8. APPROVAL OF PROPOSED DRILLING OF NEW WELLS "STATE 392" J-255 AND "STATE 392" J-256, EXCHANGE OIL AND GAS LEASE E 392; HUNTINGTON BEACH OFFSHORE, ORANGE COUNTY; BURMAH OIL AND GAS COMPANY - E 392.

During consideration of Calendar Item 6 attached, there was considerable discussion on economics.

Upon motion duly made and carried, the following resolution was adopted:

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 WELLS "STATE 392" J-255 AND "STATE 392" J-256, 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 6 (2 pages)

CALENDAR ITEM

6.

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E 392

APPROVAL OF PROPOSED DRILLING OF NEW WELLS
"STATE 392" J-255 AND "STATE 392" J-256,
EXCHANGE OIL AND GAS LEASE E 392;
HUNTINGTON BEACH OFFSHORE, ORANGE COUNTY

LEASE: E 392.

LESSEE: Burmah Oil and Gas Company.

COUNTY: Orange.

AREA: Huntington Beach Offshore Field.

PERTINENT INFORMATION:

Burmah has been actively developing the Jones zone which consists of an Upper and a Lower sand interval. Whereas the Upper and Lower Jones is being subjected to "waterflooding" secondary recovery operations in most fault blocks of the Huntington Beach Field, in the Upper Jones interval of the West Flank area no secondary recovery operations have as yet been started; in fact, primary development is still incomplete.

In order to obtain reservoir information for development and secondary recovery operations in this area, Burmah proposes to drill two of fourteen potential producing well locations, "State 392" J-255 and "State 392" J-256 to determine the feasibility of a cyclic steam injection project in the Upper Jones zone. The fourteen locations represent a potential of about 2.2 million barrels of oil reserves, of which only a very small portion would be recovered without the secondary operation.

Burmah has requested the Commission to consider immediate approval of these first two wells on the basis of the time value of money, instead of deferral of drilling until oil price controls are relaxed. Deferral represents a loss of potential income to Burmah as well as to the State. Experience indicates that the maximum oil production rate of each well will not be realized until approximately eight to ten months after the well is drilled, or until 1976.

Further, a delay of this drilling will affect Burmah's operational schedules and result in additional expenses. The proposed wells are part of the plan

for secondary recovery operations approved by the Commission on November 6, 1963 (Minute Item 21, page 9362.

An environmental impact report is not required as this is an ongoing project. The surface locations of these wells are on the uplands.

The proposed drilling and completion 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 has 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" J-255 AND "STATE 392" J-256, 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.