

MINUTE ITEM

20. REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION, AND RICHFIELD OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY, P.R.C. 308.1 AND P.R.C. 309.1 - W.O. 3339.

After consideration of Calendar Item 26 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT TO THE SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION, AND RICHFIELD OIL CORPORATION, LESSEES UNDER STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE SUBJECT LEASES TO DECEMBER 31, 1960. 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 THE LEASE;
2. QUITCLAIM THE ENTIRE LEASE AREA;
3. PRESENT NEW ADEQUATE BASES, NOT CONSIDERED HERETOFORE, FOR CONSIDERATION AS TO ANY FURTHER EXTENSION OF THE DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE RESPECTIVE LEASES.

Attachment

Calendar Item 26 (1 page)

CALENDAR ITEM

26.

REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION, AND RICHFIELD OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY, P.R.C. 308.1 AND P.R.C. 309.1 - W.O. 3339.

On December 11, 1958 (Minute Item 5, page 4354), the Commission authorized a deferment of drilling and operating requirements under Oil and Gas Leases P.R.C. 308.1 and P.R.C. 309.1 to December 31, 1959. The joint lessees have requested a further deferment of drilling and operating requirements under these leases to December 31, 1960.

The subject leases were amended, as approved by the Commission on January 13, 1958 (Minute Item 11, page 3747, and Minute Item 12, page 3749), in accordance with the provisions of Section 6873 of the Public Resources Code, in order to permit the lessees to take advantage of the more flexible development and operating conditions specified. As provided for in the lease, the operator since December 11, 1958 has drilled one test well from mobile drilling equipment on Lease P.R.C. 309.1, and a series of additional test wells on the leased lands have been planned. However, due to the many unusual and complicated problems which have developed while drilling in water exceeding 200 feet in depth, the planned schedule has not been met. As soon as satisfactory equipment is available, it is planned to drill the additional test wells.

The drilling requirements of the leases specify that "within thirty (30) days from and after the date of completion of the first well, or cessation of drilling or testing operations therein, the lessee shall commence operations for the drilling of the next well; and operations for the drilling of each succeeding well thereafter shall be commenced within thirty (30) days from and after the date of the completion, or cessation of drilling or testing operations in the preceding well, . . ."

The lessees have heretofore drilled 10 exploratory wells in the tide and submerged lands covered by the two leases. Some of said wells were drilled from uplands and others from mobile marine drilling equipment under a geological exploration permit, and approximately \$5,000,000 has been expended in attempting to develop commercial production on the State lands covered by the two leases.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GRANT TO THE SIGNAL OIL AND GAS COMPANY, HONOLULU OIL CORPORATION, AND RICHFIELD OIL CORPORATION, LESSEES UNDER STATE OIL AND GAS LEASES P.R.C. 308.1 AND P.R.C. 309.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE SUBJECT LEASES TO DECEMBER 31, 1960. 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 THE LEASE;
2. QUITCLAIM THE ENTIRE LEASE AREA;
3. PRESENT NEW ADEQUATE BASES, NOT CONSIDERED HERETOFORE, FOR CONSIDERATION AS TO ANY FURTHER EXTENSION OF THE DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER THE RESPECTIVE LEASES.