

MINUTE ITEM NO. 22

APPROVED 1-17-76

MINUTE ITEM

1/15/76
LCS

22. APPROVAL OF PROPOSED DRILLING OF NEW WELLS "STATE 392" UJ-264 AND "STATE 392" UJ-265, EXCHANGE OIL AND GAS LEASE E 392, HUNTINGTON BEACH OFFSHORE, ORANGE COUNTY - E 392.

During consideration of Calendar Item 22 attached, Chairman Cory questioned whether the State will make, lose or break even with respect to the subject application. Mr. Donald J. Everitts, Manager, Energy and Mineral Resources Development, stated that it would be difficult to determine whether or not the State will make more money in waiting for an increase in the price of crude oil due to gravity differential, or whether it should proceed to produce the wells now. Mr. Everitts also stated that Burmah has indicated, because of the tight drilling schedule, that it is important to expedite the drilling of these wells.

Mr. C. E. (Bill) Woods, representing Burmah Oil and Gas Company, appeared. He requested that the Commission approve at least "State 392" UJ-264 at this time in order to maintain some continuity in their development program. Burmah would then come back in February with a new drilling program.

The Commission approved the drilling of well "State 392" UJ-264, postponing until the next Commission meeting action on "State 392" UJ-265.

The following resolution, as amended, was approved with no objection by the Commission.

THE COMMISSION:

1. DETERMINES THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS ACTIVITY BECAUSE IT IS AN ONGOING PROJECT UNDER 14 CAL. ADM. CODE 15070.
2. AUTHORIZES THE APPROVAL OF DRILLING WELL "STATE 392" UJ-264 IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF EASEMENT OIL AND GAS LEASE E 392; BURMAH OIL AND GAS COMPANY, LESSEE, AND THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment:

Calendar Item 22 (2 pages)

CALENDAR ITEM

1/76
LCS
E 392

22.

APPROVAL OF PROPOSED DRILLING OF NEW WELLS
"STATE 392" UJ-264 AND "STATE 392" UJ-265,
EXCHANGE OIL AND GAS LEASE E 392,
HUNTINGTON BEACH OFFSHORE, ORANGE COUNTY

LEASE: H 392.
LESSOR: Burmah Oil and Gas Company
2028 Junipero Avenue
Signal Hill, California 90806
COUNTY: Orange.
AREA: Huntington Beach Offshore Field.

PERTINENT INFORMATION:

Burmah is actively developing the Upper Jones zone on the West Flank area in the "State 392" lease for primary and secondary recovery operations. In order to maintain a coordinated development program in this area, Burmah proposes the following work:

Drill new producing Well "State 392" UJ-264 in Fault Block "14A".

Drill new producing Well "State 392" UJ-265 in Fault Block "15".

These proposals are part of seventeen potential well locations from which an estimated 3.6 million barrels of primary and secondary oil will ultimately be recovered.

The proposed wells are part of the plan for secondary operations approved by the Commission on November 6, 1963 (Minute Item 21, Page 9362). Peak production from this lease occurred in 1972 (base year for oil price control). Current production is less than base year rates, and is therefore subject to price control. These proposed wells, if approved, would not be drilled until February and March 1976.

An Environmental Impact Report is not required as this is an ongoing project. The surface location of these wells is on the uplands.

Proposed new producing Well "State 392" UJ-264 will be drilled in Fault Block "14A" and will recover an estimated 300,000 barrels of 16° API gravity oil. The revenue to the State is estimated

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At \$161,000 under controlled prices (\$4.07 per barrel) or \$454,000 should price controls be eliminated and current exempt prices (\$11.45 per barrel) prevail.

Proposed new producing Well "State 392" UJ-265 will be drilled in Fault Block "15". Future primary and secondary oil recovery from this well is estimated to be 300,000 barrels of 17° API gravity oil, yielding \$163,000 in revenue to the State under controlled prices (\$4.12 per barrel) or \$455,000 should price controls be eliminated and current exempt prices (\$11.487 per barrel) prevail.

Present worth calculations indicate a slim margin in favor of drilling these wells immediately rather than delay for higher crude oil prices.

The proposed drilling programs have been reviewed by the Division and determined to be in accordance with good engineering practices and the rules and regulations of the Commission. The Division of Oil and Gas approved the drilling of these wells. The proposed wells are part of the plan of development exempted from permit requirements by the South Coast Regional Commission.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS ACTIVITY BECAUSE IT IS AN ONGOING PROJECT UNDER 14 CAL. ADM. CODE 15070.
2. AUTHORIZE THE APPROVAL OF DRILLING WELLS "STATE 392" UJ-264 AND "STATE 392" UJ-265, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF EASEMENT OIL AND GAS LEASE E 392; BURMAH OIL AND GAS COMPANY, LESSEE, AND THE RULES AND REGULATIONS OF THE COMMISSION.