension Request Letter

PERMIT STREAMLINING ACT DEADLINE:

October 20, 2002

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CALENDAR ITEM NO. C65 (CONT'D)

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 THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 (b) (3).

AUTHORIZATION:

APPROVE A ONE-YEAR EXTENSION OF THE DRILLING TERM UNDER OIL AND GAS LEASE NO. PRC 7976.1, UNTIL JULY 10, 2003.