

MINUTE ITEM
This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 3
0 of its 9/22/89
meeting.

CALENDAR ITEM

A 36
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35

09/27/89
PRC 3314
Nitsche

DEFERMENT OF DRILLING OBLIGATION
STATE OIL AND GAS LEASE PRC 3314

LESSEE: Shell Western E&P, Inc.
Attn.: R. L. Avery
P. O. Box 527
Houston, Texas 77001

OPERATOR: Chevron U.S.A., Inc.
Attn.: Mr. John Dowling
P. O. Box 6917
Ventura, CA 93006

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease PRC 3314, issued on July 1, 1965, contains approximately 5,430 acres of tide and submerged lands located west of Oxnard in Ventura County. The current lessee of PRC 3314 is Shell Western E&P, Inc. (SWEPI); Chevron U.S.A., Inc. (Chevron) is the operator of the lease.

SUMMARY:

Resumption of drilling operations was authorized by the State Lands Commission (SLC) on April 29, 1981. Exploratory drilling of up to six wells from a floating vessel and drilling of nearshore prospects from an upland drillsite operated by Chevron were authorized by the SLC. The lease provides for a 120-day drill-string obligation. Only one well has been drilled on the lease since resumption was authorized. The 3314 No. 1 well was drilled for SWEPI by Chevron from an onshore

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MAY 31 1989
OFFICE OF THE
CALIFORNIA STATE
COMMISSIONER OF
REVENUE
1500 CALIFORNIA STREET
SACRAMENTO, CALIFORNIA 95833
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location which is referred to as the Patterson Ranch drillsite. Subsequent drilling deferments have been requested by Chevron, and approved by the Commission through August 8, 1989.

Oil and gas are continuing to be produced from the PRC 3314 No. 1 well at average rates of 43 B/D and 105 MCF/D, respectively. The posted price for 20° oil produced in this area has increased from its low of \$8.65/BBL (July 1, 1988) to \$11.30/BBL (September 12, 1989); yet this is still considerably less than the August 4, 1987 posting of \$14.15/BBL.

Chevron has also found the daily operating expenses continue to remain high. The Oxnard Refinery has refused to take additional production, requiring the produced oil to be trucked to the Northam/La Mirada Terminal in Los Angeles at a cost of \$1.72/BBL.

Chevron has indicated mechanical difficulties are a continuous problem with the downhole hydraulic pumps. Average run life before failure is approximately 80 days. Each failing pump is disassembled and inspected for cause. Modifications to pump design are made periodically in an effort to increase their efficiency and run life.

PRC 3314's operating return has not improved, so Chevron combined PRC 3314 with other private leases in the West Montalvo Field and offered them for sale as a package in May 1989. A high bidder has been identified but is currently being reviewed for qualifications. Additionally, lessor consents must still be obtained. Chevron expects the sale to close in approximately 90 days (October 25, 1989).

As a result of the above, Chevron has requested an additional drilling deferment. It is recommended that a two-year deferment be approved through August 8, 1991. This deferment will allow time to consummate the sales transfer, and if the Commission approves the transfer will enable the new operator to familiarize itself with the operations in the West Montalvo Field.

AB 884: N/A.

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LOCATION

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OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines, (14 Cal. Code Regs. 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. Code Regs. 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. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE A DEFERMENT OF THE DRILLING OBLIGATION UNDER STATE OIL AND GAS LEASE PRC 3314 FROM AUGUST 9, 1989 THROUGH AUGUST 8, 1991. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT, PROVIDED THAT AS A CONDITION OF THIS DEFERMENT, LESSEE AND OPERATOR SHALL REPORT QUARTERLY TO COMMISSION STAFF THE LEASE OPERATING ECONOMICS.
3. APPROVAL OF THIS DEFERMENT IS NOT INTENDED TO INDICATE THAT THE COMMISSION WILL APPROVE A FUTURE ASSIGNMENT OF LEASE PRC 3314.

LOCATION MAP

SANTA BARBARA CO.

PRC 3314

SANTA BARBARA

MONTICITO

WINNERLAND

CARPINTERIA

1020

3150

3152

1486

427

227

410

143

SEA CLIFF

4007

PITAS PT.

3184

VENTURA

MONTALVO

VENTURA CO.

SANTA BARBARA CHANNEL

PRC 3314

3314

STONARD

HOLLYWOOD BY THE SEA
PCAT H. EMEHE

3948

3946

LAGUNA PT.

LOS ANGELES CO.

3490

3489

PT. DUME

SANTA CRUZ ISLAND

ABACAPA I.

NORTH

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0 MILES