

be started within 60 days of the time of completion or suspension of operations in a preceding well. In conformance with this requirement the lessee has drilled, completed and placed on production two wells, the last of which was completed January 24, 1956. The lessee has reported many difficulties and expenses incurred in connection with the development of the lease and uncertainties existing as to the productivity of the remainder of the lease area after consideration of the results developed from the first two wells. Therefore, the lessee has requested consideration of authorization of the deferment of the drilling and operating requirements under Lease P.R.C. 1524.1 for a period of ninety days from and after March 24, 1956 within which time to analyze the results of wells drilled heretofore and geological and geophysical studies prior to the commencement of operations for the drilling of another well under the lease."

Mr. Kirkwood asked if the Commission would be setting any precedent on future requests for deferment if deferment was allowed in this instance, and asked what the justifications were for deferment. The Executive Officer pointed out that if deferment were not granted, the lessee would have a right to quitclaim, and that it was not felt desirable to force such action.

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO GRANT DOUGLAS OIL CO. OF CALIFORNIA A DEFERMENT OF DRILLING AND OPERATING REQUIREMENTS UNDER OIL AND GAS LEASE P.R.C. 1524.1 FOR A PERIOD OF NINETY DAYS FROM MARCH 24, 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 UNDEVELOPED LEASE AREA.
3. PRESENT NEW ADEQUATE BASES NOT CONSIDERED HERETOFORE, FOR CONSIDERATION AS TO ANY FURTHER CONSIDERATION OF THE DEFERMENT OF THE DRILLING AND OPERATING REQUIREMENTS UNDER THE LEASE.

13. (APPLICATION FOR ASSIGNMENT OF OIL AND GAS LEASE P.R.C. 425.1, SOUTHWEST EXPLORATION COMPANY - W. O. 2309.) The following report was presented to the Commission:

"Oil and Gas Lease P.R.C. 425.1, issued February 10, 1950 to the Southwest Exploration Company for a term of twenty years, provides that the lease may not be assigned, transferred or sublet except with the written consent of the State and then only to a person, association of persons or corporation which, at the time of the proposed assignment, transfer or subletting possesses the qualifications provided in Division 6 of the Public Resources Code. Should the State consent in writing to the assignment,

transfer or subletting of the lease, the lessee shall continue to assume, during the term of the lease, or in extension thereof, jointly with any assignee, transferee or sublessee, responsibility for compliance with all of the terms, covenants, conditions, agreements and provisions of the lease.

"Pursuant to the foregoing, Southwest Exploration Company has submitted an application for approval of the assignment and transfer of Lease P.R.C. 425.1 in the following percentages:

An undivided 66% interest to Signal Oil and Gas Company.

An undivided 34% interest to Hancock Oil Company.

"Each of the proposed assignees is authorized to transact business in the State of California and possesses all of the qualifications required in Division 6 of the Public Resources Code. The assignees have submitted a performance bond in the penal sum of \$25,000 as required by Section 13 of the lease, to be filed in lieu of the bond of the assignor, Southwest Exploration Company.

"The assignees have designated Signal Oil and Gas Company as the operator under Lease P.R.C. 425.1 to receive all notices, make all reports required under the lease, and to be fully responsible for the performance of all its terms and conditions."

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

THE EXECUTIVE OFFICER IS AUTHORIZED:

- (1) TO APPROVE THE ASSIGNMENT OF OIL AND GAS LEASE P.R.C. 425.1 FROM THE SOUTHWEST EXPLORATION COMPANY TO ASSIGNEES AS FOLLOWS:

AN UNDIVIDED 66% INTEREST TO SIGNAL OIL AND GAS COMPANY.

AN UNDIVIDED 34% INTEREST TO HANCOCK OIL COMPANY.

- (2) TO AMEND SECTION 4, OIL AND GAS LEASE P.R.C. 425.1, BY MUTUAL CONSENT AS AUTHORIZED BY SECTION 27 OF THE LEASE TO PERMIT THE RELEASE OF SOUTHWEST EXPLORATION COMPANY FROM FURTHER LIABILITY UNDER OIL AND GAS LEASE P.R.C. 425.1 FROM AND AFTER THE EFFECTIVE DATE OF APPROVAL OF THE SUBJECT ASSIGNMENT.
- (3) TO RELEASE SOUTHWEST EXPLORATION COMPANY, ASSIGNOR, FROM FURTHER LIABILITY UNDER OIL AND GAS LEASE P.R.C. 425.1 FROM AND AFTER THE EFFECTIVE DATE OF APPROVAL OF THE SUBJECT ASSIGNMENT.

14. (APPLICATION FOR ASSIGNMENT OF OIL AND GAS LEASE EASEMENT 392.1, SOUTHWEST EXPLORATION COMPANY - W. O. 2310.) The following report was presented to the Commission: