

14. (REQUEST FOR DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS, MONTEREY OIL COMPANY, HUNTINGTON BEACH - P.R.C. 1549.1.) The following report was presented to the Commission:

"Oil and Gas Lease P.R.C. 1549.1, issued to Monterey Oil Company, Humble Oil & Refining Company, and Seaboard Oil Company August 16, 1955, pursuant to competitive bidding, requires in part that operations for the drilling of a well shall be started within sixty days of the completion or suspension of operations on a preceding well. In conformance with these requirements, Monterey Oil Company, as operator under the subject lease, has drilled two wells and redrilled two wells into the leased lands at a reported aggregate cost of more than \$700,000. None of these wells has developed production and it is apparent from the resulting logs that the geology of the area in Lease P.R.C. 1549.1 is unusually complex. Testing operations in the last well drilled were suspended June 22, 1956, necessitating the commencement of the drilling of an additional well by August 21, 1956 to comply with the lease requirements. The lessee has reported that:

- (a) Lease exploration has been continued diligently;
- (b) The lessee is acquiring facilities and equipment which will produce further subsurface data in the adjacent State lands having a direct bearing upon the evaluation of production possibilities within the subject lease;
- (c) That a minimum of one year will be required to conduct the exploratory work on the adjoining lease, analyze, and correlate the information to be obtained;
- (d) That the lessee has made a very large investment in the lease and the upland site and the drill-through rights.

"In consideration of the foregoing, Monterey Oil Company, as operator on behalf of the lessees, has requested that a deferment of one year be granted within which to commence further drilling operations on State Oil and Gas Lease P.R.C. 1549.1."

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT MONTEREY OIL COMPANY, AS OPERATOR UNDER THE OIL AND GAS LEASE P.R.C. 1549.1, A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER LEASE P.R.C. 1549.1 FOR A PERIOD OF ONE YEAR FROM AUGUST 15, 1956. THE GRANT OF DEFERMENT IS TO BE SUBJECT TO THE EXPRESS CONDITIONS THAT, DURING THE PERIOD OF DEFERMENT, THE LESSEE WILL PERFORM ONE OF THE FOLLOWING ACTIONS:

1. INITIATE DEVELOPMENT ON THE LEASE;
2. QUITCLAIM THE ENTIRE LEASE AREA;
3. PRESENT NEW ADEQUATE BASES FOR CONSIDERATION AS TO ANY FURTHER DEFERMENT OF THE DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE.