

MINUTE ITEM

11. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 4677.

After consideration of Calendar Item 9 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT TO TEXACO INC. A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2206.1 THROUGH OCTOBER 2, 1963, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment
Calendar Item 9 (2 pages)

CALENDAR ITEM

9.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 4677.

State Oil and Gas Lease P.R.C. 2206.1, covering approximately 3,840 acres of tide and submerged lands in Santa Barbara County, was issued July 25, 1958, pursuant to competitive public bidding, to The Texas Company, Monterey Oil Company, and Newmont Oil Company, and on October 26, 1961, all interests were assigned to Texaco Inc.

The Commission on August 28, 1962 (Minute Item 12, page 8256), granted a deferment of drilling requirements under this lease to April 2, 1963. An application has been received from Texaco Inc. requesting a further deferment of drilling requirements under the lease to January 2, 1964. The requested deferment of nine months is, in the opinion of Texaco, essential for the following reasons:

1. There are nine wells producing on the lease, and lessee proposes to start a remedial program in order to increase production. Included in this work will be the perforating of additional oil and/or gas zones that are not currently being produced. In order to fully evaluate the results of this program and to study and observe the changes in reservoir performance that may be effected, it is felt necessary that an adequate deferment period be granted.
2. Lessee has recently acquired geological information on the area adjacent to this lease on the west. Analysis of these data, which are new to lessee, is deemed necessary prior to additional exploration of this lease. In addition, the lessee of the area to the east has recently placed a well on production. Some added time will be required during which the production performance and reservoir character of this well may be evaluated by engineering studies. These interpretations are of the utmost importance to insure that high-cost offshore exploratory drilling will be conducted at the optimum location where additional production may be obtained.
3. Any additional exploratory drilling contemplated for State Lease P.R.C. 2206.1 will, in all probability, be conducted from a floating vessel. However, suitable drilling vessels for safe exploratory drilling are not readily available to meet the current deadline. Furthermore, at this time of year severe weather conditions have been encountered in the Santa Barbara offshore area. Under these conditions, drilling from a floating vessel is extremely hazardous, and in one instance under similar circumstances has resulted in the loss of an entire rig and boat.
4. Texaco has performed in good faith during the life of State Lease P.R.C. 2206.1. The bonus payment of \$23,711,538.24 and the expense involved of over \$8,000,000 for the prompt erection of an expensive platform, associated facilities, and the drilling of three deep core-holes and 13 wells earlier than required by the lease terms are

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effective indications of intent to carry on all justifiable operations.

5. The nine dual-completed wells provide sufficient zonal development to drain adequately the known productive zones underlying the lease and will result in maximum economic recovery of hydrocarbons. Production from these wells has not as yet become settled, and it is considered necessary to continue to study and observe well and reservoir performance prior to further development of the known reservoirs.

In consonance with the current Commission practice to grant deferments for periods not in excess of six months,

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GRANT TO TEXACO INC. A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2206.1 THROUGH OCTOBER 2, 1963, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.