MINUTE ITEM

18. REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 5091.

After consideration of Calendar Item 8 attached, and upon motion duly made and 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 THROUGH DECEMBER 13, 1964.

THE DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT DURING THE PERIOD THEREOF THE LESSEE WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE A RENEWED DEVELOPMENT PROGRAM FOR THE LEASE; OR

2. QUITCLAIM THE UNDEVELOPED LEASE AREA; OR

3. PRESENT ADEQUATE BASES FOR CONSIDERATION AS TO FURTHER DEFERMENT OF DRILLING REQUIREMENTS UNDER THE LEASE.

ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment
Calendar Item 8 (2 pages)

CALENDAR ITEM

8.

REQUEST FOR DEFERMENT OF DRILLING REQUIREMENTS, P.R.C. 2206.1, SANTA BARBARA COUNTY; TEXACO INC. - W.O. 5091.

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 Item 29, page 7725); on August 28, 1962 (Minute Item 12, page 8256); on March 28, 1963 (Minute Item 11, page 8736); and on August 29, 1963 (Minute Item 15, page 9175), granted deferments of drilling requirements under this lease through April 2, 1964. During the period January 31, 1964, to February 15, 1964, Texaco drilled and abandoned an exploratory well on the lease, fulfilling the drilling requirements through June 13, 1964. An application has been received from Texaco Inc. requesting a further deferment of drilling requirements for a period of nine months from June 13, 1964.

According to Texaco, information developed during the drilling of the recent well necessitates a complete review of all geophysical and geological data related to the lease. The review is necessary because of the high cost of drilling in this area, the preliminary cost figure for the recent well being $219,000, and will include reinterpretation of seismic records in the entire area as well as data developed on the lease itself. Location of faulting by seismic means has proved difficult, and it may be necessary to conduct an additional survey to resolve the problems encountered. Development of the presently known producing zones is considered complete, and additional exploratory drilling will be necessary.

Texaco commenced drilling operations on the subject lease about 2½ years before the required drilling 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 consonance 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, 1964.

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THE DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT DURING THE PERIOD THEREOF THE LESSEE WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE A RENEWED DEVELOPMENT PROGRAM FOR THE LEASE; OR

2. QUITCLAIM THE UNDEVELOPED LEASE AREA; OR

3. PRESENT ADEQUATE BASES FOR CONSIDERATION AS TO FURTHER DEFERMENT OF DRILLING REQUIREMENTS UNDER THE LEASE.

ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.