

10. (REQUEST FOR APPROVAL OF SALES OF CRUDE OIL, DOUGLAS OIL CO. OF CALIFORNIA, P.R.C. 1524.1, HUNTINGTON BEACH, ORANGE COUNTY.) The following report was presented to the Commission:

"State Oil and Gas Lease P.R.C. 1524.1, issued June 13, 1955 to the Douglas Oil Co. of California pursuant to competitive public bidding, provides in part that the lessee shall not sell or otherwise dispose of the royalty share of the products produced except in accordance with an approved sales contract or other method first approved in writing by the State.

"Pursuant to this requirement, the lessee has requested approval for the sales procedure whereunder the lessee will retain the oil produced from the lease, including the royalty share of the oil, for use in the lessee's refining operations. The lessee proposes to account for the State's royalty oil on the basis of the highest price posted in the Huntington Beach field by the Standard Oil Company of California, Union Oil Company, or the Texas Company for oil of like gravity and quality, which price is in effect at the time the oil is shipped from the production storage facilities. This procedure is in conformance with the lease terms and conditions."

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE OIL ROYALTY ACCOUNTING PROCEDURE PROPOSED BY DOUGLAS OIL CO. OF CALIFORNIA FOR APPLICATION UNDER OIL AND GAS LEASE P.R.C. 1524.1 AS THE BASIS FOR ACCOUNTING FOR ALL CRUDE OIL PRODUCTION FROM STATE OIL AND GAS LEASE P.R.C. 1524.1, WHEREUNDER THE STATE'S ROYALTY OIL WILL BE ACCOUNTED FOR ON THE BASIS OF THE HIGHEST PRICE POSTED IN THE HUNTINGTON BEACH FIELD BY STANDARD OIL COMPANY OF CALIFORNIA, UNION OIL COMPANY, OR THE TEXAS COMPANY FOR OIL OF LIKE GRAVITY AND QUALITY, WHICH PRICE IS IN EFFECT AT THE TIME THE OIL IS SHIPPED FROM THE PRODUCTION STORAGE FACILITIES. THIS APPROVAL IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT IT SHALL NOT BE CONSTRUED TO MODIFY OR AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL TERMS AND CONDITIONS OF OIL AND GAS LEASE P.R.C. 1524.1 AND THE RULES AND REGULATIONS OF THE COMMISSION.

11. (REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, RICHFIELD OIL CORPORATION, SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY - P.R.C. 308.1, P.R.C. 309.1.) The following report was presented to the Commission:

"On December 17, 1954 (Minute Item 5, pages 2196-97) the Commission authorized the further deferment of drilling and operating requirements under Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1 January 1, 1956, subject to the express condition that during the period of deferment the lessees would perform one of the following actions:

1. Initiate development on a lease.

2. Quitclaim the entire lease areas.
3. Present new adequate bases not considered heretofore, for consideration as to any further extension of the deferment of the drilling and operating requirements under the respective leases.

"On September 29, 1955 the Richfield Oil Corporation resumed exploration activities on Lease P.R.C. 309.1 with the drilling of a well. This well was redrilled four times in seeking a producing horizon and finally had to be abandoned February 26, 1956 at an estimated cost of \$345,000. On February 3, 1956 a geological survey permit was issued to Richfield Oil Corporation for the conduct of geological explorations from mobile marine equipment on the areas held by the permittee under Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1.

"An application has been received from Richfield Oil Corporation, Honolulu Oil Corporation, and Signal Oil and Gas Company requesting deferment of drilling and operating requirements under Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1 until January 1, 1957 within which time to analyze the geologic and engineering information obtained from the latest well drilling operations and to permit the conduct and analysis of core drilling operations before undertaking further well drilling on either of the subject leases."

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT RICHFIELD OIL CORPORATION, SIGNAL OIL AND GAS COMPANY, AND HONOLULU OIL CORPORATION, LESSEES UNDER STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, A DEFERMENT OF THE DRILLING AND OPERATING REQUIREMENTS UNDER THE SUBJECT LEASES TO JANUARY 1, 1957. THIS GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITION THAT DURING THE PERIOD OF DEFERMENT THE LESSEES WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE DEVELOPMENT ON A LEASE.
2. QUITCLAIM THE ENTIRE LEASE AREAS.
3. PRESENT NEW ADEQUATE BASES NOT CONSIDERED HERETOFORE, FOR CONSIDERATION AS TO ANY FURTHER EXTENSION OF THE DEFERMENT OF THE DRILLING AND OPERATING REQUIREMENTS UNDER THE RESPECTIVE LEASES.

12. (REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, DOUGLAS OIL CO. OF CALIFORNIA, HUNTINGTON BEACH - P.R.C. 1524.1.) The following report was presented to the Commission:

"Oil and Gas Lease P.R.C. 1524.1, issued to the Douglas Oil Co. of California June 13, 1955, pursuant to competitive public bidding, requires, in part, that operations for the drilling of a well shall