

MINUTE ITEM

15. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, LEASE P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4421.

After consideration of Calendar Item 12 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 TO FEBRUARY 10, 1963, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 12 (2 pages)

CALENDAR ITEM

12.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, LEASE P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4421.

State Oil and Gas Lease P.R.C. 2205.1, covering approximately 3,840 acres of tide and submerged lands in Santa Barbara County, was issued on July 25, 1958, to Phillips Petroleum Company and Pauley Petroleum, Inc., et al., pursuant to competitive public bidding in accordance with Division 6 of the Public Resources Code.

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 on November 16, 1958, and thereafter diligently conducted drilling operations on the leased lands until April 10, 1961. During this period the lessees drilled five exploratory test wells from a floating drilling barge, two of which were redrilled; also, four development wells were drilled from an upland drillsite, three of which were completed as producers and one was abandoned. In conducting the above operations, a total of 83,716 feet of hole was drilled. Pursuant to a partial assignment (Minute Item 11, page 7607, January 22, 1962), Shell Oil Company drilled an exploratory well on this lease, which was subsequently abandoned on February 4, 1962.

During the course of drilling operations, electric logs, dipmeter surveys, sidewall samples and cores were taken and core analyses were made. The geological staffs of the lessees are interpreting and evaluating this data with geophysical information in an analysis of the complex geological structural conditions that exist in the area. The operator reports that in excess of \$4,000,000.00 has been expended in operations conducted on this lease.

Arrangements have been completed for the sale of a substantial daily volume of gas from the completed gas wells on the lease. The gas purchaser is currently taking limited daily volumes of gas into an existing low pressure distribution gas line. Upon completion of a new 16-inch high pressure pipeline, the gas purchaser will commence taking increased volumes of gas in accordance with the terms and provisions of gas sales agreements, copies of which have been furnished to the Commission.

Additional reservoir performance data, which cannot be obtained until after an adequate pipeline connection becomes available, is needed for study, together with the operator's current study of the geological information, in order to determine if further development work on this lease could be economically feasible. An adequate pipeline connection for this purpose will not be available for several months. Thereafter, several months of production at the maximum contract rates will be required to furnish data for such determination.

On December 21, 1961 (Minute Item 12, page 7532), deferment of the drilling requirements was authorized by the State Lands Commission for the period ending August 10, 1962.

CALENDAR ITEM 12 (CON'D.)

Phillips Petroleum Company has submitted an application requesting a further deferment of drilling requirements through August 10, 1963, in order to allow time for the completion of the aforesaid pipeline, for accumulation of the necessary reservoir performance data, and to continue the current geologic studies.

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 TO FEBRUARY 10, 1963, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.