

MINUTE ITEM

3/25/76
LCS

33. APPROVAL OF PROPOSED DRILLING OF NEW WELL "STATE 392"
UJ-269, EXCHANGE OIL AND GAS LEASE E 392, HUNTINGTON BEACH
OFFSHORE, ORANGE COUNTY; BURMAH OIL AND GAS COMPANY - E 392.

During consideration of Calendar Item 33, Mr. William F. Northrop, Executive Officer, read into the record a paragraph from a letter to the State Lands Division from E. H. Kelly, Division Manager, Western Division, Burmah Oil and Gas Company, dated March 17, 1976; on file in the office of the State Lands Commission and by reference made a part hereof. The letter requested that the Commission withdraw Burmah's application to drill Well "State 392" UJ-269 because the economics of drilling the well have been seriously affected by recent Federal Oil Administration oil pricing regulations. Based on the foregoing, the item was pulled from the agenda.

Attachment:

Calendar Item 33 (2 pages)

A 73
S 36

CALENDAR ITEM

33

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LCS
E 392

APPROVAL OF PROPOSED DRILLING OF NEW WELL
"STATE 392" UJ-269, 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 is continuing active development of oil production from the Upper Jones zone by primary and secondary recovery operations, in the West Flank and adjoining areas of lease "State 392". Accordingly, Burmah proposes the following work, to begin during April, 1976:

Drill new producing Well "State 392" UJ-269 in Fault Block "14-B".

The proposed well is 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 location of this well is on the uplands.

Under the recently expired oil price regulations, lease "State 392" has been subject to price control (i.e., current production has been less than production during the 1972 base year, which also marked the peak of past production). Under the new F.E.A. Crude Oil Price Regulations effective February 1, 1976, the newly established "base level" is 573,351 barrels/month (average of the twelve months of 1975). Current production is slightly higher, approximately 590,000 barrels/month. Accordingly, additional oil production resulting from new drilling may possibly qualify as "New Oil", and consequently attract a value over twice that given "Old Oil".

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Proposed new producing Well "State 392" UJ-269 will recover an estimated 190,000 barrels of 17.0° API gravity oil, under primary and secondary waterflooding operations. It is estimated that the revenue to the State will be \$249,200, using a calculated "upper tier ceiling price" of \$9.93 per barrel.

If the "lower tier ceiling price" of \$4.12 per barrel is applied, the revenue to the State is estimated to be \$103,400.

The proposed drilling 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 Division of Oil and Gas has approved the drilling of this well. The proposed well is part of development exempt 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 WELL "STATE 392" UJ-269 IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF EASEMENT OIL AND GAS LEASE E 392, BURMAI OIL AND GAS COMPANY.