

MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No. 25 on State Lands
acquired by a vote of 3
0 at its 5-31-78
meeting.

CALENDAR ITEM

25.

5/78
PRC 3095.1
Willard

DEFERMENT OF DRILLING REQUIREMENTS

PRC: 3095.1
LESSEE: Chevron USA, Inc.
575 Market Street
San Francisco, California
COUNTY: Orange.
AREA: Belmont Offshore (Surfside).
ISSUED: January 30, 1964.

WORK COMPLETED ON LEASE:

Constructed Island "Esther", drilled 105 wells, including redrills; 41 wells are currently producing. Initiated water-injection project in November, 1966; 9 injection wells presently in operation.

PROPOSED DEFERMENT:

From May 20, 1978, through May 20, 1979.

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, Chevron 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 120 days after the cessation of drilling operations on the preceding well.

Since resumption, Chevron has completed 3 new wells and 9 redrills. The work done could have been planned over a 5-year period and thus satisfied drilling obligations for that period of time. Since the last drilling work was completed on January 20, 1978, however, the next well must be commenced by May 20, 1978.

70, 71

34

CALENDAR ITEM NO.25. (CONTD)

Chevron recently completed a geologic review of State Lease PRC 3095 which resulted in a revision of the fault picture. They have undertaken a waterflood sweep study which is estimated to be completed in 6 to 9 months. The need for this study is supported by the fact that the last 4 drilling completions have been economically unsatisfactory. To avoid more such costly, unproductive efforts, Chevron desires to defer further drilling until the aforementioned study is completed. Meanwhile a production rig is in operation continuously, doing stimulation, clean-out and remedial well work to minimize the normal decline of oil production from existing wells.

Staff has reviewed the geologic study with Chevron and is in agreement with their geologic interpretations. Based on this study, it would appear that further drilling would have to be economically justified on the presently controlled lower tier prices. (One well could possibly be drilled which would qualify for upper tier prices.) Therefore, rather than attempting to piecemeal future drilling in order to meet the lease requirements, a deferment of the drilling obligation has been requested.

It is the staff's position that the completion of the waterflood study is essential to development of a comprehensive drilling program. It is proposed that a deferment of drilling requirements be granted for a period of 1 year from May 20, 1978, with the understanding that within this period studies must be completed and a drilling program initiated or areas not held by existing wells would be relinquished. Further, staff will meet on a bimonthly schedule with Chevron to review the status and progress of the geologic and engineering studies. Should such studies indicate or should Federal pricing regulations be modified to change the economic conditions, the Commission will reserve the right to terminate the deferment with 60-days' written notice.

CALENDAR ITEM NO. 25. (CONTD)

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE GRANTING TO CHEVRON USA, INC., OF A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE PRC 3095.1 THROUGH MAY 20, 1979, PROVIDED THAT CHEVRON REVIEW ON A BIMONTHLY SCHEDULE WITH STATUS OF CURRENT GEOLOGIC AND WATERFLOOD STUDIES WITH THE STATE; AND FURTHER, THE COMMISSION RESERVES THE RIGHT TO TERMINATE THIS DEFERMENT OF DRILLING REQUIREMENTS UPON 60-DAYS' WRITTEN NOTICE.

Attachment: Exhibit "A"

EXHIBIT "A"
STATE LANDS COMMISSION

DEFERMENT of DRILLING REQUIREMENTS

STATE OIL & GAS LEASE PRC 3095.1

Belmont Offshore Field

Orange County

May 1978

