

3. In the case of a quitclaim of a portion of a lease, an agreement by the lessee, at the option of the State, not to bid on a re-offer of the quitclaimed area. This requirement would preclude an otherwise unjustified quitclaim for the sole purpose of anticipated re-leasing of the quitclaimed area under a lower bid than the original.
4. Specification of the lease oil royalty rate to be in accordance with the following formula:

$$R = \frac{S - 36}{2.3 + 0.015 S}$$

Where R = royalty rate in per cent

S = average daily shipments from the lease during a calendar month

minimum royalty rate = 16-2/3%
 maximum royalty rate = 60%

5. Successful bidder to be determined by highest cash bonus payment offered for lease by a qualified bidder."

The Executive Officer presented a letter from the Western Oil and Gas Association's Committee on Public Lands in which a request was made for additional time in which to consider the matter. Assurance was given by Mr. T. J. Moroney, representing that committee, that one month's time would be sufficient.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED THAT THE MATTER OF MODIFYING THE STANDARD FORM OF OIL AND GAS LEASE BE DEFERRED UNTIL THE NEXT MEETING OF THE COMMISSION.

5. (REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, SIGNAL OIL AND GAS COMPANY-HONOLULU OIL CORPORATION, COAL OIL POINT, SANTA BARBARA COUNTY - P.R.C. 308 AND P.R.C. 309.) The Commission's staff reported as follows:

"On March 26, 1954 (Minute Item 4, pages 2011-12), the Commission authorized the further deferment of drilling and operating requirements under Oil and Gas Leases P.R.C. 308 and P.R.C. 309 to January 1, 1955, subject to the express conditions 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 operating and drilling requirements under the respective leases.

"The joint lessees have reported that during 1954 they have engaged in continuous geophysical studies of the lease areas including additional seismic exploration work, ocean-bottom sampling and coring, at an aggregate cost of approximately \$100,000. The lessees are now attempting critical independent analyses of the data developed from the exploration and feel that continuation of such analyses and possibly further exploration are warranted before further exploratory drilling is justified. Therefore, the joint lessees have requested a further deferment of the drilling and operating requirements under the subject leases for a period not to exceed one year during which period the required further analyses and exploration may be completed."

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT SIGNAL OIL AND GAS COMPANY AND HONOLULU OIL CORPORATION, LESSEES UNDER STATE OIL AND GAS LEASES P.R.C. 308 AND P.R.C. 309, A DEFERMENT OF THE DRILLING AND OPERATING REQUIREMENTS TO JANUARY 1, 1956. THE GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITIONS 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 OPERATING AND DRILLING REQUIREMENTS UNDER THE RESPECTIVE LEASES.
6. (APPLICATION FOR MINERAL LEASE, E. A. RAY, SAN BERNARDINO COUNTY, P.R.C. 1313.2 - W.O. 1897, P.R.C. 1467.2.) The Commission's staff reported as follows:

"An application for preferential lease on 160 acres of area included in Prospect Permit P.R.C. 1313.2, in the SW $\frac{1}{4}$ of Section 16, T. 14 N., R. 12 E., S.B.B. & M., San Bernardino County, has been received from Mr. Emerson A. Ray, the permittee. Field inspection of the development work on a deposit of volcanic cinders undertaken pursuant to the prospecting permit has shown that commercially valuable deposits of volcanic cinders have been uncovered. In excess of 2,000 tons of volcanic cinders have been shipped and sold with royalty paid in accordance with the terms of the permit. Pursuant to Section 14 of Prospecting Permit P.R.C. 1313.2, the permittee, upon demonstration of the discovery of commercially valuable deposits of minerals, is entitled to a preferential mineral lease at the royalty rate specified in the subject permit, issued April 22, 1953. The minimum royalty under this schedule will be 2¢ per ton for volcanic cinders extracted and shipped. Under Section 6895, a permittee is entitled to a lease of up to 160 acres of the area within the permit."