

MINUTE ITEM

Case No. 38
Item
Lands
to 8/21/84
Meeting.

CALENDAR ITEM

A 35

S 18

38

08/21/84
PRC 2199
PRC 2894
Livenick

APPROVAL OF AMENDMENTS TO
STATE OIL AND GAS LEASES PRCs 2199 AND 2894,
SANTA BARBARA COUNTY

OPERATOR:

Chevron U.S.A.
P.O. Box 8000
Concord, California 94524-8000
Attention: Mr. Ralph Mayo

AREA, TYPE LAND AND 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 2894, have proposed a
program for the continuation of their
exploration of the leases. This matter will be
presented to the Commission for its
consideration during the early part of 1985.

Each lease currently has one producing well and
the lessees desire to have the flexibility to
shut in these wells for various technical
reasons, primary of which is the necessity of
removing the current gas processing plant at
Gaviota in order to replace it with a larger
plant designed to process CCS gas from the
Point Arguello field.

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In consideration for the suspended gas production, the lessees will pay monthly, \$400 for PRC 2199 and \$9,600 for PRC 2894 (June, 1984 royalty for both leases totalled \$1,140, average for 1983 was \$9,600 per month.) to the State, as compensatory royalty, until: (1) production is reestablished 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 quit claim the leases; or (4) September 1, 1989. The payment of compensatory royalties for the suspended gas production together with compliance with all other terms and conditions of the leases, including the drilling obligations, Exhibit "A" of the leases, will maintain the leases in full force and effect. The amendments have been executed by both lessees. These amendments do not grant the lessees any rights or interests not otherwise granted by the leases.

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 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. Adm. Code 15378.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTION IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE, SECTION 15061, BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C SECTION 21065 AND 14 CAL. ADM. CODE 15378.

CALENDAR ITEM NO. 38 (CONT'D)

2. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE AMENDMENTS TO STATE OIL AND GAS LEASE PRCS 2199 AND 2894 WHICH ARE ON FILE IN THE OFFICE OF THE COMMISSION AND MADE A PART HEREOF, TO PROVIDE FOR THE SUSPENSION OF GAS PRODUCTION FROM STATE 2199-SSGS-6 AND STATE 2894-SSCS-1, AND FOR THE PAYMENT OF COMPENSATORY ROYALTY AT THE RATE OF \$400 and \$9,600 PER MONTH, RESPECTIVELY UNTIL SUCH GAS PRODUCTION IS COMMENCED FROM THE WELLS OR OIL AND/OR GAS IS BEING PRODUCED FROM OTHER WELLS UNDER THE LEASES OR THE LEASES ARE TERMINATED PURSUANT TO PARAGRAPH 5 OF THE LEASE OR SEPTEMBER 1, 1989.