

MINUTE ITEM

4/29/71
ADW

17. EXTENSION OF TIME FOR DRILLING OPERATIONS ON OIL AND GAS LEASES THAT HAVE FULFILLED THE PRIMARY DRILLING OBLIGATIONS AND SUBSEQUENTLY HAVE BEEN AFFECTED BY THE COMMISSION'S DRILLING MORATORIUM ON TIDE AND SUBMERGED LANDS - W 9000.

After consideration of Calendar Item 23 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE EXTENSION OF TIME IN WHICH LESSEES ARE OBLIGATED BY THEIR LEASE TERMS TO PERFORM DRILLING OBLIGATIONS BY THE PERIOD OF TIME THAT THE MORATORIUM IS IN EFFECT. ON THOSE LEASES (EXHIBIT "A", ATTACHED) THAT HAD FULFILLED THE PRIMARY DRILLING OBLIGATION BUT WERE STILL WITHIN THE THREE-YEAR PRIMARY DRILLING TERM, THE PRIMARY TERM SHALL BE EXTENDED SO THAT LESSEE SHALL HAVE A FULL THREE YEARS OF TIME TO MEET THE DRILLING OBLIGATIONS WHEN NO MORATORIUM WAS IN EFFECT. FOR THOSE LEASES (EXHIBIT "B", ATTACHED) THAT HAVE A DRILLING REQUIREMENT OF SIX MONTHS OR LESS THAT WAS INTERRUPTED BY THE MORATORIUM, LESSEE SHALL HAVE SIX MONTHS AFTER THE MORATORIUM TERMINATES IN WHICH TO MEET THE DRILLING REQUIREMENTS.

Attachment:

Calendar Item 23 (5 pages)

CALENDAR ITEM

4/71
W 9000
ADW

23.

EXTENSION OF TIME FOR DRILLING OPERATIONS ON OIL AND GAS LEASES THAT HAVE FULFILLED THE PRIMARY DRILLING OBLIGATIONS AND SUBSEQUENTLY HAVE BEEN AFFECTED BY THE COMMISSION'S DRILLING MORATORIUM ON TIDE AND SUBMERGED LANDS.

On February 1, 1969, the Commission instituted an informal moratorium on drilling wells on tide and submerged lands following the Union Oil Company's oil spill of January 28, 1969, which occurred on a Federal lease on the Outer Continental Shelf. The Commission has indicated that this moratorium on drilling new wells will continue until it is demonstrated that effective spill containment and recovery devices adequate to protect the public interests are available.

Oil and gas leases issued by the Commission contain specified drilling obligations, typical of which are:

1. Within 120 days of cessation of drilling operations on the first well, the lessee must commence operations for the drilling of the next well.
2. Operations for the drilling of each succeeding well thereafter must commence within 120 days of cessation of drilling operations on the preceding well.

During the time that the moratorium remains in effect, the State's lessees will have been prevented from fulfilling these drilling requirements.

The lease terms provide that the obligations imposed upon the lessee may be extended during the time that lessee is prevented from complying therewith by unusual conditions beyond the control of lessee. The leases also provide that they may be modified by mutual agreement of the parties. Lease terms further provide that, if the lessee fails to diligently prosecute drilling after the expiration of the three-year drilling term, the lease shall terminate.

The drilling requirements for the leases listed in Exhibit "A" should be extended by the period of time that the moratorium is in effect and thereafter for a period of time as follows:

For those leases listed in Exhibit "A" that had fulfilled the primary drilling obligation but were still within the three-year primary drilling term at the time the moratorium was imposed, i.e., February 1, 1969, the primary term should be extended for a period of time equal to the total remaining time in the primary drilling term, and such extended time shall commence when the drilling moratorium is terminated.

The drilling requirements for the leases listed in Exhibit "B", whose primary drilling terms had been fulfilled and the three-year primary term had elapsed prior to the beginning of the moratorium, should be extended until six months after the moratorium is terminated.

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The adoption of this recommendation would not preclude the Commission from continuing the policy enunciated at its meeting of July 31, 1969 (Minute Item 40, page 862), i.e., consideration of applications for drilling new wells on an individual basis where unique circumstances prevail or where the vital interests of the State might be affected.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXTENSION OF TIME IN WHICH LESSEES ARE OBLIGATED BY THEIR LEASE TERMS TO PERFORM DRILLING OBLIGATIONS BY THE PERIOD OF TIME THAT THE MORATORIUM IS IN EFFECT. ON THOSE LEASES (EXHIBIT "A", ATTACHED) THAT HAD FULFILLED THE PRIMARY DRILLING OBLIGATION BUT WERE STILL WITHIN THE THREE-YEAR PRIMARY DRILLING TERM, THE PRIMARY TERM SHALL BE EXTENDED SO THAT LESSEE SHALL HAVE A FULL THREE YEARS OF TIME TO MEET THE DRILLING OBLIGATIONS WHEN NO MORATORIUM WAS IN EFFECT. FOR THOSE LEASES (EXHIBIT "B", ATTACHED) THAT HAVE A DRILLING REQUIREMENT OF SIX MONTHS OR LESS THAT WAS INTERRUPTED BY THE MORATORIUM, LESSEE SHALL HAVE SIX MONTHS AFTER THE MORATORIUM TERMINATES IN WHICH TO MEET THE DRILLING REQUIREMENTS.

Attachments: Exhibits "A" and "B"

EXHIBIT "A"

<u>PRC</u>	<u>Lessee</u>	<u>Lease Issued</u>
3490	Mobil Oil Corporation- Union Oil Company of California	5-26-66
3499	Phillips Petroleum Company- Pan Petroleum Company, Inc.	6-15-66
3503	Union Oil Company of California	6-28-66
3742	Standard Oil Company of California	4-10-67
3743	Standard Oil Company of California- Shell Oil Company	4-10-67
3896	Standard Oil Company of California- Shell Oil Company	1-26-68
3945	Shell Oil Company	5-23-68
3946	Shell Oil Company	5-23-68
4000	Atlantic Richfield Company- Standard Oil Company of California	8-28-68
4031	Continental Oil Company	6-28-68
3998	Standard Oil Company of California	7-17-68

EXHIBIT "B"

<u>PRC</u>	<u>Lessee</u>	<u>Lease Issued</u>
186	Humble Oil & Refining Company	9-24-45
308-309	Atlantic Richfield Company, et al.	3-4-47
1466	Atlantic Richfield Company	8-29-55
1824	Standard Oil Company of California- Humble Oil & Refining Company	1-10-57
2199	Standard Oil Company of California	7-25-58
2206	Texaco Inc.	7-25-58
2207	Phillips Petroleum Company- Humble Oil & Refining Company, et al.	7-25-58
2725	Texaco Inc.	5-4-61
2726	Atlantic Richfield Company, et al.	5-4-61
2793	Atlantic Richfield Company, et al.	10-26-61
2879	Union Oil Company of California	4-26-62
2894	Standard Oil Company of California- Shell Oil Company	6-28-62
2920	Shell Oil Company- Standard Oil Company of California	8-28-62
2933	Phillips Petroleum Company- Pauley Petroleum Inc.	10-25-62
2955	Texaco Inc.	12-20-62
2991	Union Oil Company of California	2-28-63
3004	Union Oil Company of California- Humble Oil & Refining Company	4-25-63
3033	Union Oil Company of California	7-25-63
3095	Standard Oil Company of California	1-30-64
3119	Mobil Oil Corporation	4-29-64

EXHIBIT "B" (CONTD.)

<u>PRC</u>	<u>Lessee</u>	<u>Lease Issued</u>
3120	Atlantic Richfield Company- Mobil Oil Corporation	4-29-64
3133	Humble Oil & Refining Company	5-28-64
3150	Atlantic Richfield Company- Standard Oil Company of California	7-28-64
3177	Signal Oil Company	8-18-64
3184	Standard Oil Company of California	9-24-64
3242	Atlantic Richfield Company- Standard Oil Company of California	4-8-65
3314	Shell Oil Company	7-2-65
3403	Standard Oil Company of California	11-18-65
3413	Union Oil Company of California	12-1-65