

An accurate and complete project description is necessary for intelligent evaluation of the potential environmental effects of a proposed project. From the inception, the project description for Excelaron's proposed oil production facility in the Huasna Valley has been neither accurate nor complete. Excelaron still claims that any field development beyond four wells is speculative, yet they have engineered a facility sized for oil production from 12 wells.

Our analysis of the data in Cannon's facility engineering report shows that for this facility to operate in an economically viable manner, new wells must be added every five years. In fact, Cannon's chart for expected well production only projects production for five years. By retiring wells after 5 years and drilling new replacement wells the facility could continue to operate at or near its designed capacity. The environmental analysis in the EIR should consider the impacts of such operations.

Presumably, Excelaron's oil production facility is designed to produce oil. They have an engineered plan for a facility and we must assume that they have done an economic analysis and have a business plan for operating this facility profitably. The facility has been designed for a target oil production of 840 barrels per day from 12 producing wells. It will cost a fair amount of money to construct this facility and the Excelaron investors would expect a reasonable return on this investment over the life of the facility.

Cannon's engineering report uses production data from similar Monterey Formation producing fields, and acknowledges that oil production will decrease with time. Their data for a typical well ends at five years when oil production would fall off enough to presumably make recovery uneconomical. Excelaron states that each new production well is assumed to follow the same production schedule.

(slide #2). Using this data and following Excelaron's schedule for field development we find that full facility production of 840 barrels per day oil production is met in year 5 of operation with 12 producing wells, but past year five production drastically declines, since the production of wells more than five years old is assumed to be small and uneconomical. According to Excelaron's project description by year six the facility would be producing oil at only half of its designed capacity and by year seven it would be producing oil at one quarter of its designed capacity. This does not appear to be a sound business plan.

If instead, Excelaron planned to abandon wells more than five years old and drill enough new wells each year to maintain 12 producing wells they could maximize production from their investment for the life of the facility.

With modern horizontal drilling technology such drilling could occur from the existing well pads. Abandonment and re-drilling of wells from existing pads would fall under the jurisdiction of the Division of Oil, Gas, and Geothermal Resources and not San Luis Obispo County. Since Excelaron would not be operating more than 12 wells they would not violate the terms of their Conditional Use Permit. We believe this is Excelaron's real plan and the plan for which Cannon has engineered the facility. This operational strategy to abandon and drill new wells as needed to maintain maximum productivity of the permitted facility is the plan that should be evaluated in the EIR. The impacts of traffic, emissions, noise, etc... from the abandonment and additional drilling of 2-4 wells each year for the life of the project needs to be analyzed in the EIR in order to adequately evaluate the project.