BOEMRE Assisting State of California in Review of Proposed Plan to Develop State Leases

Company Applies for Permit to Develop Oil and Gas from State-Issued Leases from Existing Platform in Federal Waters

Carone Petroleum Corp. has submitted a project proposal to the California State Lands Commission (CSLC), the state commission that oversees oil and gas development in California waters, to develop three state-issued oil and gas leases utilizing existing infrastructure by drilling from Outer Continental Shelf (OCS) Platform Hogan, located in 154 feet of water approximately 3.7 miles offshore Carpinteria, Calif.

The CSLC is currently reviewing the lessee's Plan of Development (POD) for the Carpinteria Field Project. The project is controlled and regulated by the state of California, as the actual reserves are in state waters. Because the proposed project would utilize a facility in federal waters however, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) is also required to review the proposal, in the form of a revised Development and Production Plan (DPP).

The state of California has final approval authority over the development of oil and gas resources in state waters. BOEMRE is the approval authority for whether facilities on the OCS may be used for such activities. The bureau will review the proposal to ensure it meets safety requirements, and if approved, the company will have to first comply with all applicable federal regulations before any drilling could begin.

BOEMRE has deemed "submitted" the proposed revision to the Carpinteria Field DPP. This is the first step in the review of a proposal, and begins the process by which the bureau will seek public input and feedback as the proposal is considered. Consistent with federal regulations, a plan is deemed "submitted" once all supporting materials and documentation have been provided. Specifically, the revised DPP accommodates redevelopment of the portion of the field located in state waters. The Carpinteria Field includes both state and federal leases, which are under the jurisdiction of the CSLC and BOEMRE. This proposed revision seeks to develop state of California oil and gas resources by drilling extended-reach wells from an OCS platform into the adjacent state leases located within three miles of the California coastline.

BOEMRE has sent the revised DPP to the Governor, the California Coastal Commission (CCC), and state and local agencies for comment. The CCC will conduct a separate consistency review of the proposed revision under the Coastal Zone Management Act (CZMA). Based on the bureau's analysis and input from other agencies, BOEMRE will either approve or deny the proposed revision to the federal DPP. However, under CZMA regulations, BOEMRE can not approve the proposed revision unless the CCC concurs with the consistency certification. If the CCC objects to the consistency certification, the company can appeal to the U.S. Secretary of Commerce under National Oceanic and Atmospheric Administration regulations.

In the coming months, the CSLC and BOEMRE will prepare a joint Environmental Impact Report/Environmental Impact Statement, which will include opportunities for public comment on the proposed project.

The proposed project will be subject to both BOEMRE and CSLC regulatory oversight. Revenues generated from this state production will go to the State of California.

While annual appropriations language had prevented new oil and gas leasing activities in the OCS oil and gas planning areas off the West Coast until Fiscal Year 2010, companies with existing active leases were allowed to continue developing those leases, and as such, production-related activities have continued.

A map of OCS Platform Hogan and state lease locations (PRC 3133, PRC 4000, and PRC7911) can be found on the BOEMRE website at: http://www.boemre.gov/omm/pacific/lease/maps/santabarbara-map.pdf.

The revised DPP is available for viewing at: http://www.boemre.gov/omm/pacific/offshore/Carpinteria-Field-DPP/Revisions-PD-Sect-1-6-2-22-11.pdf.

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