

MINUTE ITEM

Calendar Item No. 36
was submitted for information
only, no action thereon
being necessary.

CALENDAR ITEM
INFORMATIVE

36 - 1

10/26/83
PRC 3095
Smith

STATUS REPORT
STATE OIL AND GAS LEASE PRC 3095

LESSEE: Chevron USA, Inc.
575 Market Street
San Francisco, California 94120

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease PRC 3095 was issued on January 30, 1964 and contains approximately 3,360 acres of tide and submerged lands lying in the County of Orange. State Lease PRC 3095 is currently held by Chevron USA, Inc. See Exhibit "A".

BACKGROUND INFORMATION:

Chevron's Island "ESTHER" was destroyed during the severe storms of March 1-2, 1983. On April 28, 1983, the Commission acknowledged the existence of a "force majeure" condition warranting temporary cessation of operations, but that Chevron was not excused from the requirement to exercise due diligence to resume operations, and requested a status report by July 1, 1983. On July 21, 1983 the Commission received a status report (Chevron's letter of June 27, 1983) regarding efforts to resume operations, and requested a further status report on this matter by October 1, 1983. (Minute Item No. 30, July 21, 1983).

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PERTINENT INFORMATION:

Chevron's report received by the Commission staff on September 30, 1983 showed that Chevron has obtained a permit from the United States Army Corps of Engineers and awarded a contract to Riedel International, Inc. to remove pipe, valves, concrete, the damaged dock, and level debris to 20 feet below MLLW. This work is necessary to eliminate navigational hazards and is required before either restoration or abandonment work could begin. Clearing operations were to have started in October 1983.

However, the California Coastal Commission staff on September 16, 1983 decided that they require a coastal development permit for the aforementioned cleanup operation. Chevron submitted application for that permit on September 27, 1983, requesting "expeditious review" and citing great concern over the impact of wave action and upcoming winter storms on the remains of the island as a danger to the well heads. See Exhibit "B".

A decision by Chevron's management whether to restore the Island to production with a jacket-supported platform is still pending.

EXHIBIT:

- A. Location Map.
- B. Chevron's Status Report of Island Esther dated September 28, 1983.

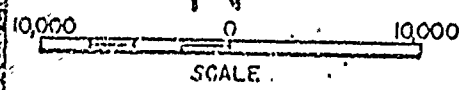
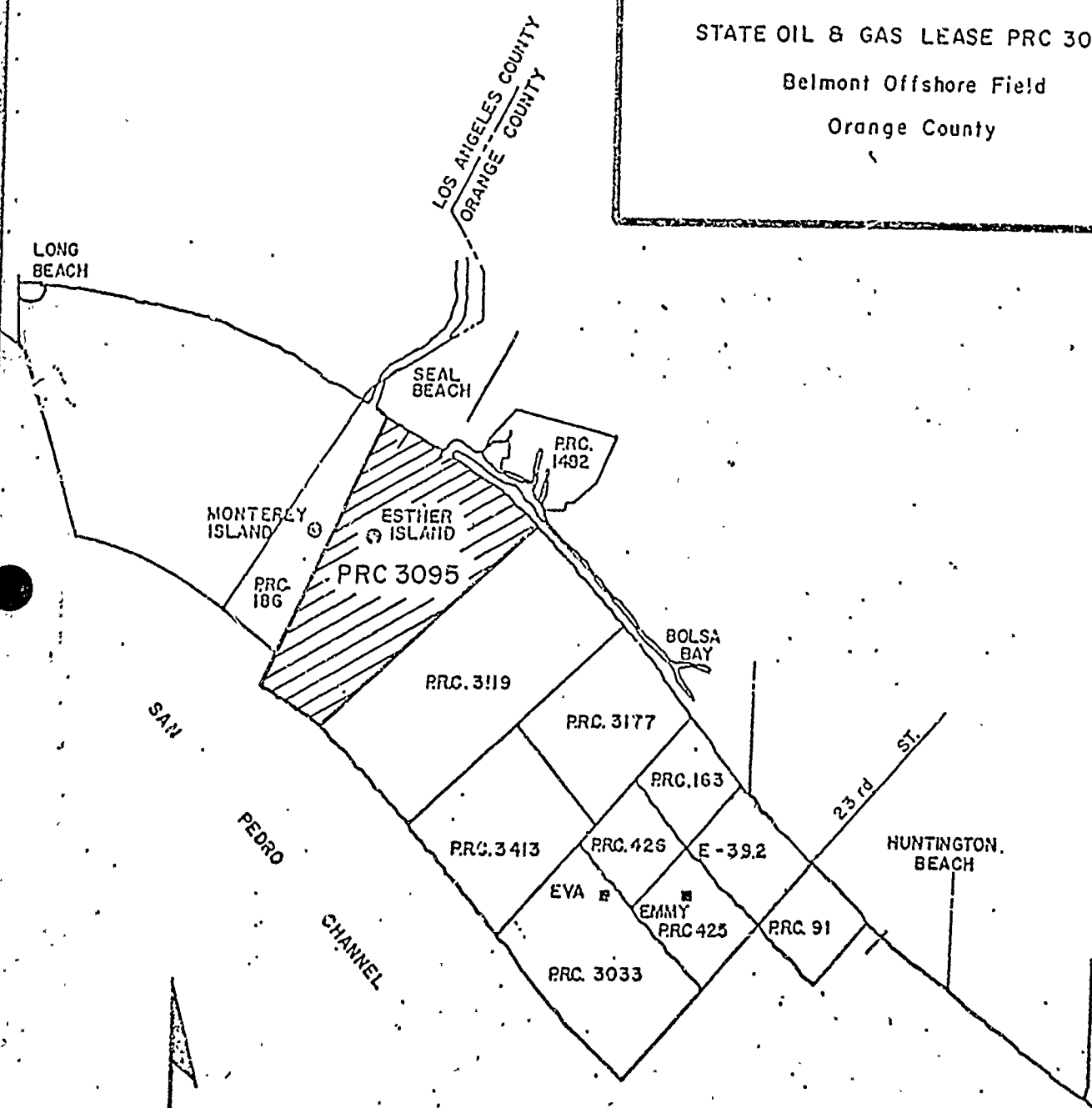
EXHIBIT "A"

STATE LANDS COMMISSION

STATE OIL & GAS LEASE PRC 3095.1

Belmont Offshore Field

Orange County



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EXHIBIT "B"



Chevron U.S.A. Inc.
2120 Diamond Boulevard, Concord, California
Mail Address: P.O. Box 8000, Concord, CA 94524

September 28, 1983

Land Department
Western Region

Status Report
Island Esther - PRC 3095.1
Offshore California

State Lands Commission
245 West Broadway, Suite 425
Long Beach, CA 90802

Attention: D. J. Everitts

Gentlemen:

As requested by the State Lands Commission at its meeting of July 21, 1983, Chevron U.S.A. Inc., is writing to update the status of our efforts regarding Island Esther.

Chevron received preliminary approval on August 24, 1983 from the U.S. Army Corps of Engineers to clean-up the island. Attached is a copy of the permit issued September 2, 1983 which stated "that prior to starting the activities authorized herein, they shall be authorized by a permit (if required) issued pursuant to the California Coastal Act of 1976, as amended."

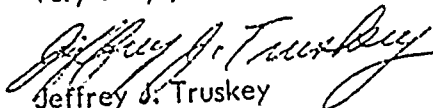
Based on this condition, Chevron wrote to the Coastal Commission indicating why a permit was not necessary for the repair and maintenance activity. By the attached letter dated September 16, 1983 the Coastal Commission staff indicated that a permit was required, since the island was located "within 20 feet of coastal waters" as stated in Section 13252(3) of the Coastal Commission regulations. The staff interpreted this phrase to mean "in the coastal waters" as well as "20 feet inland" of coastal waters.

Chevron was unable to persuade the staff from this opinion and, as a result, submitted a permit application on September 28, 1983. Chevron requested expeditious review of its permit application and permit approval to avoid any danger and effect on the environment. As soon as the permit is granted by the Coastal Commission, Chevron will proceed with the clean-up operation. A contract has been executed and a contractor is standing by to commence the work immediately.

Our management is currently reviewing the proposal to restore the island to production. Upon receipt of such approval, Chevron plans to submit a preliminary Development and Production Plan to State Lands Commission.

If you have any questions regarding this letter, please do not hesitate to contact the undersigned at (415) 827-6367.

Very truly yours,


Jeffrey S. Truskey

JJT:ikh
Attachment

cc: State Lands Commission

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