

MINUTE ITEM

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CALENDAR ITEM

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PRC 1824
PRC 3133
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DEFERMENT OF DRILLING OPERATIONS,
STATE OIL AND GAS LEASES
PRC 1824, PRC 3133, PRC 3150 AND PRC 4000

OPERATOR: Chevron U.S.A., Inc.
6001 Bollinger Canyon Road
San Ramon, California 94583-0905
Attn: Doug Uchikura

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease PRC 1824, issued on January 10, 1957, contains approximately 5,500 acres of tide lands. Current lessees of PRC 1824 are Chevron USA and Exxon. State Oil and Gas Lease PRC 3133, issued on May 28, 1964, contains 5,535 acres. Current lessee is Exxon. State Oil and Gas Lease PRC 3150, issued on July 28, 1964, contains 5,553 acres of tide lands. Current lessees of PRC 3150 are Chevron USA and Atlantic Richfield. State oil and gas Lease PRC 4000, issued August 28, 1968, contains 204 acres. Current lessees of PRC 4000 are Chevron USA and Atlantic Richfield. By separate agreement dated June 22, 1968 Chevron USA is operator of the existing facilities (platforms and onshore) which serve all four tracts.

SUMMARY:

Resumption of drilling operations from existing facilities (platforms) on Oil and Gas Leases PRC 1824, PRC 3150 and PRC 4000 were authorized by the Commission on October 28, 1976. Resumption of exploratory drilling on PRC 3133

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From existing Chevron facilities, located on Platform Heidi on Lease PRC 3150, was authorized on December 17, 1981. As a condition to the resumption of drilling on these four leases, the Commission has required that no more than one rig be operated at any time on any of the four platforms. The drilling term obligation on each of the four leases was modified so that drilling on any one of the leases satisfied the drilling obligation for all four leases. The leases were also modified to provide for a ninety-day interval between drilling obligations. Since resumption of drilling was approved, 27 wells have been drilled on the four leases. The last well was completed on August 7, 1985. No drilling is currently underway, and according to the terms of the revised leases drilling must be commenced by November 5, 1985 or the lessees will be in default.

In a letter dated October 22, 1985, Chevron, as operator of the four drilling platforms and the consolidated oil and gas processing center at Carpinteria and on behalf of its co-lessees in PRC's 1824, 3150, and 4000 identified potential problems on offshore and onshore facilities which place limits on both drilling and production capacities. On October 21, 1985 Exxon as sole Lessee submitted a similar letter with respect to PRC 3133. The limiting points that Chevron have been identified are as follows:

1. Platform Heidi shipping pump is currently at capacity with daily thruput of 7,000 to 8,000 total barrels of fluid;
2. Platform Hope gas compressor is currently at capacity - being reviewed for retrofit (horsepower upgrade);
3. The Carpinteria Plant wastewater handling facilities are now at capacity and are under review.

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4. Exxon PRC 3133.1 well proposals require Platform Heidi structural review and possible well-slot modifications. The initial study is due approximately January, 1986.

Chevron and Exxon have additional concerns pertaining to facilities:

- A. There are various combinations of facilities ownership between Chevron, ARCO and Exxon which hamper determination of an equitable cost distribution associated with facilities upgrades and modifications.
- B. Any substantial production increases and/or drilling activity will require negotiations of a new well-slot agreement and operating agreement between Chevron/ARCO and Exxon.

Chevron has initiated an engineering review of the facility/platform capacities and limitations. Additionally, Chevron is conducting a comprehensive geologic study of its leases, and is examining well workover opportunities at the platforms.

Chevron and Exxon believe that the necessary studies and work can be accomplished by November 4, 1986, and have jointly requested a twelve month deferment of drilling obligations.

Staff concurs with Chevron's and Exxon's assessment of the problem, and recommends that a 12 month deferment of drilling obligations be granted. The recommendation being conditioned on Chevron and Exxon to report to the staff quarterly on the progress of the studies on each of the above limiting points and that the drilling of a well will have commenced into one of those leases by November 5, 1986.

AB 884:

N/A.

OTHER PERTINENT INFORMATION:

1. 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: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

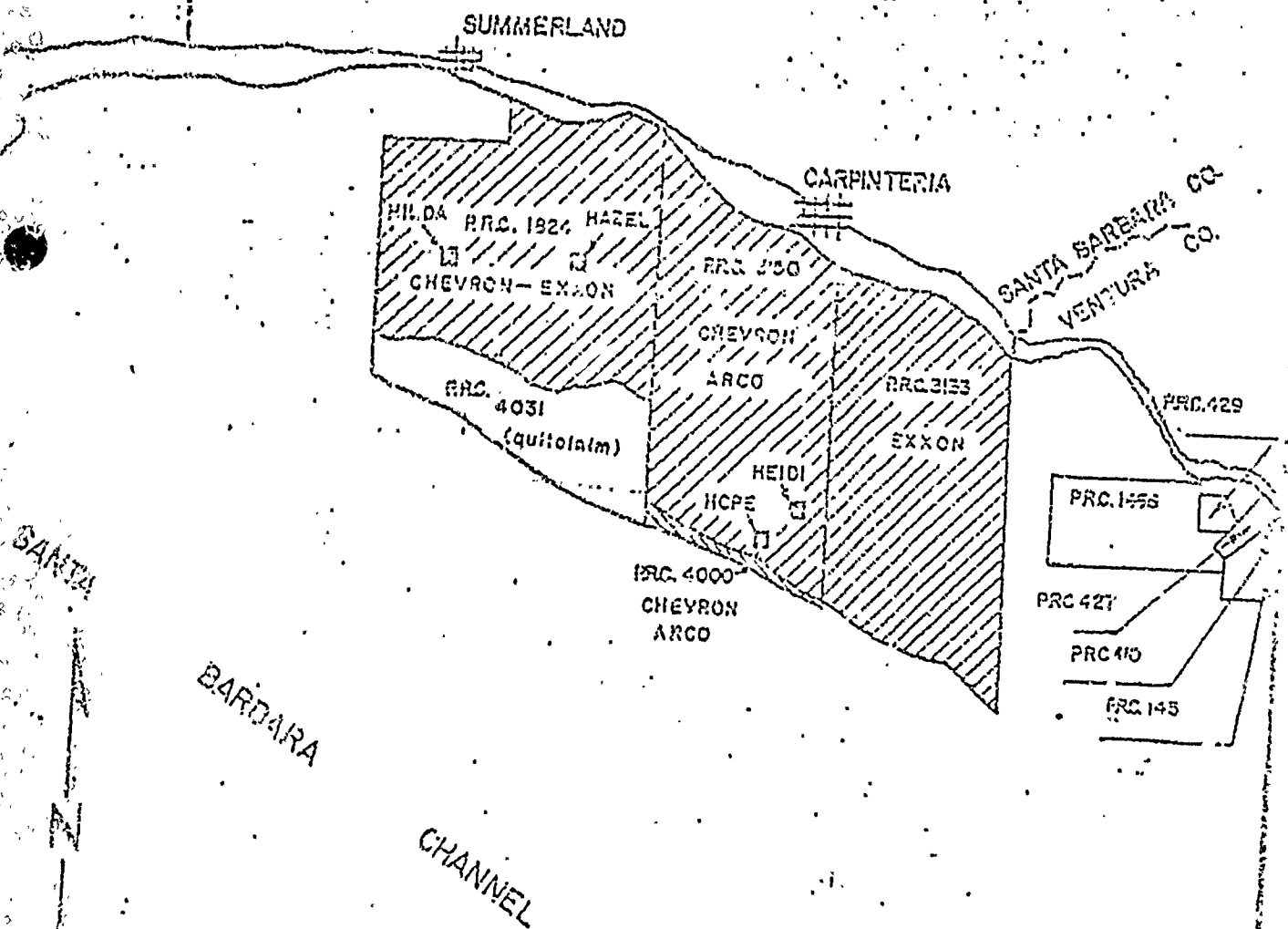
EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION UNDER STATE OIL AND GAS LEASE PRC'S 1824, 3133, 3150 AND 4000 FROM NOVEMBER 5, 1985 THROUGH NOVEMBER 4, 1986, WITH CONDITIONS:
 - A. CHEVRON AND EXXON TO REPORT TO THE COMMISSION STAFF QUARTERLY ON THE PROGRESS OF THE STUDIES ON EACH OF THE LIMITING POINTS AND CONCERNS IDENTIFIED BY CHEVRON IN ITS LETTER DATED OCTOBER 11, 1985. ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.
 - B. CHEVRON SHALL HAVE COMMENCED DRILLING A WELL BY NOVEMBER 5, 1986; AND
 - C. ALL OTHER TERMS AND CONDITIONS OF THE LEASES TO REMAIN IN FULL FORCE AND EFFECT.

EXHIBIT "A"

LOCATION MAP
STATE OIL AND GAS LEASES
PRC 1824, 3150, 3133 & 4000
CHEVRON USA, INC.
(OPERATOR)
Santa Barbara County



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