MINUTE ITEM
This Calendar Item No. 22.
was approved as Minute Item
No. 22 by the State Lands
Commission by a vote of 3
to 0 at its 2-28-80
meeting.

CALENDAR ITEM

22.

2/80
PRC 3095.1
Priddy

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 110 wells, including redrills; 43 wells are currently producing. Initiated water-injection project in November, 1966; 9 injection wells presently shut in.

PROPOSED DEFERMENT:
From February 22, 1980, through August 22, 1980.

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 5 new wells and 12 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 October 25, 1979, however, the next well must be commenced

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by February 22, 1980.

Chevron has requested a six months' extension of the drilling obligation to allow it to first proceed with work on thirteen wells, to be followed by:

1. Three development wells.

2. Water flood realignment (probable).

3. Any additional development drilling.

A small workover rig would be moved to Island Esther which is capable of performing these thirteen remedial jobs. Chevron has scheduled the conversion of Well #124 to a "C" zone injector as the first remedial job. The objective is to allow maximum time to evaluate the results of this conversion. This evaluation is particularly relevant to consideration of a water flood realignment.

Following the remedial job on Well #124, Chevron would complete the other twelve remedial jobs. As a result of this remedial work, it is expected to increase production from Island Esther by 330 barrels of oil per day.

Immediately following the completion of the remedial work, the workover rig would be replaced with a drilling rig capable of drilling the three development wells. This drilling rig would also be suitable for the water flood realignment program (redrilling operations), provided the decision is made to proceed with this program.

The reason for proceeding with operations in the sequence noted above is (1) to allow sufficient time to evaluate the conversion of well #124 and (2) to avoid an extra move-in and out of a development rig which would result from first drilling development wells followed by remedial work and then by the water flood realignment program.

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 AUGUST 22, 1980.

Attachment: Exhibit "A"

EXHIBIT "A"

STATE LANDS COMMISSION

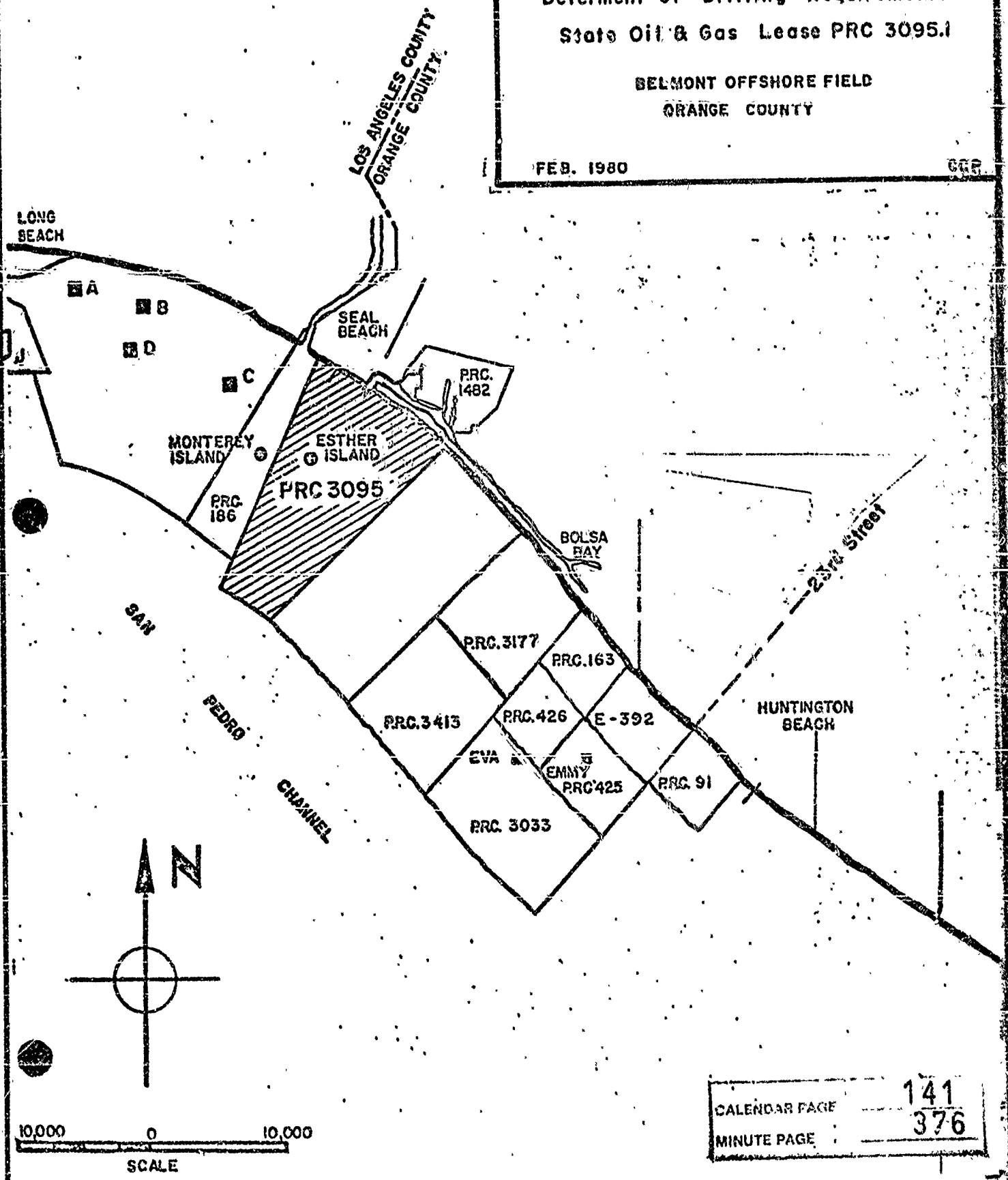
Deferment of Drilling Requirements

State Oil & Gas Lease PRC 3095.1

BELMONT OFFSHORE FIELD

ORANGE COUNTY

FEB. 1980



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