

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

During consideration of Calendar Item 2 attached, the Executive Officer briefly reviewed the background of Standard's application, and pointed out that the new well was needed to assure effective development of the reservoir, which already had been developed by the drilling of 72 wells on Island "Esther"; that the additional development is necessary to assure the maximum recovery of the oil now that the reservoir development has been started. He assured the Commission that the well would be drilled into an area in which operating conditions are known, and that all necessary facilities for handling any excessive flows of oil are already in place and operation -- that storage facilities on the platform are more than adequate and that pipelines to carry the oil to shore have been in existence for some time.

The Executive Officer reported for the record that the Commission had received up to that morning nine letters of objection, calling for denial of approval of the application, but based upon the incorrect assumption that the proposed drilling would be in the Santa Barbara Channel, instead of in the Belmont Offshore Field in Orange County.

Mr. Martin Levine, Deputy County Counsel of Santa Barbara County, appeared in opposition to granting the approval, on the basis that this would be a possible first step toward a change of position by the Commission that would permit further offshore drilling within the State tidelands. The County feels that there should not be an expansion of offshore development because of the hazardous nature of such operations, and principally because, when inevitable accidents do occur, the oil industry is unable to cope with them adequately. The County is principally concerned with the lack of oil-containment and oil-removal technology. Its position is that more drilling offers greater exposure for possible accidents, and that drilling should not be permitted until the inevitable pollution can be coped with adequately, with such ability being demonstrated by the oil companies beyond all reasonable doubt.

Chairman Flournoy made the observation that: The Commission will not approve any new wells until satisfied about the containment, recovery, and safety features; each individual well application will be reviewed on its own merits; if a well is approved, it will be because it was concluded that it met with the Commission's criteria; any such approval would not provide a foundation for concluding that any other well under any other set of circumstances necessarily was going to be treated the same way, unless, of course, the same factors indicated the same conclusion.

Mr. Levine asked if the finding that was made earlier, i.e., that oil-recovery devices are not yet adequate, is still true. Chairman Flournoy responded that this was certainly so as related to platform drilling in the Santa Barbara Channel. Commissioner Orr stated that he looked at this request as being entirely different from a platform that might be in Santa Barbara or that might be offshore in Seal Beach. Mr. Levine then indicated that he also looked upon this as being entirely different from a platform that might be in Santa Barbara or that might be offshore Seal Beach, and said he is not in the slightest

convinced that platform drilling should be permitted, to which Chairman Flourney replied that he would agree with that totally. Next, Mr. Levine asked if the oil industry was still under pressure from the Lands Commission to continue its research in developing oil-spill and oil-containment devices. Chairman Flourney indicated that this was true if they wished to do any drilling in the circumstances which Mr. Levine had described, to which Mr. Levine replied that he was satisfied.

UPON MOTION MADE BY COMMISSIONER ORR, SECONDED BY CHAIRMAN FLOURNOY, AND DULY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION AUTHORIZES 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 PRC 3095.1, AND THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment:

Calendar Item 2 (2 pages)

CALENDAR ITEM

1/71
ADW

2.

APPROVAL OF NEW WELL "STATE 3095" 420, STATE OIL AND GAS LEASE PRC 3095.1, BELMONT OFFSHORE 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 PRC 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 procedure 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 has been 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.

The well was applied for initially in May 1970, and has been held in abeyance pending further staff review. The proposed well from Island "Esther" will be drilled under the same control and safety conditions as those used at upland drilling locations for wells drilled into State tide and submerged land leases.

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.

There will be no additional impact on the environment inasmuch as the proposed operations will be conducted utilizing existing facilities.

CALENDAR ITEM 2. (CONTD.)

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 PRC 3095.1, AND THE RULES AND REGULATIONS OF THE COMMISSION.