

MINUTE ITEM

12. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 4503.

In presenting Calendar Item 10 attached, the Executive Officer stated that the number of wells drilled has already been in excess of the minimum required under the lease. He pointed out that "in excess of minimum lease requirements" is as of the present time and not for all time.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT TO TEXACO INC. A DEFERMENT OF DRILLING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 2206.1 TO APRIL 2, 1963, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment
Calendar Item 10 (2 pages)

CALENDAR ITEM

10.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 4503.

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 on July 23, 1958, to The Texas Company, Monterey Oil Company and Newmont Oil Company, joint bidders, pursuant to competitive public bidding, in accordance with Division 6 of the Public Resources Code. With the approval of the Commission, Monterey Oil Company (December 22, 1960, Minute Item 14, page 6530), and Newmont Oil Company (October 26, 1961, Minute Item 47, page 7425), assigned their interest in State Oil and Gas Lease P.R.C. 2206.1 to Texaco Inc.

On September 21, 1961, in accordance with the provisions of Section 27 of subject lease, Texaco Inc., as Operator, requested a suspension of the provisions of Section 3 of Exhibit "A" thereof for a period of two years following the completion of "State Well 2206" 8a. The State Lands Commission, on February 27, 1962, granted deferment of drilling requirements under this lease until October 2, 1962.

An application has been received from Texaco Inc., requesting a further deferment of drilling requirements under the lease until October 2, 1963. The requested suspension period of one year is in the opinion of Texaco essential for the following reasons:

1. The nine dual-completed wells provide sufficient zonal development to adequately drain the known productive zones underlying the lease, and will result in maximum economic recovery of hydrocarbons. Production from these wells has not as yet become settled, and it is considered necessary to study and observe well and reservoir performance for an additional year prior to further development of the known reservoirs.
2. The market outlet for gas in this area is curtailed to the extent that lessee currently has shut in gas wells. Further drilling at this time which may delineate additional gas reserves is not considered warranted economically.
3. Additional time is needed to integrate geological, geophysical, and reservoir engineering information obtained from drilling activity on adjacent parcels into lessee's concepts of productive and potentially productive horizons of subject lease.
4. Due to the cash bonus paid for the lease and subsequent high cost of drilling and production, it is imperative that lessee have sufficient time to integrate all data to assure sound lease production concepts, and to insure continued interest in and profit motivation from offshore operations in California.

CALENDAR ITEM 10. (CONTD.)

Due to the limited currently available technical and operating data, and economic information related to restricted and unsettled marketing factors in the area, the staff believes that a six-month deferment is appropriate at this time and in consonance with current Commission practice.

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 TO APRIL 2, 1963, ALL OTHER TERMS AND CONDITIONS OF THE LEASE TO REMAIN IN FULL FORCE AND EFFECT.