

MINUTE ITEM

This Calendar Item No. 26  
was approved as Minute Item  
No. 26 by the State Lands  
Commission by a vote of 2  
to 1 at its 9/30/76  
meeting.

MINUTE ITEM

9/30/76  
CPP

26. DEFERMENT OF DRILLING REQUIREMENTS; STANDARD OIL COMPANY OF CALIFORNIA - PRC 3095 1.

During consideration of Calendar Item 26 attached, Chairman Kenneth Cory asked about the lessee's obligation with regard to this lease. Mr. N. G. Taylor, Assistant Attorney General, explained that Standard has a contract to drill wells within 120 days after cessation of drilling operations on the preceding well. In order to avoid the question as to whether or not they are in breach of their contract, Standard is now asking for a deferment of the drilling deadline. Mr. Cory then asked what would happen if the Commission did not approve the extension. Mr. William F. Northrop, Executive Officer, stated it is his understanding Standard would then be in breach of its contract. Instead of extending the lease to the recommended date of January 18, 1977, Mr. Cory suggested it be deferred until the next Commission meeting. At this time Standard could explain why the Commission should wait for drilling to commence. However, Mr. E. J. Taaffe, representative from Standard Oil Company of California, was in the audience and appeared.

In answer to Mr. Cory's question as to what would happen if the Commission fails to approve the extension, he stated the operator would be in breach of his obligation if he could not commence drilling within the time specified. He also stated that Standard does not like to operate in a default position. He indicated the other alternative would be to execute a partial surrender of the lease in lieu of fulfilling the complete drilling obligation. However, he stated it is their belief there is more oil to be recovered. He stated that their 90 day extension request is justifiable in order for them to examine the geology and determine what additional action should be taken concerning their injection program.

The item was discussed further. At the conclusion, Commission-alternate Sid McCausland moved that the item be approved. Commission-alternate Richard Thomson seconded his motion and Chairman Cory voted no.

Upon motion duly made and carried, the resolution as presented in Calendar Item 26 was adopted by a vote of 2-1.

Attachment: Calendar Item 26 (2 pages)

CALENDAR ITEM

26.

9/76  
CPP  
PRC 3095.1

DEFERMENT OF DRILLING REQUIREMENTS

PRC: 3095.1.  
LESSEE: Standar Oil Company of California  
575 Market Street  
San Francisco, California  
COUNTY: Orange.  
AREA: Belmont Offshore (surfside).  
ISSUED: January 30, 1964.

WORK COMPLETED ON LEASE:

Constructed Island "Esther", drilled 76 wells;  
41 wells are currently producing. Initiated  
water-injection project in November, 1966;  
11 injection wells presently in operation.

PROPOSED DEFERMENT:

From October 20, 1976, through January 18, 1977.

REASON FOR REQUEST:

Resumption of drilling operations from existing facilities on Oil and Gas Lease PRC 3095.1 was authorized by the Commission on January 14, 1975. Under the terms of the lease, Standard is required to maintain a continuing drilling program until the underlying oil and gas reservoirs are fully developed. That program requires that each well drilled or redrilled must be commenced within one hundred and twenty days after the cessation of drilling operations on the preceding well.

Since resumption, Standard has completed three new wells and six redrills. The work done could have been planned over a four year period, and thus satisfied drilling obligations for that period of time. The work was completed on June 23, 1976, however, and the next well must be commenced by October 21, 1976.

Standard is currently evaluating the data obtained as a result of this work, and in order to complete the study, has requested an extension of time for the beginning of the next well.

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The lease provides that terms of the lease may be modified or amended upon mutual consent of the parties to the lease. This would include the date of the next drilling obligation.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE GRANTING TO STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., OF A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE PRC 3098.1 THROUGH JANUARY 18, 1977, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.