

MINUTE ITEM

This Calendar Item No. 20
was approved as Minute Item
No. 20 by the State Lands
Commission by a vote of 2
to 0 at its 3/27/86
meeting.

CALENDAR ITEM

A 35
S 18

20

03/27/86
PRC 208
PRC 308
PRC 309
PRC 3120
PRC 3242
Gonzalez

DEFERMENT OF DRILLING OPERATIONS,
STATE OIL AND GAS LEASES
PRC'S 208, 308, 309, 3120 AND 3242

OPERATOR: ARCO Oil and Gas Company
Attn: Paul B. Norgaard
P. O. Box 147
Bakersfield, California 93302

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Lease PRC 208 was issued in
January 1946 and PRC's 308 and 309 were issued
on March 4, 1947. Each lease contains
approximately 1,220 acres of tide and submerged
lands located south of Goleta. State Oil and
Gas Lease PRC 3120 was issued on April 29, 1964
and contains approximately 3,324 acres of tide
and submerged lands west of Goleta. State Oil
and Gas Lease PRC 3242 was issued on April 8,
1965 and contains 4,290 acres of tide and
submerged lands located west of Goleta. ARCO
purchased Phillips Petroleum Company's interest
in PRC 208, 308, 309 and the State Lands
Commission approved assignment of Phillips'
interest in these leases to ARCO at their
meeting on October 24, 1985.

BACKGROUND:
On November 15, 1983, ARCO as operator for State Leases
PRC 308, 309, 3120 and 3242, requested a deferment of the
drilling obligations on the Leases until Coal Oil Point

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development facilities could be installed. On February 23, 1984, the State Lands Commission approved a deferment of the drilling obligations to July 3, 1985 with the condition that ARCO and co-owners drill four wells on the Leases during 1984. An additional request for a modification extending the deferment to provide that the four wells be drilled on the Leases by July 3, 1985 was granted by the State Lands Commission on November 29, 1984.

The State Lands Commission determined that ARCO's drilling obligations on the Leases had been fulfilled through March 1, 1986 conditioned upon completion of the four well drilling program described in ARCO's letter to the Commission dated January 24, 1985. A modification to this drilling program which permitted the substitution of well 3120 #16 in the program was approved in November, 1985.

The approved four well drilling program consisted of drilling two wells from Platform Holly, 3242-19 and 3242-7-1, and two wells 208-102 and 3120 #16, from a mobile drilling vessel. The Santa Barbara County Air Pollution Control District (APCD) granted permission for a total of 140 days to drill both off-platform wells.

The first well in the program, Well No. 208-102, was commenced November 29, 1984. The well was drilled to a depth of 11,175 feet from a jack-up drilling vessel. Drilling and testing of this well required 110 days out of the total of 140 days granted by the APCD to drill the two off-platform wells in the program.

The second well in the program, well No. 3242-19, was commenced on April 30, 1985 from Platform Holly. It was bottomed at a total depth of 11,524 feet.

The third well in the program, Well No. 3242-7-1, was spudded from Platform Holly on September 5, 1985. This well was completed as a Monterey Zone producer on December 2, 1985.

ARCO is currently completing operations on the PRC 3120 #16 well which will complete the requirement of drilling four wells on the leases covered by the current drilling deferment. No further drilling is proposed until operations are resumed under the plan of development.

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ARCO has now submitted to the State Lands Commission a plan of development for the five subject leases. The plan was deemed "complete" on December 20, 1985. Due to the extended environmental review and permit processing being conducted for the preliminary development plan, ARCO has requested approval of a drilling deferment covering all five leases from March 1, 1986 until completion of the fabrication and installation of platforms and facilities necessary to resume drilling operations.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061) 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.

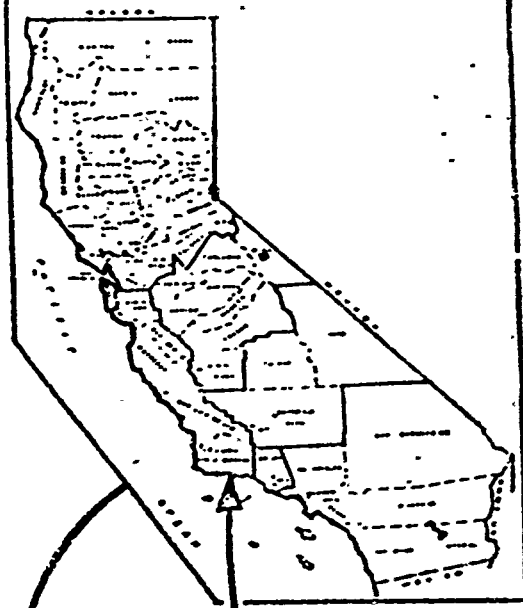
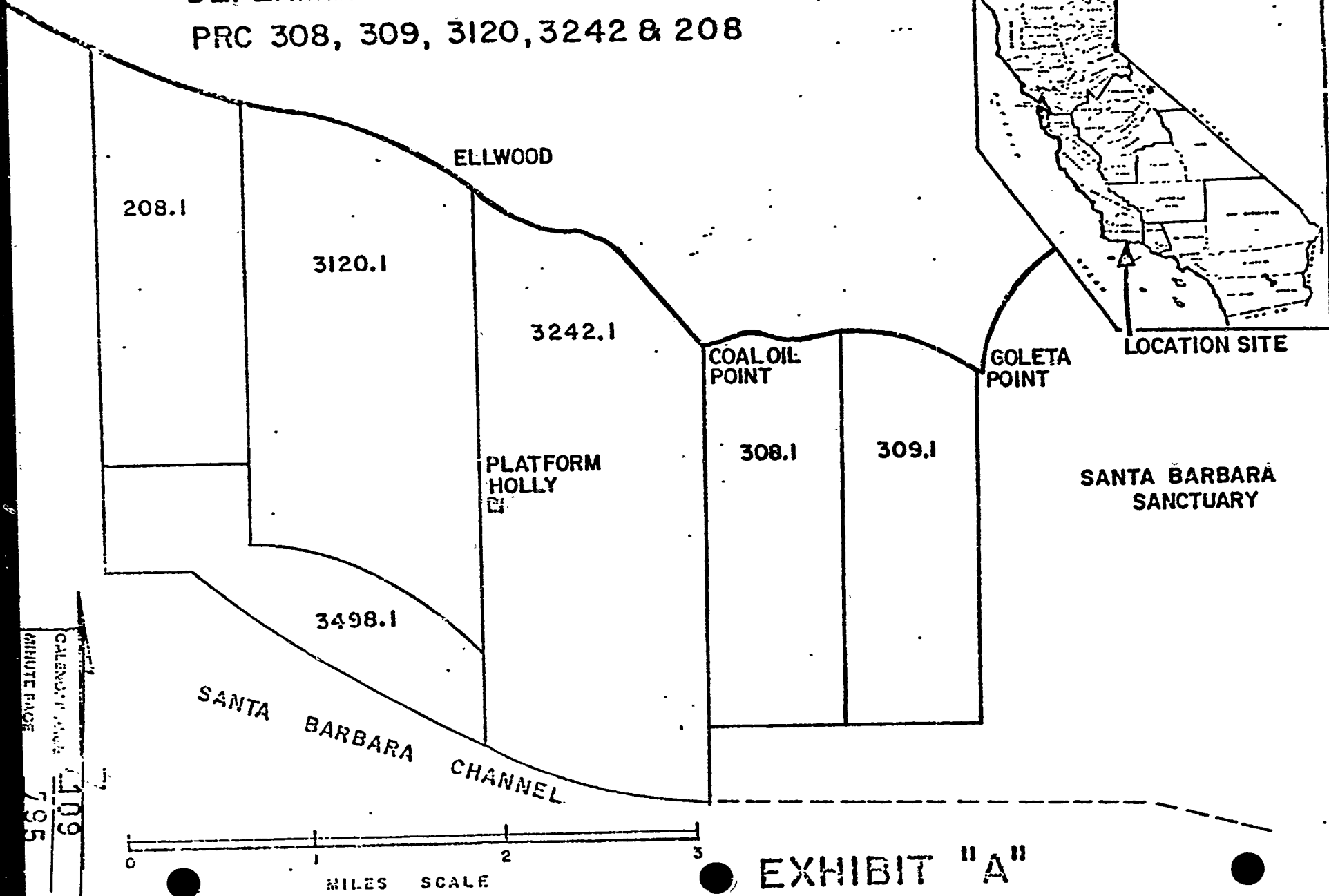
AB 884: N/A.

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 OBLIGATIONS UNDER STATE OIL AND GAS LEASES PRC'S 208, 308, 309, 3120 AND 3242 UNTIL SEPTEMBER 1, 1988, THE ANTICIPATED COMMENCEMENT OF DRILLING OPERATIONS UNDER THE PLAN OF DEVELOPMENT FOR THE LEASES.

DEFERMENT OF DRILLING OBLIGATION PRC 308, 309, 3120, 3242 & 208



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