

MINUTE ITEM

7/2/65

19. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5648.

After consideration of Calendar Item 14 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 JANUARY 21, 1966, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 14 (2 pages)

14.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2205.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5648.

An application has been received from Phillips Petroleum Company, operator, requesting a deferment of drilling requirements to January 21, 1966.

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 lessees were not required to commence operations for the drilling of a well until July 25, 1961. However, the lessees commenced drilling operations on November 16, 1958, and thereafter conducted drilling operations on the leased lands until they had drilled 11 wells. The last well was completed on March 27, 1964. Four of the wells were completed as gas wells, of which one has been recently abandoned. According to the operator's estimate, in excess of \$4,750,000 has been expended in operations conducted on this lease. In addition, an initial cash bonus of \$13,550,000 was paid to the State for the issuance of the lease. The Commission, since June 22, 1961, has granted deferments of drilling requirements under the lease through 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 lessees 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.

The lessees are continuing to study the geological information obtained from the wells heretofore drilled on this lease, data from other wells in the area, and geophysical data relative to the subject lease. Lessees are carefully studying and analyzing reservoir performance data being secured from the three producing wells. These geologic and reservoir engineering studies are being conducted and coordinated in order to determine if further development and exploration work on this lease is justified.

In order to permit further review and evaluation of the geological and geophysical data and in order for lessees to obtain the needed additional reservoir performance data, Phillips Petroleum Company, as operator, feels more time is needed.

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

CALENDAR ITEM 14. (CONTD.)

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 JANUARY 21, 1966, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.