

MINUTE ITEM

This Calendar Item No. C82 was approved as
Minute Item No. 82 by the California State Lands
Commission by a vote of 3 to 0 at its
9-17-01 meeting.

**Minute Item
C82**

09/17/01
PRC 3150
J. Planck

**VENOCO, INC.
(APPLICANT)**

Calendar Item C82. Presentation made on deferment request by Venoco. Public testimony received.

Item approved as presented.

0001918

**CALENDAR ITEM
C82**

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09/17/01
PRC 3150.1
J. Planck

**CONSIDER REQUEST FOR A
DEFERMENT OF LEASE OBLIGATIONS,
OIL AND GAS LEASE NO. PRC 3150.1,
CARPINTERIA AREA,
OFFSHORE SANTA BARBARA COUNTY**

LESSEE/OPERATOR:

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

ARCO Oil and Gas
515 S. Flower St., Room 4127
Los Angeles, CA 90071

AREA, TYPE LAND AND LOCATION:

Oil and Gas Lease No. PRC 3150.1 (Lease) contains 4,012 acres and is situated offshore the City of Carpinteria, Santa Barbara County.

BACKGROUND:

The Lease was issued on July 28, 1964. The current lease is jointly held by Venoco, Inc. (Venoco), and Arco Oil and Gas Company and is restricted to subsurface development with no right of surface entry on the leased land. On March 1, 2000, Venoco acquired Chevron's 50 percent interest in the lease, and assumed all Chevron's obligations and responsibilities (as operator), and posted a new performance bond. Venoco requested a two-year drilling deferment at time of assignment. However, as a condition of assignment, Venoco was only given one year to submit a development plan. The drilling obligation was also deferred through the period. Venoco claims it was unable to comply with that requirement for a variety of reasons as outlined below.

CALENDAR ITEM NO. **C82** (CONT'D)

Venoco, by letter of February 6, 2001, requested an additional two-year deferment. Venoco claims it needs the deferment in order to evaluate recently received reservoir data and to determine possible onshore drilling locations. Venoco and Chevron did not complete transfer of all of the field seismic data, in a timely manner, due to delays and miscommunications by both parties. The volume of data and information, combined with Chevron's divestiture of many oil fields in California, caused some of the delay. Although inaction by Venoco appears to have contributed to the delay in its acquisition, processing and analyzing of the data, it would most probably still have exceeded the initial one-year deferral because of delays in data transmission by Chevron. It is staff's understanding that Chevron has now conveyed sufficient information to begin the analysis needed to form a development plan.

Staff believes that the one-year deferment may not have been enough time for Venoco to transfer, process, and develop a development plan. Therefore, staff recommends that the Commission consider deferring the requirement to submit a development plan, but that such a plan be submitted no later than January 1, 2002. This will almost meet their original two-year deferment request. Failure to meet this deadline should terminate all rights under the lease as allowed by the lease terms and by law. If Venoco determines that it does not intend to pursue development of the lease, the Commission should require the lessees to file a quitclaim as soon as practicable, but not later than the next lease rental due date (July 28, 2002).

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 15061), the staff has determined that this activity is exempt from the requirements of the CEQA under the general rule that the CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, that there is no possibility that this project may have a significant effect on the environment.

CALENDAR ITEM NO. **C82** (CONT'D)

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

EXHIBITS:

- A. Land Description
- B. Location Map
- C. February 6, 2001 Letter from Venoco

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

FIND THAT THE ACTIVITY 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:

APPROVE A DEFERMENT OF THE ASSIGNMENT AND PRODUCTION OBLIGATIONS OF OIL AND GAS LEASE NO. PRC 3150.1. THIS SHALL DEFER THOSE OBLIGATIONS ONLY LONG ENOUGH TO GIVE VENOCO SUFFICIENT TIME TO SUBMIT A STATE DEVELOPMENT PLAN FOR COMMISSION CONSIDERATION, AND INITIATE THE MANDATED REVIEWS OF SUCH A PLAN. THIS DEFERMENT SHALL TERMINATE ON JANUARY 1, 2002.

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EXHIBIT A

1 A PARCEL OF TIDE AND SUBMERGED LAND IN THE SANTA BARBARA CHANNEL
2 SITUATE NEAR THE TOWN OF CARPINTERIA, SANTA BARBARA COUNTY; BEING
3 ADJACENT TO, AND EASTERLY OF, STATE OIL AND GAS LEASE P.R.C. 1824.1;
4 SAID PARCEL BEING FURTHER DESCRIBED AS FOLLOWS:

5 BEGINNING AT THE INTERSECTION OF THE EASTERLY BOUNDARY LINE OF THE
6 AFOREMENTIONED STATE OIL AND GAS LEASE P.R.C. 1824.1 AND THE MEAN
7 HIGH TIDE LINE; THENCE FROM SAID POINT OF BEGINNING ALONG THE
8 EASTERLY BOUNDARY LINE OF P.R.C. 1824.1 AND ITS SOUTHERLY PROLONGA-
9 TION S. 0° 54' 54" W. 22,536 FEET MORE OR LESS TO A POINT WHICH IS
10 AT A DISTANCE OF 3 GEOGRAPHICAL MILES FROM THE NEAREST POINT ON THE
11 MEAN HIGH TIDE LINE; THENCE SOUTHEASTERLY ALONG A LINE EVERY POINT
12 OF WHICH IS AT A DISTANCE OF 3 GEOGRAPHICAL MILES FROM THE NEAREST
13 POINT ON THE MEAN HIGH TIDE LINE TO AN INTERSECTION WITH A LINE
14 BEARING S. 0° 51' 18" W., WHICH LINE PASSES THROUGH A POINT HAVING
15 CALIFORNIA ZONE 5 COORDINATES OF X = 1,543,160 Y = 306,620; THENCE
16 ALONG SAID LINE N. 0° 51' 18" E. TO AN INTERSECTION WITH THE MEAN
17 HIGH TIDE LINE; THENCE NORTHWESTERLY ALONG THE MEAN HIGH TIDE LINE
18 TO THE POINT OF BEGINNING; SAID PARCEL CONTAINING 5,553 ACRES MORE
19 OR LESS.

20 THE BEARINGS AND DISTANCES USED IN THE ABOVE DESCRIPTION ARE BASED
21 ON THE CALIFORNIA COORDINATE SYSTEM ZONE 5.

22 SUBJECT TO A 49-YEAR PIPELINE EASEMENT 100 FEET WIDE ISSUED TO
23 STANDARD OIL COMPANY OF CALIFORNIA AND HUMBLE OIL & REFINING COMPANY
24 ON JULY 30, 1959 UNDER P.R.C. 2448.1.

25 SUBJECT TO THE PROVISIONS OF CHAPTER 846, CALIFORNIA STATUTES OF
26 1931, AN ACT GRANTING CERTAIN TIDELANDS AND SUBMERGED LANDS OF THE
27 STATE OF CALIFORNIA TO THE COUNTY OF SANTA BARBARA IN SAID STATE
UPON CERTAIN TRUSTS AND CONDITIONS.

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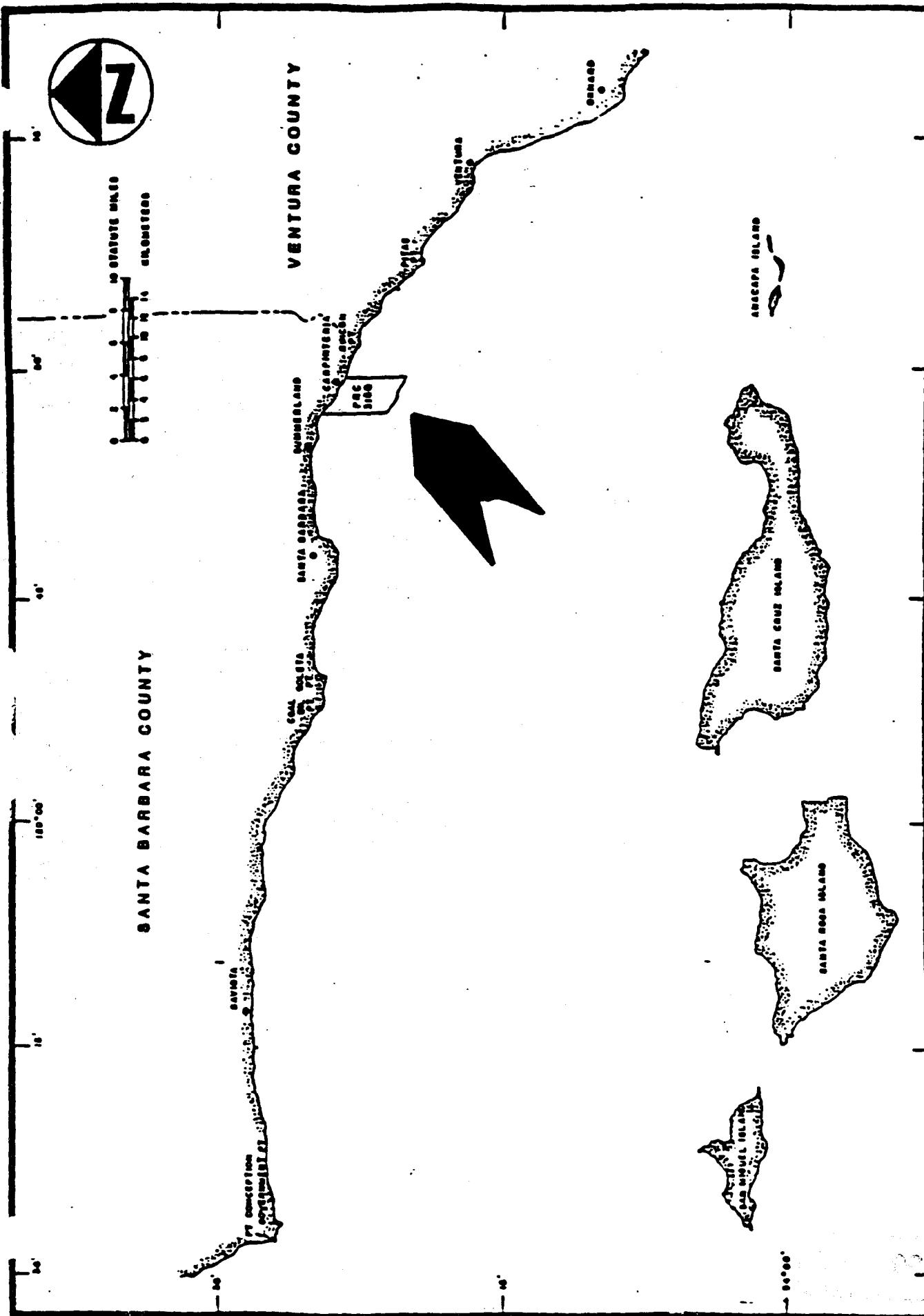


FIGURE 1.0-1. GEOGRAPHIC LOCATION OF STATE OIL AND GAS LEASE PRC 3150

EXHIBIT B



520 E. Montecito Street, Box 9
Santa Barbara, CA 93103-3245
Tel: (805) 884-7475
Fax: (805) 884-7451

February 6, 2001

Marina M. Voskanian
State Lands Commission
Mineral Resources Management Division
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

Dear Marina:

As a follow up to our phone conversation today, this letter is intended to provide the California State Lands Commission with the status of Venoco's activity regarding Lease PRC 3150. As you know, on February 8, 2000, the Commission approved the assignment of PRC 3150.1 from Chevron to Venoco, conditioned on a submission by Venoco within one year, a plan of exploration/development for the lease with the drilling obligation deferred through that period.

We are currently investigating development of Lease 3150 in conjunction with other projects. Over the last year we have been evaluating reservoir characteristics, as well as acceptable development alternatives for the lease. We estimate it will take us an additional 9 to 12 months to complete the evaluation, and an additional 12 months for permitting. Consequently, we are requesting a two year extension of this condition of assignment for the submission of an exploration/development plan with the drilling obligation deferred, while we conclude our evaluation.

We are available to meet at your earliest convenience to discuss our plans. Thank you for your consideration of our request for an extension to the lease.

Sincerely,

Stephen A. Greig
Manager Health, Environment, & Safety

Cc: John McCarthy

Karen Christensen

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