MINUTE ITEM

This Calendar Item No. C58 was approved as Minute Item No. 58 by the California State Lands Commission by a vote of 3 to 0 at its 10/20/03 meeting.

CALENDAR ITEM
C58

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10/20/03
PRC 208.1
PRC 3120.1
PRC 3242.1
J. Planck
M. Le Clair

CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM OF OIL AND GAS LEASE NO. PRC 208.1 AND GRANT AN EXTENSION OF EIGHTEEN MONTHS FOR THE REMAINING TWO WELLS INCLUDED IN THE HOLLY RE-DRILL PROJECT, SOUTH ELLWOOD FIELD, OFFSHORE SANTA BARBARA COUNTY

LESSEE:

Venoco, Inc.
Attn.: Mr. Stephen A. Greig
5464 Carpinteria Ave, Suite J
Carpinteria, CA 93013-1423

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease Nos. PRC 208.1, PRC 3120.1 and PRC 3242.1 contain 1,920 acres, 3,324 acres, and 4,290 acres, respectively, of tide and submerged lands, South Ellwood area, offshore Santa Barbara County (Exhibit A, attached hereto).

BACKGROUND:

Oil and Gas Lease No. PRC 208.1 was originally issued to Signal Oil and Gas Company on January 18, 1946. Oil and Gas Lease No. PRC 3120.1 was originally issued on April 29, 1964, to Atlantic Richfield Company (ARCO) and Oil and Gas Lease No. PRC 3242.1 was originally issued on April 8, 1965, to Atlantic Richfield Company (ARCO) and Mobil Oil Company. The present lessee, Venoco, Inc. (Venoco), operates Lease Nos. PRC 208.1, PRC 3120.1, and PRC 3242.1.

Platform Holly was installed by ARCO on Lease No. PRC 3242.1 in 1966. There are 30 well slots, and all have been used to drill wells between 1966 and 1985 in

Leases PRC 3120.1 and 3242.1. Lease No. PRC 208.1 produced from onshore wells from 1946 until 1993 when all wells were plugged and abandoned to current State regulations. An offshore exploratory well was drilled and abandoned from a mobile vessel in PRC 208.1 in 1984/1985.

On August 5, 2003, the Commission's Long Beach staff received the document "Full Quitclaim Deed for State Oil and Gas Lease (Exhibit B, attached hereto)." This document is dated August 4, 2003, and quitclaims back to the State all of the lessee's right, title and interest in the leased lands in Oil and Gas Lease No. PRC 208.1.

All wells drilled into PRC 208.1 have been properly abandoned, and there are no outstanding obligations on this lease. A review of the Commission's files reveals that no default exists on the Lease, that the lessee has complied with all applicable laws and Lease provisions, and has paid all rentals.

Venoco, by letter dated July 17, 2003 (Exhibit C, attached hereto), requests an 18-month extension of the drilling window on the remaining two wells included in the Holly Re-Drill Project (Exhibit D, attached hereto) approved by the Commission on September 17, 2001. The Commission's approval gave Venoco 18 months from the date drilling of the first well was begun to re-drill all three wells. One into lease PRC 3242.1 and two into the proposed quitclaim lease PRC 208.1. Re-drilling of the first well began in the last week of May 2002; therefore, the original 18-month period will expire at the end of November 2003. The requested extended drilling window moves the deadline by which Venoco must complete the Re-Drill Project to May 2005. Venoco completed the first of the three wells into Lease No. PRC 3242.1 in the third quarter of 2002, but the initial results were below expectations. The Project evaluated in the Mitigated Negative Declaration (CSLC ND 705, State Clearinghouse No. SCH 2001021016, on file at Commission offices) contemplated drilling two wells into 208.1 and one well into 3242.1. Due to the requested quitclaim of lease PRC 208.1, Venoco intends to pursue the Re-Drill Program in the area, but will need additional time to re-evaluate data to determine both of the future drilling locations. The remaining two wells originally programmed for completion on Lease No. PRC 208.1 are tentatively proposed to be relocated to Lease No. PRC 3242.1 and/or PRC 3120.1. The actual bottom hole locations are subject to review and approval by Commission staff.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code section 6804.1 and Lease Paragraph 4.

B. Public Resources Code section: Division 6, Parts 1 and 2; Division 13.
C. California Code of Regulations section: Title 2, 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 15060(c)(3)], the staff has determined that the acceptance of the quitclaim is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 15378.

2. 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 the granting of the extension of time within which Venoco must complete two additional re-drills is exempt from the requirements of the CEQA under the general rule that the CEQA applies only to projects that have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, specifically the Santa Barbara County APCD extension of the exemption for the activity (Exhibit E), and the Mitigated Negative Declaration prepared for the Re-Drill Program as adopted by the Commission on September 17, 2001, CSLC ND 705, State Clearinghouse No. SCH 2001021016, that there is no possibility that this project may have a significant effect on the environment. The Mitigation Monitoring Program (Exhibit F, attached hereto), also adopted by the Commission on September 17, 2001, remains in full force and effect until the completion of the two remaining re-drills.

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

EXHIBITS:

A. Location Map
B. Executed Quitclaim Deed
C. Venoco letter dated July 17, 2003
D. Calendar item for Holly Re-Drill Project (September 17, 2001) w/o exhibits
E. Letter from the Santa Barbara County Air Pollution Control District
F. Mitigation Monitoring Program

PERMIT STREAMLINING ACT DEADLINE:
N/A

RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

1. FIND THAT THE ACCEPTANCE OF THE QUITCLAIM IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

2. FIND THAT GRANTING THE EXTENSION OF TIME WITHIN WHICH VENOCO MUST COMPLETE TWO ADDITIONAL WELLS 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:

1. ACCEPT FROM VENOCO, INC., (LESSEE) THE (FULL) QUITCLAIM DEED FOR OIL AND GAS LEASE NO. PRC 208.1, DATED AUGUST 4, 2003, WHEREIN THE LESSEE QUITCLAIMS BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS DESCRIBED IN EXHIBIT A, ATTACHED HERETO, OF OIL AND GAS LEASE NO. PRC 208.1 DATED JANUARY 18, 1946.

2. FIND THAT THE MITIGATION MONITORING PROGRAM (MMP) ADOPTED BY THE COMMISSION ON SEPTEMBER 17, 2001, REMAINS IN FULL FORCE AND EFFECT UNTIL THE COMPLETION OF THE RE-DRILL PROJECT REFERENCED HEREIN.

3. APPROVE AN EXTENSION OF THE DRILLING WINDOW FOR THE COMPLETION OF THE RE-DRILL PROJECT THROUGH END OF MAY 2005.

4. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

EXHIBIT A

PRC 208.1
PRC 3120.1
PRC 3242.1

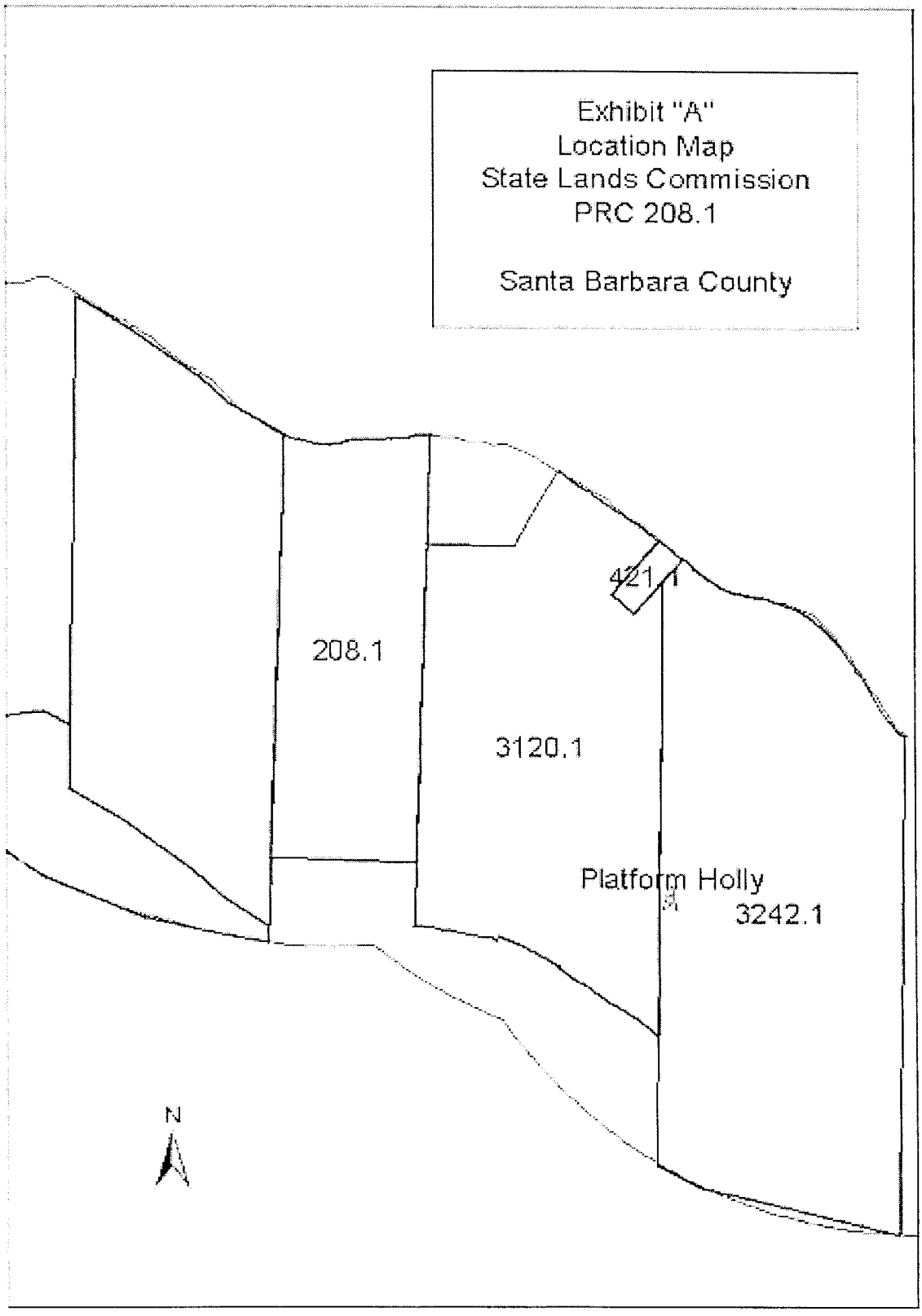

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EXHIBIT B

PRC 208.1
PRC 3120.1
PRC 3242.1

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202
Attn: Title Unit

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation
Pursuant to Government Code Section 27383

No Tax Due

SPACE ABOVE THIS LINE FOR RECORDER'S USE

LEASE QUITCLAIM DEED
FOR STATE OIL AND GAS LEASE

State Oil and Gas Lease No. PRC 208.1 (Lease), covering certain State lands located in Offshore Santa Barbara County(ies), State of California, was issued by the State of California, acting through the California State Lands Commission (State), on January 18, 1946, which lands are further described in the attached Exhibit A.

Venoco, Inc. (Lessee) is the present holder of 100 % interest the Lease.

Pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee does hereby release, remise and forever quitclaim unto the State of California all of its right, title and interest in and to the State lands held by virtue of the Lease.

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IN WITNESS WHEREOF, this Quitclaim Deed is executed this 4th day of AUGUST, 2003

LESSEE: VENOCO, INC.

By: _____
(Signature)

Rod Eggen
(Name of Officer)

President & CEO
(Title)

Acknowledgement

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Exhibit "A"

DESCRIPTION OF THE PROPERTY

All of Venoco Inc.' s right, title and interest in and to those certain tracts of tide and submerged lands, situated in the County of Santa Barbara, State of California, being described as follows:

State Lease PRC 208.1:

[Lease Legal Description Here]

Beginning at a point on the ordinary high water mark of the Pacific Ocean, at the Northeasterly corner of State Oil and Gas Lease No. 98, which point is designated as Monument No. 4 upon "Map of State Leases and Permits, Elwood Oil Field," approved by the Division of State Lands, November 1, 1929, and recorded in Santa Barbara County; thence along a meander of the ordinary high water mark N. 70° 20' W. 942.36 feet; thence N. 64° 56' 40" W. 254.22 feet; thence N. 73° 13' 40" W. 551.82 feet; thence N. 63° 17' 30" W. 301.17 feet; thence N. 76° 10' 40" W. 272.96 feet; thence S. 34° 35' 46" W. 24.52 feet; thence S. 68° 44' W. 248 feet; thence N. 82° 38' 16" W., 2,360.56 feet to a point which is the Northwesterly cornor of State Oil and Gas Lease No. P.R.C. 129, the true point of beginning; thence South 15,840 feet along the Western boundary of said Lease No. P.R.C. 129 and its projection to a point in the Pacific Ocean; thence West 5,370.92 feet to a point in the Pacific Ocean; thence North 15,663.58 feet to a point on the meander of the ordinary high water mark of the Pacific Ocean; thence along said meander line S. 68° 30' E. 119.41 feet; thence S. 77° 54' E. 1,036.00 feet; thence East 253.06 feet; thence S. 79° 50' E. 238.00 feet; thence N. 79° 49' E. 394.00 feet; thence N. 72° 54' E. 558.00 feet; thence East 353.00 feet; thence N. 83° 48' E. 761.00 feet; thence East 588.00 feet; thence N. 80° 19' E. 1,079.90 feet; thence S. 76° 35' 51" E. 78.48 feet to the true point of beginning;

and obntaining approximately 1,920 acres.

Acknowledgment

State of California
County of Santa Barbara

On August 4, 2003 before me, Michael G. Edwards, Notary Public,
DATE NAME, TITLE OF OFFICER - E.G. "JANE DOE, NOTARY PUBLIC"

personally appeared, ROD ESON, President & CEO,
NAME(S) OF SIGNER(S)

personally known to me - ~~OR proved to me on the basis of satisfactory evidence~~ to be the person(~~s~~) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(s) on the instrument the person(~~s~~), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

MICHAEL G. EDWARDS
Commission # 1400067
Notary Public - California
Santa Barbara County
My Comm. Expires Feb 11, 2007

(Seal)

Signature of Notary

mike\docs\acknowlg.doc

EXHIBIT C

PRC 208.1
PRC 3120.1
PRC 3242.1

VENOCO INC

5464 Carpinteria Ave., Suite J
Carpinteria, CA 93013-1423
805.745.2100
Fax 805.745.1846

July 17, 2003

Mr. Paul Mount
California State Lands
200 Oceangate, Suite 12
Long Beach, CA 90802

Dear Mr. Mount,

Although our geological re-interpretation and revised reservoir model of the South Ellwood Field are still in progress, Venoco has decided to offer to quitclaim Lease 208 back to the State. As you are aware, Venoco received approval to re-drill three wells from Platform Holly in September 2001. One of these wells was to be drilled into Lease 208. If the Lease 208 well was successful in finding hydrocarbons and producing in paying quantities, Lease 208 would have converted from its primary term to its HBP term and Venoco would continue to hold the lease for future production and development of the resources of the State.

As you know, we completed the first of the three permitted re-drills in the South Ellwood Field, well 3242-7-2, in the third quarter of 2002 and initial results from that well were quite different than predicted. Subsequent multiple recompletions (perforating and stimulating additional interval) of this well have resulted in a well that is economically viable, however, the overall results have indicated flaws in our initial characterization of the reservoir. In the five months since the most recent recompletion, our technical team has been working with Ryder-Scott and other consultants to develop improved geological and reservoir simulation models for the Monterey formation. This work is still in progress.

Based on our analysis to date, our technical team has decided that it would be better to quitclaim Lease 208 and request a time extension on the remaining re-drills, than to drill a sub-optimum well (potentially uneconomic). We therefore request that in consideration of the quitclaim, the previously requested extension of 18 months be granted on the re-drill permits to allow ample time to complete the revised models and select optimum locations for the final two wells.

As you requested, Venoco has preliminarily identified tentative new bottom hole locations for the remaining two re-drills. The first of these two locations will not be finalized until after the technical work is completed and the subsequent location will not be finalized until the results of the second well are integrated into our reservoir models. The proposed locations are:

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Well	TD	TVD	Coordinates relative to Holly
3242-14-1	10160'	3600'	1471' S 8113' E - Monterey infill
3242-19-1	16037'	10650'	2436' N 10332' W - Middle Sespe

We believe the requested extension does not impact the previous Mitigated Negation Declaration (MND). Venoco agrees to continue to comply with all incorporated mitigation and conditions of approval from the re-drill project as approved in September 2001. The extension of time to conduct the re-drills and the changes of the bottom hole locations will not affect any of the findings of the MND. Those findings were based on potential environmental impacts due to surface activities of the project and the act of drilling three re-drills. The extension will not change those impacts.

Specifically, the question has been raised if the extension will affect the permit exemption received from the Santa Barbara County Air Pollution Control District permit (APCD). The exemption limits the number of re-drills that can be drilled in a twelve-month period. It does not limit the length of the time allowed to complete the three re-drills. A letter requesting the APCD's concurrence that the extension does not impact the exemption was sent on July 16, 2003.

Additionally, the MND contemplated the potential changing bottom hole locations. Section 7.2.2 of the MND states: "Actual bottom hole locations will not be subject to review and approval by the SLC staff." Therefore, any impacts associated with changing re-drill well locations have already been considered in the MND.

The additional time requested to better evaluate the location of the remaining re-drills will allow Venoco to maximize the value of the reserves to the State and to us. Thank you for your consideration of this request.

Best Regards,

Stephen A. Greig
Manager Health Environment & Safety

cc: Rod Eson
Cy Oggins, SLC
Rick Ludlow, SLC

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EXHIBIT D

PRC 208.1
PRC 3120.1
PRC 3242.1

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PRC 208.1
PRC 3242.1
J. Planck

CONSIDER REQUEST TO REDRILL THREE WELLS ON PLATFORM HOLLY, OIL AND GAS LEASE NOS. PRC 208.1 AND 3242.1, ELLWOOD AREA, OFFSHORE SANTA BARBARA COUNTY

LESSEE/OPERATOR:

Venoco, Inc.
Attn.: Mr. Stephen A. Greig
5464 Carpinteria Ave., Suite J
Carpinteria, CA 93013-1423

AREA, TYPE LAND AND LOCATION:

Oil and Gas Lease Nos. PRC 208.1 and PRC 3242.1 contain 1,920 acres and 4,290 acres, respectively, of tide and submerged lands, Ellwood area, offshore Santa Barbara County.

BACKGROUND:

Oil and Gas Lease No. PRC 208.1 was originally issued to Signal Oil and Gas Company on January 18, 1946. Oil and Gas Lease No. PRC 3242.1 was originally issued on April 8, 1965, to Atlantic Richfield Company (ARCO) and Mobil Oil Company. The present lessee is Venoco, Inc., (Venoco), who operates Lease Nos. PRC 208.1, PRC 3242.1, and PRC 3120.

Platform Holly was constructed by ARCO in 1966. There are 30 well slots, and all have been used to drill wells in Leases PRC 3120.1 and 3242.1 between 1966 and 1985. Lease No. PRC 208.1 produced from onshore wells from 1946 until 1993, when all wells were plugged and abandoned to current State regulatory standards.

In response to the federal blowout in the Santa Barbara Channel in 1969, the California State Lands Commission (Commission) executed a moratorium on all drilling pending a lease by lease review of operations and environmental documentation. The Commission approved resumption of drilling from Platform Holly (PRC 3120.1 and PRC 3242.1) in May 1975. The Commission approved resumption of exploratory drilling on Lease PRC 208.1 in February, 1982, and an exploratory well was drilled and abandoned from a mobile vessel in that lease in 1984/1985.

The project proposes to redrill three (3) existing wells on Platform Holly. Redrilling is a normal development procedure to fully develop mature oil fields, and to fulfil lease requirements. The wells are scheduled to take 60-90 days each to drill and complete. The wells will be drilled over an 18-month period. One well is proposed to be drilled in PRC 3242.1, and two wells are proposed to be drilled into PRC 208.1. The current production from Platform Holly is approximately 4,100 barrels of oil per day, and 4.1 million MCF gas per day. The project may generate an additional 1,500 to 2,000 barrels of oil per day, and 1.5 to 2.0 million MCF of gas per day. The oil and gas contain hydrogen sulfide (H_2S), as does all production from the Monterey formation. However, the drilling and production facilities on Platform Holly have been designed for this corrosive and toxic gas, and all precautions and training are already in place.

At the request of Commission staff, a structural review of Platform Holly was conducted by an engineering firm, and the results were confirmed by Commission staff. The structural analysis concluded that two columns on the platform need reinforcement to support loads projected to be generated by the redrill project. Venoco proposes to strengthen these columns by adding (welding) four "T"-beams on each column. In addition, several drilling deck truss joints will also be installed (consisting of triangular plates added at the intersection of the diagonal bracings). In order to ensure the weld, the paint will need to be stripped in the areas to be welded. Through the lead content is well below Cal/OSHA thresholds, a Paint Stripping and Containment Procedure was provided to comply with the State's no discharge requirement. That procedure has been included in the environmental documentation that was prepared for this project.

In addition, a Commission Engineering Safety Audit was performed with Venoco on Platform Holly between July and December 1999. Corrective actions were taken by Venoco, and there remains only some low priority action items to be completed. All of the items are scheduled to be completed by January 1, 2002.

Staff recommends that the Commission condition initiation of the redrilling of the first well of the project, if approved, only upon the successful completion of these action items.

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 15025), the staff prepared a Proposed Negative Declaration identified as CSLC ND 705, State Clearinghouse No. SCH 2001021016, and circulated that document for thirty (30) days for public review and comment on February 5, 2001. The document was revised due to subsequent amendments to the project description submitted by Venoco, and in consideration of comments received on the original Proposed Negative Declaration. The Proposed Revised Mitigated Negative Declaration identified as CSLC MND 705, State Clearinghouse No. SCH 2001021016, was recirculated for public review and comment on May 18, 2001. The document was revised again to amend the project description to include the additional structural work to be done, and in consideration of comments received on the Proposed Revised Mitigated Negative Declaration, specifically the addition of a degasser to the drilling fluids handling equipment (requested by SBAPCD). The Proposed Revised Mitigated Negative Declaration identified as CSLC MND 705, State Clearinghouse No. SCH 2001021016, was recirculated for an additional 20 days for public review and comment on July 12, 2001.

2. The Proposed Mitigated Negative Declaration and the Proposed Revised Mitigation Negative Declaration was prepared and circulated for public review and comment pursuant to the provisions of the CEQA.

   Based upon the Initial Study, the Proposed Revised Mitigated Negative Declaration, and the comments received in response thereto, there is no substantial evidence that the project will have a significant effect on the environment; Title14, California Code of Regulations, section 15074(b).

3. A Mitigation Monitoring Program has been prepared in conformance with the provisions of the CEQA (Public Resources Code, section 21081.6) and is contained in Appendix A, attached hereto, in the Proposed Revised Mitigated Negative Declaration.

4. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code, section 6370, et seq. Based upon staff's consultation with the applicant and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

5. Venoco has also submitted an application to the Commission staff and Santa Barbara County on a separate and unrelated project entitled the "Full Field Development." The project, as we currently understand it, envisions an extension of Oil and Gas Lease No. PRC 3242 eastward (toward the City of Santa Barbara), extended reach drilling from platform Holly into the extension area, removal of the Ellwood marine oil terminal, reduction in the size of the Ellwood onshore processing facility, and a new oil pipeline to move the "new oil" out to a common carrier. This would also generate new revenue to the State and County. The application is currently incomplete and staff is waiting on resubmission of the application.

EXHIBITS:

A. Location Map
B. Proposed Revised Mitigated Negative Declaration and Mitigation Monitoring Program (MMP)

PERMIT STREAMLINING ACT DEADLINE:

N/A.

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

1. CERTIFY THAT A PROPOSED REVISED MITIGATED NEGATIVE DECLARATION, CSLC MND 705, STATE CLEARINGHOUSE NO. 2001021016 WAS PREPARED FOR THIS PROJECT PURSUANT TO THE PROVISIONS OF THE CEQA, THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED

THEREIN; AND IN THE COMMENTS RECEIVED IN RESPONSE THERETO AND THAT THE MITIGATED NEGATIVE DECLARATION REFLECTS THE COMMISSION'S INDEPENDENT JUDGEMENT AND ANALYSIS.

2. ADOPT THE PROPOSED REVISED MITIGATED NEGATIVE DECLARATION AND DETERMINE THAT THE PROJECT, AS APPROVED, WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT;

3. ADOPT THE MITIGATION MONITORING PROGRAM, AS CONTAINED IN APPENDIX A OF EXHIBIT B, ATTACHED HERETO, AND INCORPORATED BY REFERENCE HEREIN; AND,

4. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE, SECTION 6370, ET SEQ.

AUTHORIZATION:

APPROVE THE APPLICATION FOR THE PROJECT AS DESCRIBED WITHIN THE ATTACHED PROPOSED REVISED MITIGATED NEGATIVE DECLARATION, FOR THE DRILLING OF THREE WELLS (REDRILLS) FROM PLATFORM HOLLY OVER AN EIGHTEEN (18) MONTH PERIOD, SUBJECT TO THE FOLLOWING CONDITIONS:

1. APPLICANT TO ADHERE TO THE MITIGATION MONITORING PROGRAM (MMP) DETAILED IN APPENDIX A OF THE PROPOSED REVISED MITIGATED NEGATIVE DECLARATION;

2. APPLICANT MAY NOT INITIATE ANY DRILLING UNTIL ALL OF THE ACTION ITEMS IN THE COMMISSION'S 1999 AUDIT OF PLATFORM HOLLY AND THE STRUCTURAL STENGTHENING ARE COMPLETED AND APPROVED BY COMMISSION STAFF;

3. APPLICANT MUST SUBMIT A WELL PROGRAM FOR EACH WELL, INCLUDING ALL INFORMATION REQUIRED BY THE COMMISSION'S RULES AND REGULATIONS, AND THE

LEASE, FOR ENGINEERING APPROVAL BY THE CHIEF OR ASSISTANT CHIEF OF THE MINERAL RESOURCES MANAGEMENT DIVISION OF THE COMMISSION, PRIOR TO INITIATION OF DRILLING; AND

4. APPLICANT SHALL ENTER INTO A REIMBURSIBLE AGREEMENT WITH THE COMMISSION FOR MITGATION MONITORING IN ORDER TO REIMBURSE THE COMMISSION OR THE COMMISSION'S CONSULTANT'S COSTS TO IMPLEMENT AND/OR ENFORCE THE PROPOSED REVISED MITIGATED NEGATIVE DECLARATION AND INCORPORATED BY REFERENCE HEREIN.

EXHIBIT E

PRC 208.1
PRC 3120.1
PRC 3242.1

Our Vision: Clean Air

Santa Barbara County
Air Pollution Control District

24 July 2003

Stephen A. Greig, Health, Environment and Safety Manager
Venoco, Inc.
5464 Carpinteria Avenue, Suite J
Carpinteria, CA 93013-1423

Subject: Permit Exemption Determination Number 10406-1: Platform Holly

Dear Mr. Greig:

The Santa Barbara County Air Pollution Control District (APCD) received your subject letter dated 16 July 2003. Based on a review of the Platform Holly project files, the APCD has determined any extension of the Platform Holly re-drilling project by 18 months by the State Lands Commission (SLC) will not affect the Permit Exemption Determination Number 10406-1, issued by the APCD in May 2001.

If you have any questions, please call me at (805) 961-8814.

Sincerely,

Sanjib Mukherji
Project Manager, Venoco Ellwood Stationary Source

xc: Laura Kranzler, Air Quality Coordinator, Venoco Inc.
Terry Dressler, SBCAPCD
Brian Shafritz, SBCAPCD
Project Files, Venoco Ellwood Stationary Source (SSID 01063): Permit Exemption Determination Number 10406-1
MSD/GSD Chronological Files

NT3\...\Venoco EOF Part 70 Permits (2001)\Exemption Request 10406-1\July 2003 Letter to SLC.Doc

Douglas W. Allard • Air Pollution Control Officer
260 North San Antonio Road, Suite A • Santa Barbara, CA • 93110 • www.sbcapcd.org • 805.961.8800 • 805.961.8801 (fax)

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APPENDIX A
MITIGATION MONITORING PROGRAM

OVERVIEW

This Mitigation Monitoring Program was developed to ensure that mitigation measures included in the Mitigated Negative Declaration (MND) are fully implemented to reduce environmental impacts to a less than significant level. In addition, the Mitigation Monitoring Program complies with the requirements of Public Resources Code 21081.6, which requires the lead agency to adopt a reporting or monitoring program.

The core of this program is the attached Implementation Table (Table A-1) listing mitigation measures from the project's MND, implementation timing, documentation required, and the agency responsible for monitoring. Venoco will conduct all re-drilling activities in coordination with California State Lands Commission (CSLC), Department of Conservation–Division of Oil, Gas, and Geothermal Resources (DOGGR), and Santa Barbara County Air Pollution Control District (APCD) staffs. All mitigation measures are required by the California State Lands Commission. This program is based on the following compliance actions:

- Air quality monitoring and reporting;
- Biological resources monitoring and reporting;
- Hazards and hazardous materials monitoring and reporting.

AIR QUALITY MONITORING AND REPORTING

Venoco will use existing Santa Barbara County APCD processes for monitoring and documentation to demonstrate compliance with the mitigation implementation in Table A-1. In addition, Venoco shall submit quarterly compliance reports to the CSLC.

BIOLOGICAL RESOURCES MONITORING AND REPORTING

Venoco will supply evidence to CLSC to ensure that the specified Biological Resources items in Table A-1 are incorporated into its annual training and orientation program to boat captains and offshore crew. The monitor shall also ensure that a copy of the mitigation measure requirements is provided on the bridges of the project vessels. Venoco will allow CSLC staff to inspect vessel bridges to ensure compliance. Any collisions with marine wildlife shall be reported to the National Marine Fisheries Service, California Department of Fish and Game, and CSLC pursuant to each agency's reporting procedures. In addition, Venoco shall submit quarterly reports to the CSLC summarizing any encounters with whales or other marine wildlife (i.e., threatened and endangered marine mammals and sea turtles).

HAZARDS AND HAZARDOUS MATERIALS MONITORING AND REPORTING

Venoco will monitor each re-drilled well to confirm that the gas from the well contains H_2S and therefore does not require the addition of odor. If the gas does not have a natural odor, Venoco will shut down drilling on that well until an odorant station is permitted and constructed to comply

with DOT regulations. Development and/or production on the well shall not recommence until so approved by the CSLC. Venoco shall submit H_2S data and findings for each re-drilled well to the CSLC and the Santa Barbara County Energy Division within two weeks after the completion of each re-drilled well.

Table A-1. Mitigation Monitoring Required by California State Lands Commission for Venoco Platform Holly Re-Drilling Project– Implementation Table

Mitigation Number	Mitigation Measure	Implementation Timing	Documentation Required	Agency Responsible
Air Quality				
AIR-1	Venoco shall re-drill no more than two wells in any 12-month period.	Throughout the re-drilling period	Quarterly Monitoring Report	CSLC
AIR-2	Venoco shall implement the following actions throughout the duration of the proposed project. [These measures are based upon the conditions identified in the Santa Barbara County APCD Permit Exemption Request Approval letter (May 3, 2001; Exemption Number 10406-1) and comments received from APCD on June 18, 2001.]	As required by Santa Barbara County APCD rules and regulations throughout the re-drilling period	APCD Air Quality Monitoring Records Quarterly compliance summary reports to the CSLC	Santa Barbara County APCD and CSLC
	Supply boat trips shall be limited to no more than one per day.			
	Required minimum control efficiencies shall be maintained across each of the catalytic converters.			
	An air-fuel ratio controller shall be installed and operated on each catalytic converter to maintain the required removal efficiencies.			
	Emissions source testing shall be performed on the Caterpillar G399 and G-3516 engines.			
	A Generator Engine Inspection and Maintenance Plan shall be implemented for each generator.			
	Fuel consumption of the project engines shall be monitored.			
	Emissions from engines used for the project shall be calculated.			

Table A-1. Continued

Mitigation Number	Mitigation Measure	Implementation Timing	Documentation Required	Agency Responsible
AIR-2 (continued)	Emission and vessel traffic data shall be transmitted to the Santa Barbara County APCD monthly, with a summary of the data provided to the CSLC each quarter.			
AIR-3.	Venoco shall submit to the APCD and CSLC for approval the design specifications and operational procedures of a system to control produced gases from the mud degasser (e.g., vapor recovery unit, flare, or carbon) prior to initiating the re-drilling project.	Prior to commencement of re-drilling	Design specifications and operational procedures	CSLC and APCD
Biological Resources				
BIO-1	Venoco shall incorporate the items specified below into its annual training and orientation program to boat captains and offshore crew. A copy of this list shall be provided on the bridges of the support vessels. Support vessel operators shall observe the following requirements taking into account vessel safety and navigational rules and regulations. Should a requirement be violated, Venoco shall report the incident in writing to the CSLC within three (3) days. The report shall describe the violation, surrounding circumstances, and why the incident could not be avoided.	Throughout the re-drilling period	Copy of written information provided to boat captains. Copy of training Video. Written permission for CSLC staff to confirm provision of written materials on support vessels. Incident reports submitted in writing to the CSLC within three (3) days that describe any violation, surrounding circumstances, and why the incident could not be avoided. Quarterly reports summarizing any encounters with whales or other marine wildlife (i.e., threatened and endangered marine mammals and sea turtles).	CSLC
	Support vessels will make every effort to maintain a distance of 1,000 feet from sighted whales and other threatened and endangered marine mammals and sea turtles.			
	Support vessels will not cross directly in front of migrating whales.			
	When paralleling whales, support vessels will operate at a constant speed that is not faster than the whales.			
	Female whales will not be separated from their calves.			
	Support vessels will not be used to herd or drive whales.			

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Table A-1. Continued

Mitigation Number	Mitigation Measure	Implementation Timing	Documentation Required	Agency Responsible
BIO-1 (continued)	If a whale engages in evasive or defensive action, support vessels will drop back until the animal calms or moves out of the area. Collisions with marine mammals or sea turtles shall be reported promptly to the federal and State agencies listed below pursuant to each agency's reporting procedures. Collisions with marine mammals shall also be reported to the below-listed Marine Mammal Rescue Center. Stranding Coordinator, Southwest Region (currently, Joe Cordero) National Marine Fisheries Service Long Beach, CA 90802-4213 (310) 980-4017 Enforcement Dispatch Desk California Dept. Fish and Game Long Beach, CA 90802 (909) 597-9823 (916) 445-0045 (during non-business hours) California State Lands Commission Environmental Planning and Management Division 100 Howe Avenue, Suite 100-South Sacramento, CA 95825-8202 (916) 574-1890 Marine Mammal Rescue Center 389 North Hope Ave. Santa Barbara, CA 93110-1572 (805) 687-3255			
Hazards and Hazardous Substances				
HAZ-1	If the composition of the gas from any of the three re-drilled wells on Platform Holly changes so that the gas is odorless, Venoco will shut down drilling on that well until an odorant station is permitted and constructed to comply with DOT regulations. Development and/or production on the well shall not recommence until so approved by the CSLC.	Throughout the re-drilling period	H_2S data and report on odor findings for each re-drilled well, submitted to the CSLC and the Santa Barbara County Energy Division within two weeks after the completion of each re-drilled well.	CSLC