

MINUTE ITEM

17. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.B.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4916.

After consideration of Calendar Item 8 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 31, 1964. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 8 (2 pages)

CALENDAR ITEM

8.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4916.

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.

The lessee has fulfilled the drilling requirements through December 21, 1962. The Commission, on October 25, 1962 (Minute Item 9, page 8378), and on April 25, 1963 (Minute Item 9, page 8789), granted deferments of drilling under this lease through December 21, 1963.

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. Eleven exploratory wells, two redrilled exploratory wells, twenty-four development wells, and one redrilled development well from a fixed platform have been drilled into the leased lands. Currently, twenty-four wells are producing.

Lessee reports that it has drilled 142,574 feet of hole, and has expended more than \$12 million in operations conducted on this lease.

Lessee commenced producing oil and gas under this lease on April 28, 1962. In order to conserve valuable natural resources and to permit the production of oil prior to completion of the gas purchaser's pipe line, lessee, at considerable expense, during the period April 28, 1962, to July 23, 1963, compressed and injected in excess of 1.4 billion cubic feet of gas produced with the oil into a lower sand through the two wells on this lease.

The gas purchaser completed its pipe line to the subject lease on July 2, 1963, and is currently taking delivery of the injected gas at the rate of three million cubic feet per day. At this rate, according to the lessee, the injected gas will not be fully recovered until approximately November 1964. After recovery of the injected gas, a reasonable amount of the original formation gas will need to be produced from the lower sand to provide sufficient data for reservoir performance studies.

Lessee has obtained geological information on the area adjacent to this lease that its geological and engineering staffs are integrating with their continuing studies of geophysical data, data from the wells on this lease, from wells on an adjacent State offshore lease, and from other wells in the area. The results of these studies, together with reservoir performance data on the lower sand, are necessary to determine whether further drilling on this lease is justified.

CALENDAR ITEM 8. (CONTD.)

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, 1964. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.