

MINUTE ITEM

5/28/70
ADW

40. APPROVAL OF NEW WELL "STATE 3095" 420, STATE OIL AND GAS LEASE P.R.C. 3095.1, BELMONT OFFSHORE OIL AND GAS FIELD, ORANGE COUNTY; STANDARD OIL COMPANY OF CALIFORNIA.

Action on Calendar Item 38 attached was deferred pending receipt from Standard Oil Company of California of documentation on additional safety measures. Following review of the documentation by the Division's staff and the Commissioners, a special meeting may be scheduled to reconsider Standard's request.

Commissioner Reinecke requested that a letter be written by the Executive Officer (F. J. Hortig) to Standard Oil Company of California, setting forth the safety measures required by the Commission, with copies of said letter to be furnished to each Commissioner.

Attachment:

Calendar Item 38 (1 page)

APPROVAL OF NEW WELL "STATE 3095" 420, STATE OIL AND GAS LEASE P.R.C. 3095.1, BELMONT OFFSHORE OIL AND GAS FIELD, ORANGE COUNTY; STANDARD OIL COMPANY OF CALIFORNIA.

On November 21, 1968 (Minute Item 42, page 1400), the Commission approved the "First Amendment and Modification of State Oil and Gas Lease P.R.C. 3095.1 (Secondary Recovery)," which modified the lease in accordance with Sections 6830.1, 6830.2, and 6830.3 of the Public Resources Code. The amendment and modification for secondary recovery operations were the result of a detailed engineering and economic evaluation of the lease. The amended lease provides a royalty rate of 18.0911% for the remaining "primary" oil, and of 16.8839% for all "secondary" production.

The full-zone waterflood program was initiated in January 1969, and has progressed successfully to this date. Standard has drilled or recompleted 16 wells for water injection. Although the injection program is in the initial phase of operation, preliminary economic and engineering data indicate significant production response and potential for expansion of the waterflood operation.

Standard has now submitted an application to drill a new producing well, "State 3095" 420, to be completed in an area inside previously completed wells. The proposed completion interval in this well will provide the best development spacing for optimum flood response. The well will be drilled from the man-made Island "Esther", located approximately two miles offshore Seal Beach. The facilities available and the procedures followed in drilling from such permanent structures are identical to those used at upland locations. The drilling and completion program has been reviewed by the Division and determined to be in accordance with good engineering practices and the rules and regulations of the Commission. The State Division of Oil and Gas has approved the drilling of this well.

Based upon an engineering and economic evaluation by Standard and concurred in by the Division, the proposed well would produce reserves unrecoverable from the currently producing wells and, in addition, would provide the best development spacing for expansion of the waterflood operations. Deferment of approval of this well would cause a loss of natural resources and of income to the State. Further, Standard's loss due to any deferred or permanently lost income, plus the additional operating expenses involved in any delay of the well approval, would reduce the economic incentive for continuation of the primary and secondary development program proposed for this field.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF DRILLING AND COMPLETING NEW WELL "STATE 3095" 420, IN ACCORDANCE WITH THE PROPOSAL SUBMITTED BY STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., THE TERMS AND CONDITIONS OF STATE OIL AND GAS LEASE P.R.C. 3095.1, AND THE RULES AND REGULATIONS OF THE COMMISSION.