

MINUTE ITEM

This Calendar Item No. 36
was approved as Minute Item
No. 36 by the State Lands
Commission by a vote of 2
to 0 at its 9/14/88
meeting.

CALENDAR ITEM

A 35

36

09/14/88
PRC 3499
Gonzalez

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**DEFERMENT OF DRILLING OBLIGATION
STATE OIL AND GAS LEASE PRC 3499**

LESSEE/OPERATOR Exxon Company, USA
Attn.: Mr. Wm. Taylor
P. O. Box 4279
Houston, Texas 77210-4279

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Lease PRC 3499 contains
approximately 1,340 acres of submerged lands
located immediately south of State Oil and Gas
Leases PRC 2879 and PRC 2207 (quitclaimed
July 25, 1975) and three miles south of
Government Point, at the western end of the
Santa Barbara Channel, Santa Barbara County
(see Exhibit "A").

LEASE INFORMATION:

State Oil and Gas Lease PRC 3499 was originally
issued to Phillips Petroleum Company (Phillips)
(50 percent) and Pan Petroleum Company, Inc.
(now Amoco Production Company) (50 percent) on
June 15, 1966. The lease contains a continuous
drilling obligation interruptible for periods
not to exceed 120 days between wells.

On September 23, 1987, the Commission approved
the assignment of Phillips' 50 percent interest
in State Oil and Gas Lease PRC 3499 to Exxon
Company, USA. Exxon also became the lease
operator.

BACKGROUND ON DEFERMENT:

On February 23, 1984, the State Lands
Commission authorized the resumption of
offshore exploratory drilling operations on
State Oil and Gas Lease PRC 3499. Under this

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authorization, the lessee was required to commence drilling by August 23, 1984. A deferment was granted to January 1, 1986, pending receipt of a Santa Barbara County APCD permit. Phillips had started negotiating with the Santa Barbara County APCD in January 1984, regarding the pollutants to be monitored. Actual data collection in the field began in April 1985. Phillips applied in July 1986 to the County for an authority to construct. The Santa Barbara County APCD advised Phillips that the exploratory drilling project air data was being reevaluated. This reevaluation was concluded in November 1986, and the County informed Phillips that the County would accept an application for an authority to construct.

Phillips, in the meantime, was reprocessing geophysical seismic data to define better the geologic structure to be drilled. The reprocessing of data and analysis required three or four months to complete. The State Lands Commission, on March 26, 1987, granted a deferment of the drilling obligation until September 30, 1987.

At the time of approval of the assignment to Exxon of Phillips' 50 percent interest in the lease, the Commission granted Exxon a one-year deferment of the drilling obligation until September 30, 1988. During this deferment period, Exxon has drilled and tested an exploratory drill hole on Federal oil and gas lease P-0196 adjoining the State lease. An analysis of the drilling data from this well is being made at this time. The results of the study of the geologic information from the well will almost certainly give new perspective to exploration and development planning for the "Cojo" structure which is a major structural feature in the Point Conception Area.

Exxon has scheduled meetings with staff to discuss the drilling data from this Federal lease well. Exxon has requested an extension of the deferment of the drilling obligation of State Oil and Gas Lease PRC 3499 from September 30, 1988 until October 1, 1989 to

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analyze drilling data from the Federal lease activity and to evaluate plans for the possible joint development of the Federal lease OCS P-0196 and PRC 3499.

AB 884:

N/A.

ENVIRONMENTAL 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 the activity 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 THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY 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 OF STATE OIL AND GAS LEASE PRC 3499 FROM SEPTEMBER 30, 1988 UNTIL OCTOBER 1, 1989.

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EXHIBIT "A"

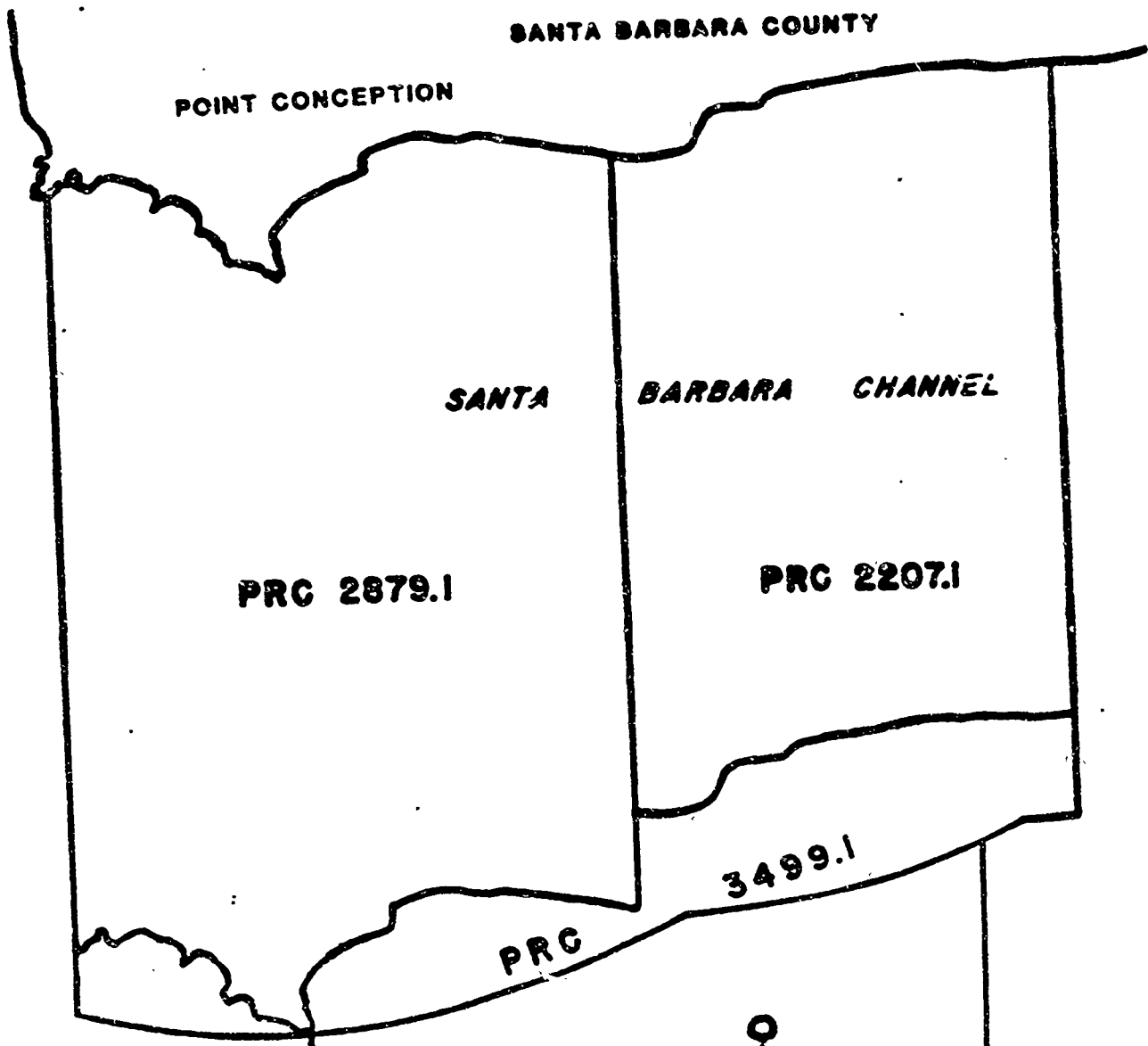
STATE LANDS COMMISSION

LOCATION MAP

STATE OIL & GAS LEASE

PRC 3499.1

SANTA BARBARA COUNTY



LOCATION OCS P-0196 No. 1

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P-0196-EXXON