

MINUTE ITEM

20. DEFERMENTS OF DRILLING REQUIREMENTS

- (A) REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5612.
- (B) REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 186.1, BELMONT OFFSHORE FIELD, ORANGE COUNTY; HUMBLE OIL & REFINING COMPANY AND TEXACO INC. - W.O. 5630.
- (C) REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 1466.1, VENTURA COUNTY; RICHFIELD OIL CORPORATION - W.O. 5647.
- (D) REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2894.1, SANTA BARBARA COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND SHELL OIL COMPANY - W.O. 5640.
- (E) REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 5623.

During consideration of Calendar Items 10, 2, 35, 7, and 9, attached, and in response to a question raised by the Chairman, the Executive Officer explained the need for the requested deferments, with specific reference to the necessity for technological evaluation of exploration data and to the problem created by the recent decision of the Supreme Court in United States v. California, Original No. 5, as a result of which the State has ownership of a strip of varying width on the seaward side of these leases that was not included in the leases when they were issued originally. The resolution to the latter problem must await the final decree of the Supreme Court, possibly in the October, 1965 term.

Additionally, with respect to P.R.C. 186.1, deferment is necessary to permit the Commission to proceed with a basis for development of the area immediately to the west of this lease, which area will be in the Long Beach Unit now being developed under the Field Operator Contract previously approved by the Commission.

UPON MOTIONS DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTIONS WERE ADOPTED:

- (A) P.R.C. 2207.1 - PHILLIPS PETROLEUM COMPANY -- THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO GRANT TO PHILLIPS PETROLEUM COMPANY, OPERATOR, A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2207.1 THROUGH DECEMBER 21, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.
- (B) P.R.C. 186.1 - HUMBLE OIL & REFINING COMPANY AND TEXACO INC. -- THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO GRANT TO HUMBLE OIL & REFINING COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 186.1 THROUGH DECEMBER 31, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

- (C) P.R.C. 1465.1 - RICHFIELD OIL CORPORATION -- THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO GRANT TO RICHFIELD OIL CORPORATION A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 1466.1 THROUGH DECEMBER 31, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.
- (D) P.R.C. 2894.1 - STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND SHELL OIL COMPANY -- THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO GRANT TO STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND SHELL OIL COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2894.1 THROUGH DECEMBER 27, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.
- (E) P.R.C. 2206.1 - TEXACO INC. -- THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO GRANT TO TEXACO INC. A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2206.1 THROUGH DECEMBER 13, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

Attachments

Calendar Item 2 (2 pages)
Calendar Item 10 (2 pages)
Calendar Item 35 (1 page)
Calendar Item 7 (1 page)
Calendar Item 9 (2 pages)

CALENDAR ITEM

2.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5612.

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 lessees are Phillips Petroleum Company, Humble Oil & Refining Company, et al.

The lessees 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), on May 28, 1964 (Minute Item 20, page 9963), and on October 22, 1964 (Minute Item 21, page 10,598), granted deferments of drilling requirements under this lease through June 21, 1965.

Although, under the terms of the lease, the drilling of a well was not required prior to July 20, 1961, lessees 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. Lessees report that more than \$14,425,000 has been expended in operations conducted on this lease. A bonus of \$5,100,000 was paid for the lease.

Lessees commenced producing oil and gas from 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 pipeline, the lessees, at considerable expense, compressed and injected 1,451 million cubic feet of gas produced with the oil during the period from April 28, 1962, to July 23, 1963.

The gas purchaser completed a pipeline to the subject lease on July 23, 1963. Approximately 1,309 million cubic feet of the injected gas had been recovered as of March 1, 1965. After recovery of the injected gas, a reasonable amount of the original formation gas will need to be produced to provide sufficient data for reservoir performance studies needed to determine if the drilling of additional wells into this reservoir would be economically feasible.

Lessees have just acquired, through separate arrangements, additional geological information on two areas adjoining this lease. This extensive information is presently being integrated into lessees' 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 lessees' continuing reservoir of engineering studies. These geologic and engineering studies are being coordinated in order to determine if additional exploratory wells or the drilling or redrilling of additional development wells on this lease are warranted.

In order for the lessees to integrate the recently acquired geological information into their continuing study of previously acquired geological and

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geophysical data, and to obtain the needed additional reservoir performance data, which cannot be obtained until the injected gas has been fully recovered, Phillips Petroleum Company, as operator, requests a deferment of drilling requirements under the lease to December 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, OPERATOR, A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2207.1 THROUGH DECEMBER 21, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

CALENDAR ITEM

10.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, LEASE P.R.C. 186.1, BELMONT OFFSHORE FIELD, ORANGE COUNTY; HUMBLE OIL & REFINING COMPANY AND TEXACO INC. - W.O. 5630.

Oil and Gas Lease P.R.C. 186.1, covering approximately 1,255 acres of tide and submerged lands, was issued on September 21, 1945, to Marine Exploration Company, pursuant to competitive public bidding, and is now held jointly by Humble Oil & Refining Company and Texaco Inc., with Humble Oil & Refining Company designated as operator.

A total of 55 wells have been drilled into the leased lands, including 53 production wells and 2 water-injection wells, all but two of which have been drilled from an offshore 75-foot-diameter filled-island drillsite. The cost of island construction was in excess of \$1 million. Conductor pipe for an additional 17 well locations has been placed. The lease is currently producing from 50 wells, and the 2 pilot water-injection wells drilled from the island drillsite are being operated. The last well was completed October 8, 1961. The lessees are now engaged in an intensive study of the advisability of extending the water-flood program on the lease.

The Commission, on November 22, 1961 (Minute Item 3, page 7430); on April 26, 1962 (Minute Item 6, page 7913); on December 20, 1962 (Minute Item 2, page 8509); on May 23, 1963 (Minute Item 16, page 8856); on November 21, 1963 (Minute Item 6, page 9419); on May 28, 1964 (Minute Item 19, page 9960); and on October 22, 1964 (Minute Item 20, page 10,595), granted deferments of drilling requirements under the lease through June 30, 1965.

An application has been received from Humble Oil & Refining Company for a deferment of drilling requirements for six months.

The lands covered by P.R.C. 186.1 are not far removed from the area included in the Long Beach Unit. The lessees believe that any new activities to be undertaken on P.R.C. 186.1 should be consistent and compatible with the operations under the Long Beach Unit. Until the nature, extent, and general locale of such operations to the west of P.R.C. 186.1 can be predicted with considerably more certainty than at present, the lessees will be unable to determine what new activities should be undertaken on P.R.C. 186.1.

The above-mentioned Long Beach unit agreement provides for expansion of the unit area to the east. It is conceivable that under certain conditions such expansion would include P.R.C. 186.1 in the unit area. Any further development of P.R.C. 186.1 at this time could very well be incompatible with proposed primary and secondary recovery operations and well patterns under the unit and could adversely affect the ultimate realization by the State and by the lessees.

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Until the foregoing matters are resolved, the operator will continue full operation of all existing wells in accordance with good oil-field practices.

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 HUMBLE OIL & REFINING COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 186.1 THROUGH DECEMBER 31, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

CATALOGUE ITEM

35

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 1466.1, VENTURA COUNTY
RICHFIELD OIL CORPORATION - W.O. 567.

State Oil and Gas Lease P.R.C. 1466.1, containing approximately 1,175 acres of tide and submerged lands in Ventura County, was issued on August 29, 1955, to Richfield Oil Corporation, pursuant to competitive public bidding.

Preliminary explorations on the leased lands were conducted from floating drilling equipment. Four core holes were drilled, after which an earth-filled drilling island was constructed. To date, 46 producing oil wells, including one deep test well that was not productive in the deep zone, have been drilled from this island, and one producing well has been completed with the wellhead and flow lines on the ocean floor.

Drilling and testing was completed on the final well on February 19, 1961. The Commission has granted deferments of the drilling requirements since October 25, 1960.

An application has been received from Richfield Oil Corporation requesting an additional deferment of drilling requirements for a six-month period extending from July 1, 1965, through December 31, 1965.

On October 29, 1964, Richfield submitted a proposal to the staff for a pilot water-flood program, which was approved on November 17, 1964. Since that time a water-source well has been drilled on the island. The water-source well was drilled to a total depth of 486 feet at a cost in excess of \$39,000. This well is now undergoing pumping and clean-up tests. One well has been taken off production and is presently being equipped as a water-injection well. Water injection operations will be commenced as soon as the water-source well has been thoroughly tested. In order to provide time to test the effectiveness of the pilot water-flood program, Richfield feels a six-month deferment is needed.

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 RICHFIELD OIL CORPORATION A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 1466.1 THROUGH DECEMBER 31, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

CALENDAR ITEM

7.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2894.1, SANTA BARBARA COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND SHELL OIL COMPANY - W.O. 5640.

State Oil and Gas Lease P.R.C. 2894.1, containing 4,250.14 acres of tide and submerged lands in Santa Barbara County, was issued June 28, 1962, to Standard Oil Company of California and Shell Oil Company pursuant to compliance with public law.

Under the terms of the lease, the lessees were not required to commence operations for the drilling of a well until June 28, 1965. However, the lessees commenced drilling operations on September 8, 1962, and drilled and completed two wells by September 1, 1964. According to Standard Oil Company of California, operator, the development of the lease has resulted in the expenditure of in excess of \$2,808,682, which does not include the initial cash bonus of \$1,502,020, evaluation expenses, geological and geophysical costs, and lease rentals. Currently, the two wells are producing. Production equipment on the lease consists of submarine well heads, with no facilities constructed above the surface of the ocean.

An application has been received from Standard Oil Company, Western Operations, Inc., operator, requesting an extension of time for the commencing of the next well for a period of six months, from June 28, 1965, through December 28, 1965.

Standard, as operator, is presently reviewing field production performance and structural interpretations to determine if further development drilling should be undertaken. Standard is also currently conducting a combined geological and engineering study of the field which may lead to additional drilling of exploratory wells to other prospective zones on the lease.

In conformance with current Commission practice of granting deferments of periods not in excess of six months,

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE ELECTIVE OFFICER TO GRANT TO STANDARD OIL COMPANY OF CALIFORNIA AND SHELL OIL COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2894.1 THROUGH DECEMBER 27, 1965, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

CALENDAR ITEM

9.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 5623.

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 Texas Company, Monterey Oil Company, and Newmont Oil Company. On October 26, 1961, all interests were assigned to Texaco Inc.

The lessee fulfilled the drilling requirements to April 5, 1962. The Commission on February 27, 1962 (Minute Itm. 29, page 7725); on August 28, 1962 (Minute Item 12, page 8256); on March 28, 1963 (Minute Item 11, page 8736); on August 29, 1963 (Minute Item 15, page 9175); on April 29, 1964 (Minute Item 18, page 9841); and on October 22, 1964 (Minute Item 25, page 10,607); granted deferments of drilling requirements through June 13, 1965. An application has been received from Texaco Inc. requesting a further deferment of drilling requirements for a period of six months from June 13, 1965.

Texaco states that in September 1964, 44 miles of digital seismic lines related to the lease were completed. These data were processed by highly specialized computer methods, but the initial results were unsatisfactory. New computer programs were designed, and by February, 1965, a complete new set of computer runs was made that also proved to be unsatisfactory. The operator is now in the process of reprogramming and rerunning the digital data, and anticipates that it will be approximately six weeks before these advanced-process data are available. Additional time will then be required for integration of the data with existing information. It is quite likely that Texaco will find it necessary to conduct additional advanced-type digital seismic work to pinpoint prospective areas and this work can be done only by specialized crews, which are not immediately available. In view of the high cost of exploratory drilling, estimated at \$220,000 per well, it is essential that Texaco makes every effort to assure that such tests are properly located. The seismic data processing is proceeding with due diligence, and the additional time necessary for adequate review of results will be kept to a minimum.

Texaco also is conducting geological trend studies currently to determine the advisability of drilling to deeper horizons than those producing or tested to date. Complexity of the geology of the lease dictates that the location of an expensive deep test must include all possible data. Texaco recently acquired subsurface data from wells and core holes furnished by other operators in the nearby areas, and is analyzing this information at present. Drilling vessels capable of drilling to depths greater than 6000 feet are not now available.

Since acquiring the lease, for \$23,711,538, Texaco has drilled three deep core holes and twelve wells in addition to erecting a large drilling and production platform, and development of known reservoirs has been diligently

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pursued, including reworking of wells whenever necessary to obtain all production possible. The last well drilled was abandoned on February 15, 1964.

Texaco commenced drilling operations on the subject lease about 2½ years earlier than the required date, and diligently pursued the drilling operations thereafter. Considering the three-year drilling term, a 120-day period allowed between drilling wells, and the 543 actual days required to drill the 12 wells, the drilling period might have been extended to September 1966. However, since early and continuous drilling and completion of the producing wells has been an economic advantage to both the State and Texaco, the lessee chose to advance the drilling-program schedule.

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 TEXACO INC. A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2206.1 THROUGH DECEMBER 13, 1965. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.