MINUTE ITEM
This Calendar Item No. 25
was approved as Minute Item
No. 25 by the State Lands
Commission by a vote of 3
to 0 at its 4-7-81
meeting.

CALENDAR ITEM

3/81
PRC 186
Kuehn

25

DEFERMENT OF DRILLING REQUIREMENTS

PRC: 186.1

LESSEES: Exxon Company U.S.A.
1800 Avenue of the Stars
Los Angeles, California 90067
and
Texaco Inc.
3350 Wilshire Blvd.
Los Angeles, California 90010

OPERATOR: Exxon Company U.S.A.

COUNTY: Orange.

AREA: Belmont Offshore Field.

ISSUED: September 25, 1945.

WORK COMPLETED ON LEASE:
Constructed Belmont Island and drilled 54 wells. Since approval of resumption of drilling operations in April 1976, Exxon has redrilled 7 wells and drilled 1 new well (#130). Current status of wells: 18 producers, 11 injectors, and 26 shut-ins.

PROPOSED DEFERMENT:
From March 28, 1981 through March 27, 1982.

REASON FOR REQUEST:
Resumption of drilling operations from existing facilities on Oil and Gas Lease PRC 186.1 was authorized by the Commission on April 28, 1976. Under the terms of the lease, Exxon is required to maintain a continuing drilling program until the underlying oil and gas reservoirs are fully developed. That program requires that each

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well drilled or redrilled must be commenced within 30 days after the cessation of drilling operations on the proceeding well. Since resumption, Exxon has completed 1 new well and 7 redrills.

On February 26, 1981, Exxon completed Belmont Well #130. The well was drilled to a depth of 11,290 feet and completed in the previously untested Monterey "237" Zone. Total cost for this one well was approximately $6 million.

Final test results indicate a rate of production from well #130 of 16 barrels of oil per day (16 BOPD). While this rate qualifies as "production in paying quantities" (under the terms of the lease), it does not justify the immediate commencement of another well. However, logs and other data obtained during drilling indicate that production may be increased by a properly designed workover program. Additionally, the "237" Zone is a fractured reservoir which does not lend itself to definitive log interpretation, and sustained production testing is required to determine the economic viability of drilling additional wells into the "237" Zone. Since well #130 was completed in a Zone which has not previously been produced under this lease, the drilling requirement in the lease imposes an obligation to commence the next well into said zone by March 28, 1981.

Exxon Company, U.S.A., has requested a deferment of drilling requirements under Lease PRC 186.1 for a one year period from March 28, 1981 through March 27, 1982, to accomplish the aforementioned workover program and production testing in order to fully evaluate the results of Well #130. SLC staff concurs with Exxon regarding the need for such deferment. Additionally, Exxon has agreed to meet with SLC staff bimonthly to report on the progress of

the workover program and production testing. Should staff decide at any time during the one year deferment that Exxon is not satisfactorily proceeding with the proposed workover and testing program, staff will recommend that the Commission terminate the one year deferment.

EXHIBIT: A. Location Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. AUTHORIZE THE GRANTING TO EXXON COMPANY, U.S.A., OF A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE PRC 186.1 THROUGH MARCH 27, 1982, PROVIDED THAT EXXON REVIEW ON A BIMONTHLY SCHEDULE WITH THE STATE THE STATUS OF THE WORKOVER PROGRAM AND RESULTS OF PRODUCTION TESTING. THE COMMISSION RESERVES THE RIGHT TO TERMINATE THIS DEFERMENT OF DRILLING REQUIREMENTS UPON 60-DAYS' WRITTEN NOTICE.

2. FIND THAT CEQA IS NOT APPLICABLE TO THIS ACTION AS IT IS NOT A "PROJECT WHICH MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT," AS DEFINED IN THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND ITS IMPLEMENTING GUIDELINES.

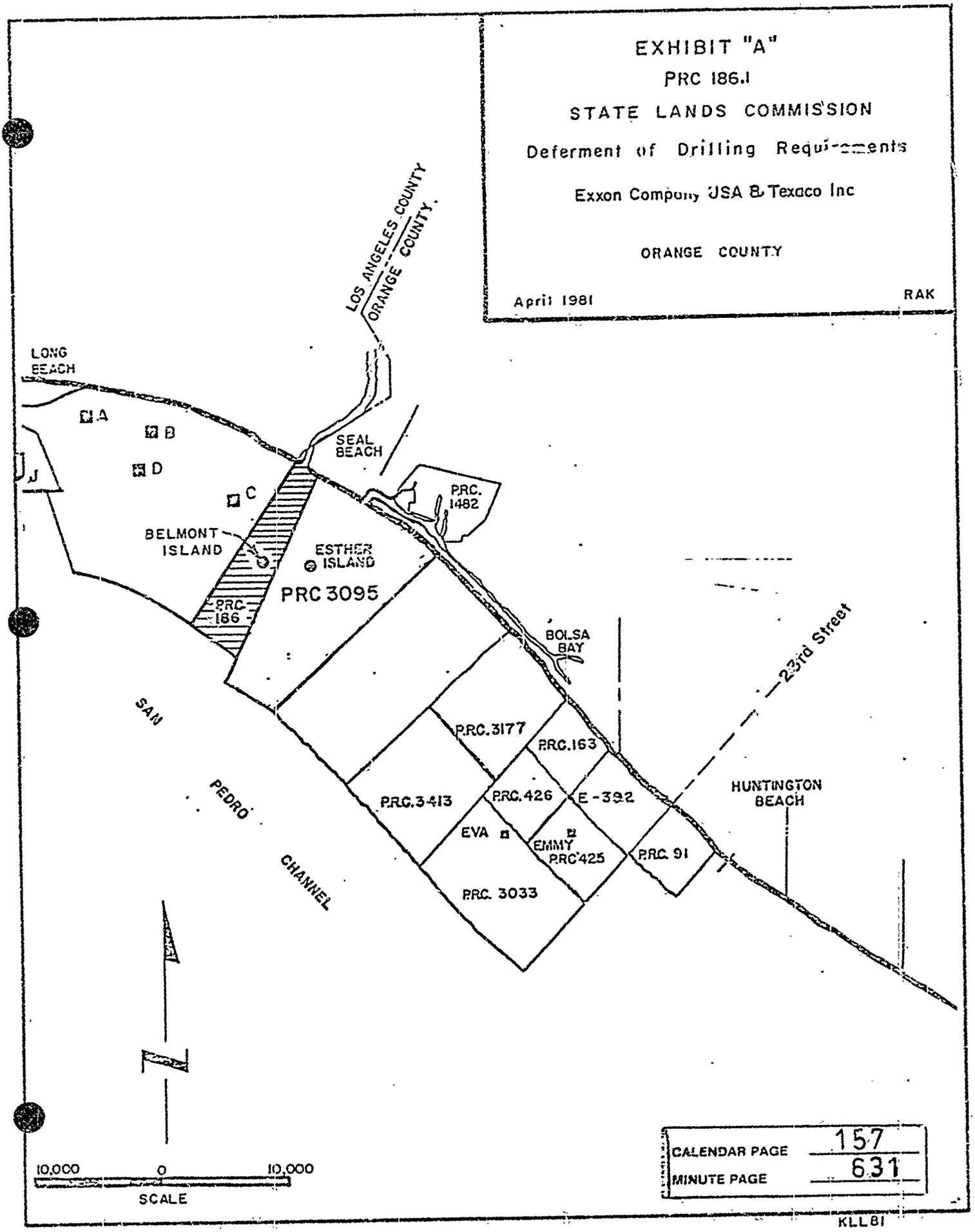
EXHIBIT "A"
PRC 186.1
STATE LANDS COMMISSION
Deferment of Drilling Requirements
Exxon Company USA & Texaco Inc
ORANGE COUNTY
April 1981
RAK
LOS ANGELES COUNTY
ORANGE COUNTY
LONG BEACH
A
B
D
C
SEAL BEACH
PRC. 1482
BELMONT ISLAND
ESTHER ISLAND
PRC 3095
PRC 186
BOLSA BAY
23rd Street
SAN PEDRO CHANNEL
PRC.3177
PRC.163
PRC.3413
PRC.426
E-392
EVA
EMMY
PRC'425
PRC. 91
PRC. 3033
HUNTINGTON BEACH
10,000
0
10,000
SCALE
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