

MINUTE ITEM

15. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2199.1, SANTA BARBARA COUNTY; STANDARD OIL COMPANY OF CALIFORNIA - W.O. 5256.

After consideration of Calendar Item 2 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT TO STANDARD OIL COMPANY OF CALIFORNIA A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2199.1 THROUGH APRIL 4, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 2 (2 pages)

CALENDAR ITEM

2.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2199.1, SANTA BARBARA COUNTY; STANDARD OIL COMPANY OF CALIFORNIA - W.O. 5256.

State Oil and Gas Lease P.R.C. 2199.1, containing approximately 3,840 acres of tide and submerged lands in Santa Barbara County, was issued July 25, 1958, to Humble Oil & Refining Company and Standard Oil Company of California, pursuant to competitive public bidding. The lease is currently held by Standard Oil Company of California and Shell Oil Company with Standard designated as operator.

Under the terms of the lease, the lessees were not required to commence operations for the drilling of a well until July 25, 1961. However, the lessees commenced drilling operations on September 5, 1958, and thereafter diligently conducted drilling operations on the leased lands until June 4, 1962; this fulfilled the drilling requirements to October 2, 1962. During this period ten wells were drilled, seven from a floating drilling barge and three from upland drillsites, which required an investment of approximately \$7,420,393. In addition to this amount, an initial cash bonus of \$12,423,598.05 was paid to the State for the issuance of the lease, and there have been expenditures for evaluation, geological and geophysical costs, and for lease rentals. Currently, four wells are producing. The Commission, on September 27, 1962 (Minute Item 19, page 8335), on March 28, 1963 (Minute Item 10, page 8734), on August 29, 1963 (Minute Item 16, page 9178) and on February 26, 1964 (Minute Item 12, page 9664), granted deferments of drilling requirements under the lease through October 4, 1964.

An application has been received from Standard Oil Company of California, Western Operations, Inc., operator, requesting a deferment of drilling requirements until April 4, 1965.

In the preceding request for a deferment on this lease, the operator stated that a well was being drilled on an adjacent State lease controlled by Standard and Shell, and that deferment was requested for six months in order to evaluate the results of this well, which might lead to further development of the Caliente structure underlying the lease.

Lessees have now finished drilling the well. However, operations are currently suspended awaiting a suitable drilling vessel in order to install production equipment and to complete the well. It is estimated by the operator that this well will be completed by October 1, 1964. Production of gas should commence approximately November 1, 1964, which is the date when the gas company will first begin to purchase the additional gas from the well. Therefore, additional time is required to evaluate the results of well "State 2894" 2.

CALENDAR ITEM 2. (CONTD.)

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 STANDARD OIL COMPANY OF CALIFORNIA A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2199.1 THROUGH APRIL 4, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.