

MINUTE ITEM

6/25/70
ADW

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

After consideration of Calendar Item 31 attached, with the acquiescence of Standard Oil Company of California, and upon motion made by Commissioner Orr, duly seconded, and carried unanimously, further consideration was deferred until a later meeting of the Commission

(A Deferment of Operating Requirements for Lease P.R.C. 3095.1 therefore was needed, and a supplemental calendar item was presented. See Minute Item 33.)

Attachment:

Calendar Item 31 (6 pages)

SUPPLEMENTAL CALENDAR ITEM

6/70
ADW

31.

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

On May 28, 1970, the Commission deferred action on the application by Standard Oil Company of California to drill the new producing well "State 3095" 420 (Exhibit "A", Calendar Item No. 38) pending receipt from Standard of documentation on specific safety features and procedures which will be incorporated in the drilling system. The requested additional data was detailed in a letter to Standard dated June 3, 1970.

Standard has submitted the requested documentation of the safety measures required by the Commission. The data have been reviewed and found to be in accordance with good engineering practices and to provide safety margins in excess of those normally required. The State Lands Division will inspect and witness all critical drilling and completion operations (Exhibit "B") to assure full compliance with the proposed well program.

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, THE FORM OF APPROVAL ATTACHED HERETO AS EXHIBIT "C", AND THE RULES AND REGULATIONS OF THE COMMISSION.

Attachments:

Exhibits "A", "B" and "C"

EXHIBIT "A"

CALENDAR ITEM

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38.

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.

EXHIBIT "B"

File No.: P.R.C. 3095.1

STATE LANDS DIVISION INSPECTION REQUIREMENTS
DURING DRILLING OF WELL NO. 420, P.R.C. 3095

PURPOSE:

To observe and certify that the well is drilled in accordance with the drilling programs and safety procedures proposed by the Lessee and approved by the State Lands Commission.

INSPECTION REQUIREMENTS:

1. Commencement of Drilling
 - a. Meet with Company and Contractor Drilling Foreman to affirm performance of blowout drills.
 - b. Check volume of mud and cement on hand.
 - c. Inspect mud system and installation of monitoring equipment.
 - d. Inspect cellar pump system to oil line to shore.
2. Surface Hole and Casing
 - a. Routinely check mud properties and function of monitoring equipment.
 - b. Check grade and weight of surface casing.
 - c. Witness running and cementing of surface casing string.
 - d. Check installation and witness testing of all B.O.P.E. including choke manifold and accessory equipment.
 - e. Check choke manifold connection to production manifold to direct flow through pool and/or gauge separators to oil line to shore. Identify important valving.
 - f. Witness testing of surface casing string prior to drilling ahead.
3. Subsequent Drilling and Production Casing String
 - a. Witness initial and subsequent blowout drills as warranted.
 - b. Routinely check mud properties and function of mud monitoring equipment.
 - c. Routinely observe operations while drilling and tripping to certify that good drilling practices are being employed.
 - d. Observe safeguards provided for electric logging.
 - e. Check grade and weight of 7" production casing string.

EXHIBIT "B" (CONTD.)

- f. Witness running and cementing of 7" production casing string.
 - g. Witness testing of blowout prevention equipment when reinstalled and pressure test of 7" production casing.
 - h. Certify effectiveness of cement job from Cement Bond Log.
 - i. Witness W.S.O. test.
4. Completion
- a. Witness perforating of casing.
 - b. Witness hydraulic fracturing operation.

EXHIBIT "B" (CONTD.)

STATE LANDS PERSONNEL INSPECTION ROSTER AND QUALIFICATIONS

D. J. EVERITTS

Assistant Executive Officer--Engineering

B.S. Engineering, University of California, Registered Petroleum Engineer, State of California. Fifteen years experience in drilling and producing operations for major oil company.

C. F. EATON

Petroleum Geologist

B.E. Petroleum Engineering, University of Southern California, Registered Petroleum Engineer, State of Texas. Sixteen years experience in drilling and producing operations for major and independent oil companies.

C. P. PRIDY

Associate Mineral Resources Engineer

B.S. and M.S. Geology, Texas Technological College, Registered Geologist, State of California. Six years experience in exploration and drilling operations for major, independent and service companies.

W. F. YERINGTON

Junior Oil and Gas Engineer

A.B., University of California, Registered Geologist, State of California. Twenty-two years experience in exploration and petroleum geology for major oil company and as consultant.

C. E. FANKHOUSER, JR.

Assistant Petroleum Production Inspector

Four years experience as driller and eleven years as State gauger on State tidelands. Has taken college extension courses in mud control and secondary recovery.

EXHIBIT "C"

P.R.C. 3095.1

Standard Oil Company of California
Western Operations, Inc.
P.O. Box 606
La Habra, California 90631

Attention: Mr. Clair Ghylin
Division Land Superintendent

Gentlemen:

Pursuant to your application and subsequent supplemental information transmitted in your letters of May 20, June 5 and June 16, 1970, the State Lands Commission, at its meeting on _____, authorized the approval of drilling new well "State 3095" 420, Belmont Offshore Field, Orange County.

In addition to those procedures set forth in your application, it is understood that in the event oil base or oil/water emulsion drilling fluids are used, all drill cuttings and drilling fluids will be transported to shore for disposal.

In accordance with said authorization, the drilling and completion of well "State 3095" 420 are hereby approved, subject to the express conditions that all operations shall be conducted pursuant to the proposed program, the proposed subsurface course as submitted, the terms and conditions of State Oil and Gas Lease P.R.C. 3095.1, the State Lands Division inspection requirements for drilling the well, and the rules and regulations of the State Lands Commission.

Yours very truly,

D. J. EVERITTS
Assistant Executive Officer-
Engineering

Attachment: State Lands Division Inspection Requirements