

MINUTE ITEM

10/21/65

21. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5881.

After consideration of Calendar Item 25 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, OPERATOR, A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2207.1 THROUGH JUNE 21, 1966, WITH ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 25 (2 pages)

25.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 5881.

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.

Although, under the terms of the lease, the drilling of a well was not required prior to July 26, 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. Drilling operations on the last well were completed August 2, 1964. Currently, twenty-four wells are producing. Lessees report that more than \$14,851,000 has been expended in operations conducted on this lease. A bonus of \$5,100,000 was paid for the lease.

The lessees fulfilled the drilling requirements through December 21, 1962. The Commission, since October 25, 1962, has granted deferments of drilling requirements under the lease through December 21, 1965.

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 compressed and injected into a deeper sand gas produced with the oil. The gas purchaser completed a pipeline to the subject lease on July 23, 1963, but as of September 1, 1965, the injected gas had not been fully recovered. 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 will be economically feasible.

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

Lessees are studying recently acquired geological information on two areas adjoining this lease. This extensive information is being integrated into lessees' study of the geological information obtained from wells previously drilled on this lease, geophysical data relative to the subject lease, and lessees' continuing reservoir engineering studies in order to determine if the drilling or re-drilling of additional exploratory wells and the drilling of additional development wells on this lease are warranted.

In order to allow lessees time to complete these studies and to obtain the needed additional reservoir performance data, which cannot be obtained

CALENDAR ITEM 25. (CONTD.)

until the gas injected into the deeper sand has been fully recovered, Phillips Petroleum Company, operator, feels an additional six months of time is needed.

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