

7. (1957 SESSION PROPOSED LEGISLATION - W. O. 2115.12.)

After Calendar Item No. 38 as attached was presented to the Commission, Mr. Watson of the staff explained that in the first paragraph, where reference is made to a conflict of interpretation, this should have been shown as being between the staff of the Division of Oil and Gas and the staff of the office of the Attorney General.

Mr. R. R. Templeton of the Reserve Oil & Gas Company asked for a definition of "bottom-hole location", and it was indicated by the staff that perhaps this should be more definitely defined, but that in general it would refer to the "top of the perforation".

Mr. Martin N. Erck of the Monterey Oil Company informed the Commission that he concurred with the recommendations of the staff.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION AUTHORIZES THE STAFF, ON ITS BEHALF, TO CONSULT WITH THE ATTORNEY GENERAL AND WITH THE DIVISION OF OIL AND GAS, AND TO HAVE INTRODUCED A BILL THAT WILL AMEND DIVISION 6 OF THE PUBLIC RESOURCES CODE TO PROVIDE THAT THE BOTTOM-HOLE LOCATION OF WELLS ON STATE LAND IS THE OFFICIAL LOCATION FOR THE SPACING ACT PROVISIONS, AND THAT THE BOTTOM-HOLE LOCATION SHALL OTHERWISE CONFORM WITH THE REQUIREMENTS OF DIVISION 3 OF THE PUBLIC RESOURCES CODE.

Attachment

Calendar Item 38 (1 page)

LEGISLATION

38.

(1957 SESSION PROPOSED LEGISLATION - W. O. 2115-12.)

The Commission is herewith informed that there appears to be a conflict of interpretation of Sections 3600, 3601, 3602, 3605, and 3606 of the Public Resources Code, between the Division of Oil and Gas on the one hand and the Attorney General on the other, regarding the so-called Spacing Act provisions in these sections. In brief, insofar as the location of whipstock wells is concerned, the conflict of interpretation is as to whether the surface location or the bottom-hole location controls. If the surface location is controlling, without amendatory legislation the State Lands Commission's lessees on tide and submerged lands where artificial islands or platforms may be used in the future will find themselves in conflict with the so-called Spacing Act provisions, and would be unable, for example, to drill 70 wells on an island such as have been proposed by the Monterey Oil Company at Seal Beach.

In order to avoid this statutory conflict, since everyone seems to be agreed in the case of whipstock wells on State lands that the bottom-hole location should control, it is suggested that a pertinent section be added to Division 6 of the Public Resources Code.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE STAFF, ON ITS BEHALF, TO CONSULT WITH THE ATTORNEY GENERAL AND WITH THE DIVISION OF OIL AND GAS, AND TO HAVE INTRODUCED A BILL THAT WILL AMEND DIVISION 6 OF THE PUBLIC RESOURCES CODE TO PROVIDE THAT THE BOTTOM-HOLE LOCATION OF WELLS ON STATE LAND IS THE OFFICIAL LOCATION FOR THE SPACING ACT PROVISIONS, AND THAT THE BOTTOM-HOLE LOCATION SHALL OTHERWISE CONFORM WITH THE REQUIREMENTS OF DIVISION 3 OF THE PUBLIC RESOURCES CODE.