

Case 12069

EXPLORATION

Table 4

PETROLEUM LAW SUMMARY

Types of contracts available

License contract: Contractor acquires ownership of the produced hydrocarbons; pays royalty.

Service contract: Perupetro retains ownership; contractor negotiates a fee per barrel for finding and producing the hydrocarbons.

Technical evaluation agreement: Allows contractor to study an area without commitment to drill or do further surveys.

Contract term duration:
For oil: 10-year maximum for the exploration phase and 20-year maximum for the exploitation phase.
For gas: 10-year maximum for the exploration phase and 20-year maximum for the exploitation phase.

Import duties: During the exploration phase, no import duties will be levied on imported equipment.

Taxes: The contractor will pay an income tax of 30%. No import tax on hydrocarbons marketed abroad.

Royalties: A royalty in proportion to production levels will be paid by the contractor.

Repatriation of profits: The Central Bank of Peru will guarantee the dollar value of 100% of net revenues.

Handling of produced hydrocarbons: Contractors are free to transport and market their own products.

Prices of produced hydrocarbons: To be set by market conditions, using a "basket" of crude prices agreed on by Perupetro and contractor.

other blocks. An important option for companies wishing to negotiate is the possibility of beginning with an evaluation phase prior to the regular exploration phase (see Table 4).

Acknowledgments

The cooperation of Perupetro, in providing information for this article and the four preceding ones, is greatly appreciated. M.P. Zuñiga-Pflucker prepared the estimates of hydrocarbon potential shown in Table 2. J. Bettis drafted the maps.

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Philippines

The Department of Energy granted Pacrim Energy Ltd. et al. a nonexclusive geophysical permit for an area known as the Bamban-Clark-Manila Corridor (BCMC).

The permit area comprises 358,560 acres. Pacrim believes the area likely gas prone. Possible markets are industries at Clark, the former U.S. air base, Subic Bay, and several power plants that feed the Luzon grid.

Gas has been proven to be present 40 km northeast of the BCMC at the Amoco Victoria 1, drilled in 1979 on a farmout from Houston Oil & Minerals Corp. The well flowed 1.2 MMcfd.

The BCMC contains the very large, never tested Bamban anticline 4 miles north of the runways at Clark. Several other subsurface gravity anomalies extend southward from Bamban to the north end of Manila Bay.

New Mexico

The Oil Conservation Division approved gas infill drilling on 80 acre units in Blanco Mesaverde field in the San Juan basin from Feb. 1, 1999.

A study by the applicant, Burlington Resources Oil & Gas Co., indicated that 80 acre development would result in ultimate recovery of 1.5 to 3 trillion cu ft of additional gas from the low permeability reservoir in San Juan and Rio Arriba counties.

BR, operator of 2,287 wells in the reservoir, said it has drilled 38

Mesaverde 80 acre infill wells and plans to drill 50 more this year.

BR said that only 9% of the reservoir is being adequately drained with two wells on each proration unit and that only 44% of the 12.5 tcf of original gas in place would have been recovered.

The OCD order also added about 300 ft to the reservoir's upper vertical limits in part of the field to eliminate confusion introduced in previous orders. This will not interfere with gas pools in the overlying Pictured Cliffs formation, it said.

Blanco, covering all or part of 65 townships, is one of North America's largest gas fields. OCD designated the Mesaverde pool in 1949 and established proration in 1955.

New York

The Division of Mineral Resources in Albany sought competitive bids by May 4 for five oil and gas parcels in Chemung, Steuben, and Schuyler counties. The parcel sizes range from 606 acres to 6,900 acres.

Texas

Gulf Coast

Exxon Co. U.S.A. completed a new field discovery in Kleberg County.

The 1049 King Ranch Canelo, 10 miles west of Riviera, flowed 8.015 MMcfd of gas on a 1/4 in. choke with 6,855 psi FTP plus 233 b/d of 53.7° gravity condensate and 157 b/d of water from Vicksburg "Yellow" sand perforated at 12,568-786 ft. CAOF is 32.9 MMcfd. TD is 13,008 ft.

The well, which opens KR/BOA field, is about 1 mile northeast of the Sue Jo field discovery well, Petroleum Information/Dwights LLC reported.

Utah

Conoco Inc. spudded a remote wildcat in the Circle Cliffs area of Utah's Escalante Canyons region. The 1 Muley Creek-Federal, in 29-36s-10e, Garfield County, is to go to 12,600 ft or Cambrian, PI reported. The site is 45 miles east of Upper Valley oil field (see map, OGI, Mar. 14, 1997, p. 69).

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Mr. Michael Stogner:

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I read in the locale paper, that Burlington Resources has approached you about changing well acreage on Mesa Verde formations, from the current 160 acres to 50.

I would, as well as other hunters and outdoor enthusiasts I have talked to, hope this doesn't happen. As you are already aware there are 30,000 ~~plus~~ wells here in the area of San Juan, Rio Arriba, and Sandoval Counties. Over the last few years compressor stations have increased also. There are roads running everywhere. This area has been very good to Oil & Gas Companies, I doubt any of them could say their profits have suffered because they are here. And yes the state coffers have benefited as well. But surely something other than the almighty dollar has to be taken into account.

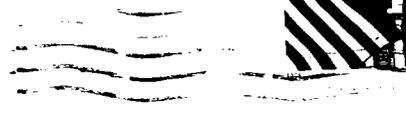
with the miles and miles of roads already here where can a hunted animal get away from the hunter. The elk and deer herds in the area have to be the most scouted, intentional or unintentional, because of all of the oil & gas traffic out there. These roads also allow lousy poachers easy access to some very fine animals and aids them in avoiding being caught.

My family has been in the area since the 1890's, I have seen the changes over the years. Habitat in the area recovers ever so slowly as the dry conditions ~~dictate~~. I remember areas that use to contain herds of pronghorn antelope, but haven't for many years now. I hope that deer and elk don't have to suffer the same fate.

Sincerely,
Walt Smith



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