

MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No. 25 by the State Lands
Commission by a vote of 3
to 0 at its 10/26/89
meeting.

CALENDAR ITEM

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10/26/89
PRC 3499
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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 5, 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.

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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 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 initiated negotiations 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 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 it would accept an application for authority to construct.

Phillips, in the meantime, was reprocessing geophysical seismic data to better define 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, 1988 and, as previously stated, approved the assignment of Phillips interest to Exxon USA on September 23, 1987. During this deferment period, Exxon drilled a well on an adjacent federal lease and requested an additional deferment through September 29, 1989 to evaluate the data from the federal well. The geologic information from this well gives new perspective to exploration and development planning for the "Cojo" structure, which is a major structural feature in the Point Conception area. Exxon is requesting a two-year deferment of the drilling obligation of State oil and gas lease PRC 3499 to study exploratory plans for the State lease and other lands in the area. The extension of the deferment is requested from September 30, 1989 until October 1, 1991.

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. Code Regs. 15378.

CALENDAR ITEM NO. 25 (CONT'D)

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 TWO-YEAR DEFERMENT OF THE DRILLING OBLIGATION OF PROJECT AS DEFINED BY FRC 3499 FROM SEPTEMBER 30, 1989 UNTIL OCTOBER 1, 1991.

EXHIBIT "A"

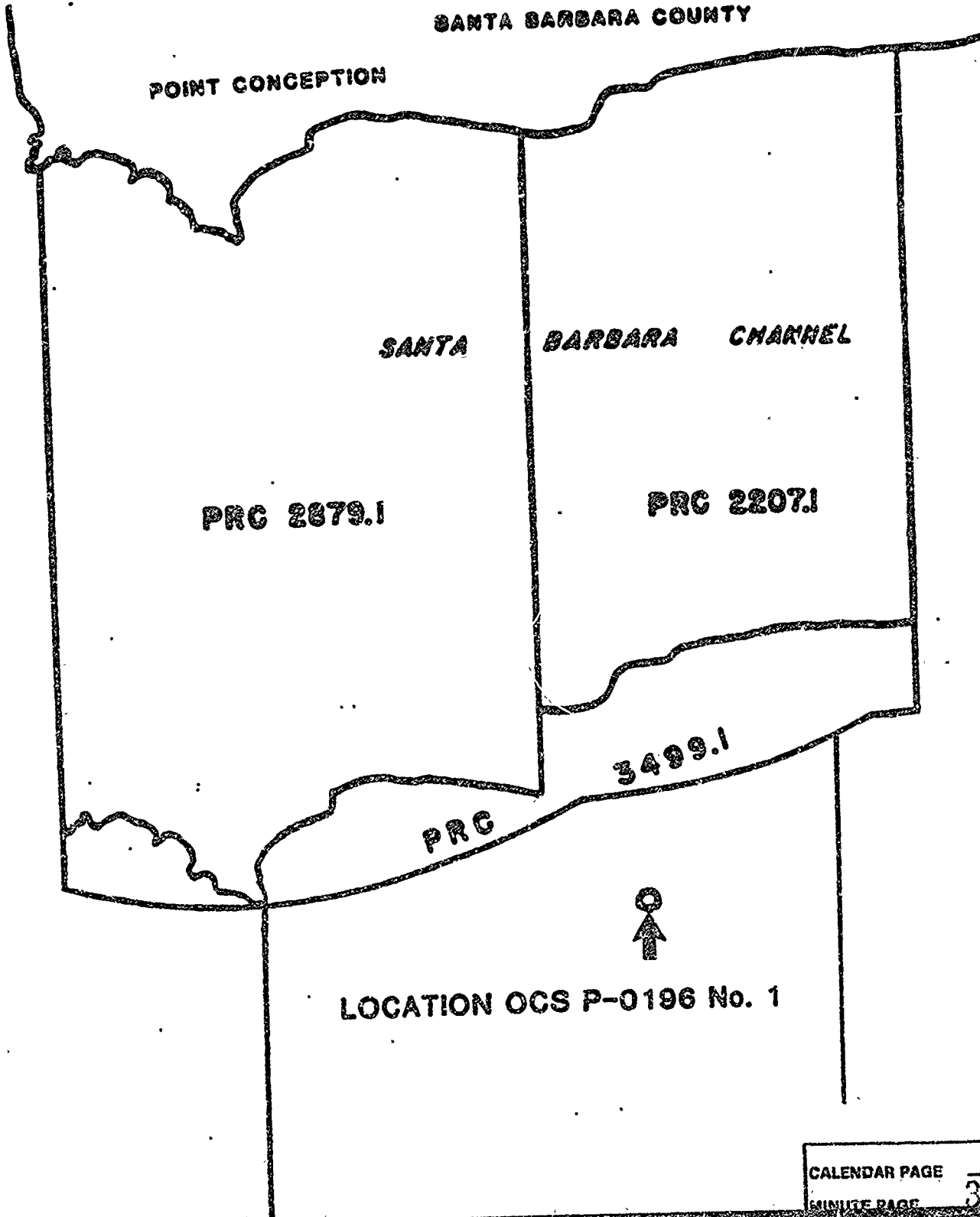
STATE LANDS COMMISSION

LOCATION MAP

STATE OIL & GAS LEASE

PRC 3499.1

SANTA BARBARA COUNTY



LOCATION OCS P-0196 No. 1