

This Calendar Item No. 19
was approved in Minute Item
No. 11 by the State Lands
Commission by a vote of 3
to 2 on its 1/26/77
meeting

MINUTE ITEM

1/26/77
ADW

19. APPROVAL OF RESUMPTION OF DRILLING OPERATIONS ON STATE
OIL AND GAS LEASES E 392.1, PRC 91.1, PRC 163.1, PRC 425.1,
AND PRC 426.1, ORANGE COUNTY INOIL USA, INC. - W 9757.

During consideration of Calendar Item 19 attached, Mr. William F.
Northrop, Executive Officer, made part of the record a letter
from Mr. Jack Polans to Chairman Kenneth Cory dated January 24,
1977, on file in the office of the State Lands Commission.

Upon motion duly made and carried, the resolution as presented
in Calendar Item 19 was adopted by a vote of 3-0.

Attachment:

Calendar Item 19 (6 pages)

CALENDAR ITEM

1/77
W 9737
ADW

19.

APPROVAL OF RESUMPTION OF DRILLING OPERATIONS ON
STATE OIL AND GAS LEASES E 392.1, PRC 91.1, PRC 163.1,
PRC 425.1 AND PRC 426.1, ORANGE COUNTY

LEASES: E 392.1, PRC 91.1, PRC 163.1, PRC 425.1 and
PRC 426.1.

LESSEE: Aminoil USA, Inc. (Operator), et al.
Attn: E. H. Kelly
P. O. Box 191
Huntington Beach, California 92648

COUNTY: Orange.

AREA: Huntington Beach Offshore Oil and Gas Field.

BACKGROUND: On February 1, 1969, in response to an oil and
gas well blowout on Federal OCS in the Santa
Barbara Channel, the State Lands Commission
declared a moratorium on further drilling on
State offshore oil and gas leases, and announced
that no new wells would be approved pending a
complete review of all offshore drilling
regulations, techniques, and procedures.

On July 31, 1969, the Commission unanimously
adopted a resolution rejecting the staff's
recommendation that oil and gas drilling on
State offshore leases be resumed. However,
the resolution did provide that:

"Recommendations for drilling wells on
existing leases may be brought to the
Commission for consideration on a well-
by-well basis if there are unique cir-
cumstances that justify and require such
drilling" (Minutes, State Lands Commission,
1969, p. 867.)

In December 1974, the Commission authorized
(1) the adoption of procedures for drilling
and production operations from existing plat-
forms, piers, and islands on existing offshore
leases, and (2) the resumption of drilling
operations on a lease-by-lease basis, such
resumption to be predicated upon a review by
the State Lands Division for compliance with
the procedures, compliance with requirements
of the California Environmental Quality Act,
and upon final approval by the State Lands
Commission.

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Under the terms of the 1969 resolution, Burmah Oil and Gas Company (now Aminoil USA, Inc.) has been permitted to continue redrill and new well drilling operations from upland drill sites in the Huntington Beach Offshore Oil Field on a well-by-well review and approval by the Commission.

Subsequent to its 1974 action, the Commission has authorized resumption of drilling operations on six leases in the Santa Barbara Channel (Mobil's pier lease at Rincon, ARCO's So. Ellwood Field leases and Standard's Summerland and Carpinteria Field leases) and two leases in the Orange County area (Standard's Island Esther and Exxon's Belmont Island). In addition, applications have been filed by Cabot Oil and Gas Corporation to resume operations from an upland location at Rincon, and this application by Aminoil USA, Inc.

PROJECT DESCRIPTION:

Aminoil has requested authorization from the State Lands Commission to resume drilling operations on five leases (PRC's 91, 163, 392, 425, and 426), from Platform Emmy in the Huntington Beach Offshore Field, and to continue the uplands development of those leases. Aminoil's project includes operations from upland sites and from one offshore platform "Emmy". Development from both sites must be integrated in order to develop the composite five leases in an orderly manner.

The field was discovered by Standard Oil Company in 1920. Subsequently, Aminoil became the first successful bidder on a tidelands lease under the State Lands Act of 1938 and was issued E 392, and since then a total of nine hundred plus new wells and redrills have been completed on the five leases. The total leased area includes approximately 3,500 acres. It is developed principally from an 130-acre upland site (390 wells currently producing, injecting, or idle), and to a lesser extent from 52 (27 producing, 18 water injectors, and 7 idle) wells on platform Emmy, 1 1/3 miles offshore in 45 feet of water. The leases produce from 8 zones ranging in depth from 950' to 5,000'. Daily production amounts to approximately 32,000 barrels of oil from the uplands, and 1800 barrels from the platform. Approximately 430,000 b/d of water are injected for waterflood operations from the uplands, and 31,000 b/d are injected at

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the platform. Secondary recovery royalty rates have been negotiated and vary from 12.5% to 17.74%. Crude oil gravities vary from 14° API to 20° API. Prices are a mixture of lower and upper tier.

The long range program contemplates a total of 151 redrills and sidetracks from the uplands, and 52 from platform Emmy. Immediate plans consider only 17 redrills from the platform to be completed by the end of 1978. The first 11 (probably by the end of 1977) will develop a new fault block and include 5 injectors. All plans are contingent upon economics, and each well will be reviewed by the State Lands Division prior to final drilling approval. Additional production (estimated 1800 b/d) would be upper tier oil with an approximate value of \$9.80 per barrel. The long range program is estimated to provide an additional recovery of oil of 46.1 million barrels through 1988.

ENVIRONMENTAL IMPACT:

In accordance with the State Guidelines for Implementation of CEQA, a draft environmental impact report was prepared and circulated for comment. On October 14, 1976, a public hearing was held for the purpose of receiving comments on the draft report. The comments made at the hearing and all other written comments have been reviewed by the staff; those comments and the necessary responses have been incorporated into the final EIR No. 206. Mitigating measures, for the most part, involve oil spill prevention and control procedures. Such procedures include the use of appropriate safety equipment during drilling and production operations, in strict compliance with applicable laws and regulations of Federal, State, and local governmental agencies.

Approval of Aminoil's application would include requirements that all well drilling be conducted in accordance with the Commission's "Procedures for Drilling and Production Operations from Existing Facilities on Tide and Submerged Lands Currently Under State Oil and Gas Leases", including requirements for well casing, blowout prevention, drilling mud programs, facility safety inspections, and special training programs for operator personnel.

The platforms are equipped with integrated safety-control systems that will cause shut-in of

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all wells in the event of fire, pipeline failure, or other catastrophe. Well control training will be conducted daily until each crew is thoroughly trained, and, thereafter, at least once a week for each crew. The company drilling supervisor will be responsible for instructing all drilling crews in blowout prevention and State procedures for drilling operations. In addition, all Aminoil and drilling contractor supervisory staff will be required to have attended, on an annual basis, a formal blowout control training school. As an added safety measure, all critical drilling operations will be monitored by an on-site State Lands Division Inspector empowered to shut down drilling operations, if, in his judgment, safety considerations so warrant.

The Division finds that the project will not have a significant effect on the environment.

AGREEMENTS FOR THE PROTECTION OF THIRD PERSONS:

With the assistance of the Office of the Attorney General, staff has prepared agreements, additional to present lease requirements and acceptable to the lessees, affording increased protection to third persons for any damages arising from operations conducted under the leases. These agreements provide:

1. Aminoil USA, Inc. will furnish the State Lands Commission with a certificate of insurance in the amount of \$10 million, evidencing insurance against liability for damages to third persons.
2. Procedures shall be established for the prompt processing of all claims, and the prompt payment of uncontested claims.
3. To facilitate the settlement of contested claims by third persons without the necessity of litigation, Aminoil will agree to mediation procedures approved by the Executive Officer after consultation with the Office of the Attorney General.

EXHIBITS: A. Location Map. B. EIR Summary.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT A FINAL ENVIRONMENTAL IMPACT REPORT HAS BEEN PREPARED FOR THIS PROJECT BY THE DIVISION FOLLOWING EVALUATION OF COMMENTS AND CONSULTATION WITH PUBLIC AGENCIES WHICH WILL ISSUE APPROVALS FOR THE PROJECT.

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2. CERTIFY THAT THE FINAL ENVIRONMENTAL IMPACT REPORT (EIR NO. 206) HAS BEEN COMPLETED IN COMPLIANCE WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT OF 1970, AS AMENDED, AND THE STATE GUIDELINES AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT ADVERSE EFFECT ON THE ENVIRONMENT.
4. AUTHORIZE THE RESUMPTION OF DRILLING OPERATIONS FROM EXISTING FACILITIES ON STATE OIL AND GAS LEASES E 392.1, PRC 91.1, PRC 163.1, PRC 425.1 AND PRC 426.1, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE LEASES AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION, SUBJECT TO THE UNDERSTANDING THAT AMINOIL USA, INC., AS OPERATOR OF SAID LEASES, HAS AGREED TO THE FOLLOWING PROVISIONS:
 - A. AMINOIL USA INC. WILL FURNISH TO THE STATE LANDS COMMISSION A CERTIFICATE OF INSURANCE FROM A RECOGNIZED INSURANCE COMPANY, DOING BUSINESS IN CALIFORNIA, IN THE SUM OF \$10 MILLION, INCLUDING THE STATE AS A NAMED INSURED AND EVIDENCING INSURANCE AGAINST LIABILITY FOR DAMAGES TO THIRD PERSONS ARISING OUT OF ANY AND ALL DRILLING AND PRODUCTION ACTIVITIES UNDER SAID LEASES -- WHICH CERTIFICATE SHALL NOT BE CANCELABLE EXCEPT UPON 30 DAYS NOTICE AND AMINOIL USA, INC. SHALL AGREE TO KEEP A CERTIFICATE OF INSURANCE MEETING THE ABOVE REQUIREMENTS IN EFFECT AT ALL TIMES UNTIL ALL DRILLING AND PRODUCTION FROM SAID LEASES SHALL HAVE TERMINATED AND ALL WELLS HAVE BEEN PROPERLY ABANDONED IN THE MANNER REQUIRED BY LAW;
 - B. SHOULD ANY EVENT OCCUR CAUSING A SUBSTANTIAL NUMBER OF CLAIMS FOR DAMAGES TO BE FILED AGAINST AMINOIL USA, INC., AS A RESULT OF OPERATIONS UNDER SAID LEASES, AMINOIL USA, INC. SHALL, WITHIN 10 DAYS AFTER SUCH EVENT, CAUSE TO BE OPENED, OR OPEN, A CLAIMS OFFICE WITHIN THE CITY OF HUNTINGTON BEACH STAFFED WITH SUFFICIENT PERSONNEL AND AUTHORITY TO PROCESS ALL CLAIMS AND TO SETTLE ALL UNCONTESTED CLAIMS -- BARRING UNUSUAL CIRCUMSTANCES, THE STAFFING OF SAID OFFICE SHALL BE SUFFICIENT TO PROCESS ALL CLAIMS AND SETTLE ALL UNCONTESTED CLAIMS WITHIN 60 DAYS OF THE ESTABLISHMENT OF SAID OFFICE; ALL DRILLING AND PRODUCTION SHALL BE CONDUCTED UNDER SAID LEASES IN ACCORDANCE WITH APPLICABLE LAW, THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION AND THE DIVISION OF OIL AND GAS, AND THE PROCEDURES HERETOFORE ADOPTED BY THE STATE LANDS COMMISSION, AND REFERRED TO OR DESCRIBED IN THE FINAL ENVIRONMENTAL IMPACT REPORT RELATING TO DRILLING OPERATIONS BY AMINOIL USA, INC. IN THE HUNTINGTON BEACH FIELD / ADOPTED BY THE STATE LANDS COMMISSION IN PART TWO OF THIS RESOLUTION;

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- C. AMINOIL USA, INC. SHALL IMPLEMENT AND MAINTAIN PROPERLY AND EFFICIENTLY THE OIL SPILL CONTINGENCY PLAN ON FILE IN THE OFFICE OF THE COMMISSION;
- D. TO FACILITATE THE SETTLEMENT OF CONTESTED CLAIMS BY THIRD PERSONS WITHOUT THE NECESSITY OF LITIGATION, AMINOIL USA, INC. WILL AGREE TO MEDIATION PROCEDURES APPROVED BY THE EXECUTIVE OFFICER AFTER CONSULTATION WITH THE OFFICE OF THE ATTORNEY GENERAL.