

MINUTE ITEM

21. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, OFFSHORE SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5340.

After consideration of Calendar Item 7 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 OIL AND GAS LEASE P.R.C. 2207.1 THROUGH JUNE 21, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment
Calendar Item 7 (2 pages)

CALENDAR ITEM

7.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, OFFSHORE SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5340.

State Oil and Gas Lease P.R.C. 2207.1, covering approximately 3,840 acres of tide and submerged lands in Santa Barbara County, was issued on July 25, 1958, to Phillips Petroleum Company, Edwin W. Pauley, et al., pursuant to competitive public bidding. By subsequent assignments approved by the Commission, current interest owners are Humble Oil & Refining Company, Phillips Petroleum Company, and several minor-interest holders.

The lessee fulfilled the drilling requirements through December 21, 1962. The Commission, on October 25, 1962 (Minute Item 9, page 8378), on April 25, 1963 (Minute Item 9, page 8789), on November 6, 1963 (Minute Item 17, page 9351), and on May 28, 1964 (Minute Item 20, page 9963), granted deferments of drilling requirements under this lease through December 21, 1964.

Although, under the terms of the lease, the drilling of a well was not required prior to July 26, 1961, lessee commenced drilling operations on January 24, 1959, and thereafter diligently conducted drilling operations at a rate in excess of specified requirements. Thirteen exploratory wells, two of which were redrilled, have been drilled with mobile marine equipment, twenty-three development wells, one of which was redrilled, have been completed from a fixed platform. Currently, twenty-four wells are producing. Lessee reports that it has drilled 153,281 feet of hole, and has expended more than \$13,660,000 in operations conducted on this lease.

On April 28, 1962, lessee commenced producing oil and gas from one of the sands underlying the lease. In order to conserve valuable natural resources and to permit the production of oil from this sand prior to completion of the gas purchaser's pipeline, lessee, at considerable expense, during the period from April 28, 1962, to July 23, 1963, compressed and injected 1.451 billion cubic feet of gas produced with the oil into a deeper sand through two dually completed wells on this lease. The gas purchaser completed its pipeline to the subject lease on July 23, 1963. Approximately 992 million cubic feet of the injected gas had been recovered as of September 1, 1964. After full recovery of the injected gas, a reasonable amount of the original formation gas will be produced from the deeper sand to provide sufficient data for reservoir performance studies needed to determine if the drilling of additional wells into this reservoir would be economically feasible.

On June 11, 1964, lessees spudded an exploratory well on this lease. This well was drilled to a drilled depth of 10,707 feet, and operations were suspended on August 6, 1964.

The information obtained from the recently drilled well 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

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reservoir engineering studies. These geologic and engineering studies are being coordinated to determine if the drilling of additional exploratory wells and development wells on this lease is warranted.

The operator under State Oil and Gas Lease P.R.C. 2207.1 has requested a further deferment of drilling requirements to June 21, 1965.

In conformance with the 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 OIL AND GAS LEASE P.R.C. 2207.1 THROUGH JUNE 21, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.