

MINUTE ITEM

11. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5169.

After consideration of Calendar Item 5 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT TO PHILLIPS PETROLEUM COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER STATE OIL AND GAS LEASE P.R.C. 2205.1 THROUGH JANUARY 21, 1965.

Attachment

Calendar Item 5 (2 pages)

CALENDAR ITEM

5.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5169.

State Oil and Gas Lease P.R.C. 2205.1, covering approximately 3,840 acres of tide and submerged lands in Santa Barbara County, California, was issued to Phillips Petroleum Company, Edwin W. Pauley, et al, on July 25, 1958, pursuant to competitive public bidding, for a cash bonus of \$13,550,000.

Under the terms of the oil and gas lease, the lessee was not required to commence operations for the drilling of a well until July 25, 1961. However, the lessee commenced drilling operations on November 16, 1958, and thereafter diligently conducted drilling operations on the leased lands. Lessee, from a floating barge, drilled five exploratory test wells, two of which were redrilled, and from an upland drillsite, five development wells. An additional exploratory test well, drilled in the southerly portion of said lease, was abandoned on February 4, 1962. The last development well was completed on March 24, 1964. In all, 99,498 feet of hole were drilled.

Four of the development wells were completed as gas wells, and one was abandoned. Of the four producing wells, one was abandoned recently.

In excess of \$4,500,000 has been expended in operations conducted on this lease.

On October 3, 1962, the gas purchaser commenced taking daily volumes of gas into its new high-pressure gas line in accordance with the terms and provisions of the gas sales agreements, copies of which have been furnished the State Lands Commission. A high daily volume of gas was produced from the lease from October 3, 1962, until August 1, 1963, at which time lessee commenced a program of producing gas from the lease at varying reduced rates to obtain information for a comprehensive engineering study of the reservoir, which is still in progress.

The Commission, on June 22, 1961 (Minute Item 4, page 6999); on December 21, 1961 (Minute Item 12, page 7532); on June 28, 1962 (Minute Item 15, page 8064); on December 6, 1962 (Minute Item 16, page 8447); and on June 27, 1963 (Minute Item 20, page 8969), granted deferments of drilling requirements under the lease through February 10, 1964. As a result of an engineering study, a sixth development well, "State 2205" 10, was spudded on January 19, 1964, and completed as a gas well on March 24, 1964. The drilling of this well extends compliance with the drilling requirements under the lease to July 21, 1964.

An application has been received from Phillips Petroleum Company requesting a deferment of drilling requirements to January 21, 1965. The lessee feels that this deferment is necessary in order to evaluate the information

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obtained from the recently completed well "State 2205" 10, which information is being integrated into lessee's continuing study of the geological information obtained from wells previously drilled on this lease, data from other wells in the area, geophysical data relative to the subject lease, and into lessee's continuing reservoir engineering studies. The geologic and engineering studies are being coordinated in order to determine what further development and exploration work on the lease are justified.

In conformance with current Commission practice of granting deferments for periods not in excess of six months,

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GRANT TO PHILLIPS PETROLEUM COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER STATE OIL AND GAS LEASE P.R.C. 2205.1 THROUGH JANUARY 21, 1965.