

MINUTE ITEM

This Calendar Item No. 22
was approved by the State Lands
Commission by a vote of 2
to 0 at its 11/20/77
meeting.

CALENDAR ITEM

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22.

MODIFICATION OF DRILLING REQUIREMENTS

LEASES: PRC 1824.1, PRC 3150.1, and PRC 4000.1
LESSEES: Chevron U.S.A. Inc. (Operator)
Exxon Corporation (PRC 1824.1) and Atlantic
Richfield Company (PRC 3150.1 and 4000.1)
COUNTY: Santa Barbara.
AREA: Summerland and Carpinteria Offshore Fields

OTHER PERTINENT INFORMATION:

On October 28, 1976, the State Lands Commission approved the resumption of drilling operations from existing facilities on State Oil and Gas Leases PRC 1824.1, PRC 3150.1, and PRC 4000.1. Subsequent necessary approvals were then obtained by the lessees from the South Central Coast Regional Coastal Commission on March 22, 1977. Such final authorization terminated the drilling deferrals and the drilling obligations resumed under each respective lease. The Environmental Impact Report that was prepared prior to, and as a necessary part of, the Commission's approval provided that drilling operations would be conducted from existing Platforms Hilda, Hope, Hazel and Heidi, and would be limited to the use of only one drilling rig. The obligation for drilling the first well on PRC 1824.1 and PRC 3150.1, after the lifting of the drilling moratorium, accrued September 22, 1977. The initial obligation to drill on PRC 4000.1 will accrue on October 18, 1979 (end of 3-year primary drilling term). Lease PRC 1824.1 presently provides for a 60-day drilling obligation (between wells) and leases PRC 3150.1 and PRC 4000.1 provide for a 120-day drilling obligation, until the leases are fully developed. This means that within 60 (or 120, as the case may be) days of cessation of drilling operations on the first well on any lease the lessee must

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commence operations for the drilling of the next well. Also, operations for the drilling of each succeeding well thereafter must commence within 60 (or 120) days of cessation of drilling operations on the preceding well.

Chevron met the initial drilling obligation on PRC 3150.1 by re-drilling Well 55-A from Platform Hope. This operation was completed August 30, 1977. Chevron satisfied the initial drilling obligation on PRC 1824.1 by commencing operations on September 6, 1977, to re-drill Well 8-B from Platform Hazel. Therefore, currently, Chevron has met all drilling obligations.

However, because Chevron is restricted by the Environmental Impact Report to the use of one drilling rig on these three leases (four platforms), the only way the drilling obligations can be complied with on all three leases is to relocate the drilling rig from one lease to another. Such a procedure is not efficient, nor consistent with the conservation of energy, and will delay the diligent development of the leases, contrary to the objectives of the drilling obligations. In order to alleviate this problem it is proposed that State Oil and Gas Leases PRC 1824.1, PRC 3150.1, and PRC 4000.1 be amended to modify the terms of the drilling requirements on each lease. The proposed amendments would make two substantial changes to the drilling requirements of the aforementioned leases:

1. The current drilling requirements of 60 days on PRC 1824.1 and 120 days on PRC 3150.1 and PRC 4000.1 would be replaced by a drilling requirement of 90 days on all three leases.
2. As long as the drilling obligation on any one of the three leases is met, the drilling obligation on the other two leases shall be considered as having been met.

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The proposed amendments will be in effect so long as Chevron is restricted to the use of one drilling rig on the three leases.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTION OF THE AMENDMENTS TO STATE OIL AND GAS LEASES PRC 3150.1, PRC 1824.1 AND PRC 4000.1, ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION, WHICH MODIFY THE DRILLING TERMS OF SAID LEASES AS SPECIFIED ABOVE.