

Ralph Forch , Wilshire Oil Company  
C. M. Curb, Continental Oil Company  
J. M. Jessen, General Petroleum Corporation

Messrs. H. J. March and Ernie E. Pyle expressed concern of the oil companies over the fact that the stipulation of July 27, 1947, as extended, expires on July 31, 1950, subject to the 60 day period beyond that date for consideration of an additional extension. This concern was accentuated by unofficial statements out of Washington that the Secretary of Interior expects to take over tideland oil field management upon expiration of the present stipulation.

After further discussion by the oil company representatives, Assistant Attorney General Mattoon, the Executive Officer and staff, the Chairman stated that as far as the Commission was concerned it had had no communication from Secretary of Interior Chapman and thus was in no position to seek an early conference with him in advance of the one set for August 16, 1950, in Washington, D.C.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED WHEREUNDER THE WHOLE PROBLEM WOULD BE TAKEN UNDER ADVISEMENT.

5. (EXTENSION OF OIL AND GAS LEASE NO. 98 (303-1921) WM. L. APPLEFORD - ELWOOD OIL FIELD - SANTA BARBARA COUNTY - W.O. 730 - P.R.C. 428) The Commission was informed as follows: An application has been received from Wm. L. Appleford, Lessee under State Oil and Gas Lease No. 98 (303-1921, Elwood Oil Field) for renewal and extension of the subject lease. Lease No. 98 was issued July 29, 1930 for an initial period of twenty years and provides for extensions of additional periods of ten years under such reasonable terms and conditions as the State may determine and the law may provide at the time of renewal. The operating rights under the subject lease and any extensions thereof are held by the Signal Oil and Gas Company, a Delaware Corporation.

1. It has been proposed to the lease operator that the renewal and extension of Lease 98 be under the same terms and conditions as approved heretofore by the Commission for all other oil and gas leases renewed and extended in the Elwood Field. The amount of the recommended performance bond based upon the length of the existing operating pier would be \$75,000.00. The bases for the extension of the lease have been reviewed as to form by the office of the Attorney General.
2. The lessee has proposed an alternative oil royalty rate of 16 2/3%. This would yield to the State 4 1/6% more than the leases which have recently been renewed in this area because with the latter operations production is now and will not be of sufficient volume to invoke the sliding scale which would be effective in Lease 98 on account of the greater rate of production which prevails.

On an estimated basis of a minimum production of three million barrels for the 10 year lease renewal term and a value of \$2.70 per barrel for oil, a royalty rate of 16 2/3 would yield \$1,350,000.00 to the State compared to a total oil royalty of \$2,300,000.00 computed from the royalty schedule proposed by the staff.

Other primary lease provisions affecting royalty would be the same under either alternative. Specifically these are a royalty rate of 20% of the gross market

value of all dry gas, natural gasoline, and other products derived from the gas produced and the assumption by the lessee of any oil dehydration costs as a part of the lease operation expense.

Consideration was also given to the following factors:

1. Production loss by adjoining drainage in the event of arbitrarily decreased oil production rates.
2. Possibility of unequal production distribution in the event that a lesser oil royalty rate was assigned than the 16 2/3% minimum in effect on the lease adjoining on the west.
3. The lessee was represented by Mr. Harry J. March who stated that because of the high cost of maintenance and ultimate removal of the pier on which the wells are located, operations could not support the higher royalties resulting from the sliding scale and therefore could not be continued.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING THE EXECUTIVE OFFICER TO ISSUE TO WM. L. AMBLEFORD A TEN YEAR RENEWAL AND EXTENSION OF STATE OIL AND GAS LEASE 98 (303/1921) ELWOOD OIL FIELD, EFFECTIVE JULY 29, 1950, UNDER THE FOLLOWING TERMS AND CONDITIONS:

1. LEASE IS TO BE ISSUED IN THE FORM UTILIZED HERETOFORE IN THE RENEWAL AND EXTENSION OF ALL OTHER CHAPTER 303/1921 OIL AND GAS LEASES IN THE ELWOOD FIELD, BUT WITH A FIXED OIL ROYALTY RATE OF 16 2/3%.
2. PERFORMANCE BOND TO BE \$75,000.00.
3. LESSEE IS TO ASSUME ANY OIL DEHYDRATION COSTS AS A PART OF THE LEASE OPERATION EXPENSE, NOTICE OF THE ISSUANCE OF THE RENEWAL AND EXTENSION IS TO BE GIVEN TO THE DEPARTMENT OF INTERIOR SUBJECT TO THE PROVISIONS, IF ANY, OF THE STIPULATION ENTERED INTO BETWEEN THE ATTORNEY GENERAL OF THE UNITED STATES AND THE ATTORNEY GENERAL OF CALIFORNIA, DATED JULY 26, 1947, AS EXTENDED IN 1948 AND 1949.
6. (APPLICATION FOR MODIFICATION OF ROYALTY RATE WELL "H.B. 19", WILSHIRE OIL COMPANY, INC., AGREEMENT FOR EASEMENT NO. 275 (303-21), HUNTINGTON BEACH - W. O. 407) The Commission was informed that on December 21, 1949 (Minute Item 15, Page 1045 - 1046) the Commission authorized the Executive Officer to submit the facts relative to a modification of August 31, 1944 to Agreement for Easement No. 275 relating to oil royalties payable on Well "H.B. 19" and secure from the Attorney General a formal opinion as to the legality of a proposed cancellation of said modification.

On June 7, 1950, a letter opinion of the office of the Attorney General by Walter L. Bowers, Assistant Attorney General, was received. The conclusion thereof is quoted as follows:

"In view of the utter lack of any evidence as to the asserted consideration, or failure of consideration, mentioned by the lessee nearly four years after the execution of the amendment, and considering the various different applications for