

MINUTE ITEM

This Calendar Item No. 31
was approved as Minute Item
No. 31 by the State Lands
Commission by a vote of 3
to 0 at its 5-28-81
meeting.

CALENDAR ITEM

31

5/81
PRC 91
Smith
W 40266

VARIANCE OF DRILLING UNIT BOUNDARY,
IN THE COUNTY OF ORANGE

PRC: 91.1 (Oil & Gas Lease).
LESSEE: Aminoil USA, Inc.
P. O. Box 191
Huntington Beach, California 92648
OPERATOR: Aminoil USA, Inc.
COUNTY: Orange.
AREA: Huntington Beach Offshore Field.
ISSUED: May 21, 1943.

WORK COMPLETED ON LEASE:

This lease has been developed by drilling wells from the shore. A total of 42 wells have been drilled into the "TM" Zone, "Jones" Zone and "Main" Zone. Of these, nine (9) wells were drilled to produce 14° API gravity, heavy oil from the "TM" Zone which has shown excellent response to cyclic steam injection.

PROPOSAL VARIANCE:

To permit drilling and completion of wells in the "TM" Zone within the restricted "Drilling Unit Boundary" of Area "A", as shown in Exhibit "D" and as provided for in Exhibit "A" of the lease. The "TM" Zone is a part of the "Jones" Zone as defined in the lease.

REASON FOR REQUEST:

State Oil and Gas Lease PRC 91 prohibits the drilling and completion of wells in the "Jones" Zone (including the "TM" Zone) within an area extending approximately 500' from the shoreline of Area "A". See Exhibit attached. This restriction was established as a buffer zone to protect other older wells completed in a deeper

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horizon of the Jones Zone as defined in the lease.

Aminoil plans to initiate three steamflood pilot operations in the shallow "TM" Zone of the Huntington Beach Offshore Field. Each pilot operation consists of a single steam injection well surrounded by two to five producing wells. One of these proposed pilot operations is within the restricted "Drilling Unit Boundary". Most of the older wells have been abandoned, and since the proposed well work involves only shallow zones, there is no longer a need for the restriction.

Based on the performance of these steamflood pilot operations, Aminoil anticipates proposing a full-scale steamflood of the "TM" Zone in all leases.

Staff review of Aminoil's proposed pilot steamfloods indicated that approximately 500,000 barrels more oil reserves are likely to be produced by steam displacement (i.e., steam flooding) than by continued cyclic steaming over the next five years. At the current price of \$26.20 per barrel of oil and the 12.60% royalty, this represents \$1,650,000 in revenue to the State.

ENVIRONMENTAL INFORMATION:

A final Environmental Impact Report (EIR No. 206) that encompassed this project was certified by the Commission on January 26, 1977 as complying with the requirements of the California Environmental Quality Act of 1970, as amended and the State Guidelines, and a determination was made at that time that the project as proposed will not have a significant adverse effect on the environment.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

AUTHORIZE THE GRANTING TO AMINOIL USA, INC., OF A VARIANCE TO DRILL AND COMPLETE WELLS IN THE "TM" ZONE (PART OF THE "JONES" ZONE) WITHIN THE RESTRICTED "DRILLING UNIT BOUNDARY"

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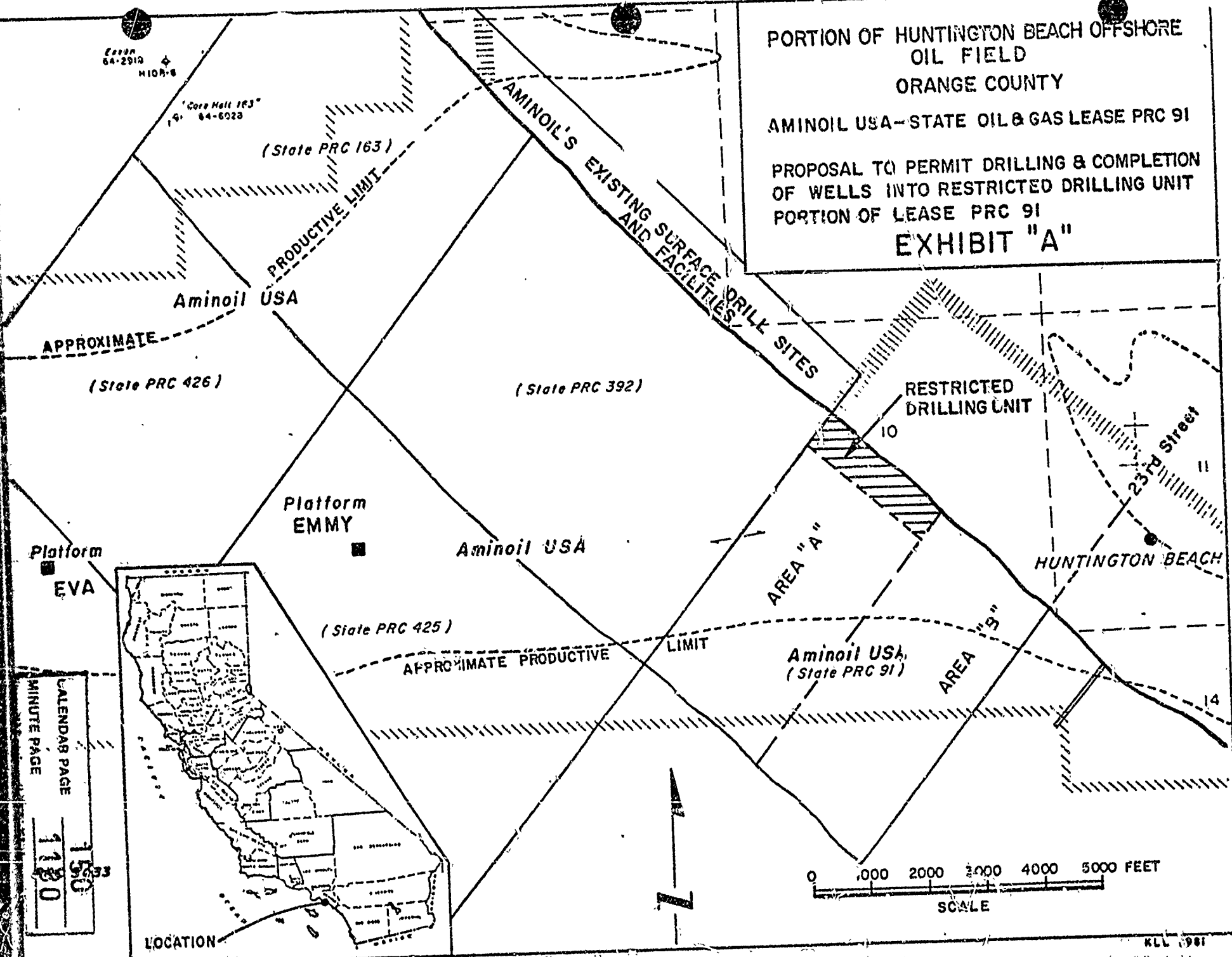
OF AREA "A", AS SHOWN IN EXHIBIT "D" AND AS PROVIDED FOR
IN EXHIBIT "A" OF THE LEASE.

PORTION OF HUNTINGTON BEACH OFFSHORE
OIL FIELD
ORANGE COUNTY

AMINOIL USA-STATE OIL & GAS LEASE PRC 91

PROPOSAL TO PERMIT DRILLING & COMPLETION
OF WELLS INTO RESTRICTED DRILLING UNIT
PORTION OF LEASE PRC 91

EXHIBIT "A"



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