

MINUTE ITEM

9. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4706.

After consideration of Calendar Item 7 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 DECEMBER 21, 1963. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 7 (2 pages)

CALENDAR ITEM

7.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS; P.R.C. 2207.1, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4706.

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.

Under the terms of the lease, the lessee was not required to commence operations for the drilling of a well prior to July 25, 1961. However, the lessee commenced drilling operations on January 24, 1959, and thereafter diligently conducted drilling operations on the lands at a rate in excess of the specified lease 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, there are twenty-four wells producing.

In conducting the above operations, the lessee drilled a total of 142,574 feet of hole; and, according to the lessee, more than \$11,350,000 has been expended to date in operations conducted on the lease.

While contracts for sale of gas from this lease have been negotiated, the gas purchaser has not yet constructed a pipe line from its existing facilities to this lease. In order to conserve valuable natural resources and to permit the production of oil, the lessee, at considerable expense, is compressing the gas produced and injecting it into the leased lands.

The lessee has fulfilled the specified drilling requirements through December 21, 1962. The Commission, on October 25, 1962 (Minute Item 9, page 8378), granted a deferment of drilling requirements under the lease through June 21, 1963.

An application has been received from Phillips Petroleum Company requesting a deferment of drilling requirements through December 21, 1963. The requested suspension period of six months is considered to be necessary in order (1) to permit the geological and engineering staffs of the lessee to continue to analyze and interpret the data from the wells drilled on this lease and from other wells in the area; and (2) to allow the lessees to obtain needed reservoir performance data from a producible gas sand underlying the lease. This data cannot be obtained until after a gas pipe line to the lease is constructed and all the wells heretofore completed in this sand have been produced for the period of time necessary to accumulate the required information. This production data is needed to determine if further drilling on the lease is economically feasible.

CALENDAR ITEM 7. (CONTD.)

In consonance with 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 PHILLIPS PETROLEUM COMPANY A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2207.1 THROUGH DECEMBER 21, 1963. ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.