

MINUTE ITEM

15. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5372.

After consideration of Calendar Item 6 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. 2205.1 THROUGH JULY 21, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 6 (2 pages)

CALENDAR ITEM

6.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5372.

State Oil and Gas Lease P.R.C. 2205.1, containing 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.

Under the terms of the 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 conducted drilling operations on the leased lands until April 6, 1961. During this period nine wells were drilled, five exploratory test wells from a floating drilling barge, two of which were redrilled, and four from upland drillsites. 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 which required an investment of approximately \$4,500,000 according to the operator's estimate. In addition, an initial cash bonus of \$13,550,000 was paid to the State for the issuance of the lease. Currently, three wells are producing. 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); on June 27, 1963 (Minute Item 20, page 8969); and on June 24, 1964 (Minute Item 11, page 10,091), granted deferments of drilling requirements under the lease through January 21, 1965.

An application has been received from Phillips Petroleum Company, operator, requesting a deferment of drilling requirements to July 21, 1965.

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 the 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. This engineering study is still in progress.

As one result of this continuing study, lessee has recently drilled an additional well on the lease. This well was spudded on January 19, 1964, completed as a gas well on March 24, 1964 and has now been connected to the high pressure gas line and its performance is being closely studied. The data thus obtained from this new well is being integrated into lessee's continuing reservoir engineering studies and into lessee's continuing study of the geological information obtained from this and other wells previously drilled on this lease, data from other wells in the area, and geophysical data relative to the subject lease. These geologic and engineering studies are being coordinated in order to determine what further development and exploration work on the lease is justified.

CALENDAR ITEM 6. (CONTD.)

The lessee requests a drilling deferment in order to integrate the reservoir performance data now being obtained from this recently completed well into the continuing study of previously acquired geological and geophysical data.

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 OIL AND GAS LEASE P.R.C. 2205.1 THROUGH JULY 21, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.