

The award of this lease to be contingent upon the filing by Marine Exploration Company of a surety bond in an amount of \$25,000.00, whereunder faithful performance by the Lessee would be guaranteed to the State.

The roll was called and the Commission voted as follows:

Commissioner Riley ----- Aye
Commissioner Dean ----- Aye
Commissioner Houser ----- No.

Commission Member, Lieutenant Governor Houser, made the following statement in explaining his vote of No:

"In casting a 'No' vote on these two motions, I am opposed to them because I believe:

"(1) There is a possibility that the City of Seal Beach will repeal its anti-drilling ordinance, and that, if it does, there is a likelihood, in my opinion, that we would secure higher royalties through competitive bids; and

"(2) Under any circumstances, irrespective of the Seal Beach situation, it is bad to lay down any general policy for making awards, where there are no competitive bids, and in this particular instance, there was just one bid. I realize that this one award does not necessarily establish a policy in that direction, but it leans toward the establishment of such a policy, and I am against it for that reason."

4. (Interpretative Amendment to Leases Issued Pursuant to the State Lands Act) The Commission discussed the need of interpreting the language relative to the State's reservation of the right to take its oil and/or gas and other hydrocarbon products in kind. This provision is contained within the State's present oil and gas lease form.

After full discussion, and upon motion duly made and unanimously carried, a resolution was adopted, whereunder the Executive Officer

oil and/or gas
was, upon application of any of the State's/lessees holding leases which were issued pursuant to Chapter 5 of Statutes of 1938 (Extra Session), authorized to amend or modify Section 2 of such leases, on a basis of mutual consent of the parties to such leases by the addition of the following interpretative language:

"The right of the State to take its royalty share of the oil and/or gas and other hydrocarbon products produced from this lease in kind, as provided by this agreement, is hereby defined and interpreted to mean that the State reserves the right to determine whether the price paid for all oil and/or gas or other hydrocarbon products produced hereunder is the reasonable market price of the oil and/or gas or other hydrocarbon products, including any subsidy or extra payment made for said oil and/or gas or other hydrocarbon products, whether in money or other consideration; and, in the event the State shall at any time determine that the price paid as defined above, is not the reasonable market price of the oil and/or gas and other hydrocarbon products, then and in that event, the State shall have the right, upon demand, to take the State's royalty share of oil and/or gas or other hydrocarbon products produced hereunder in kind."

5. (Request for Approval of Assignment of Easements Nos. 309 and 325, George T. Goggin, Esq.; Trustee in Bankruptcy for Huntington Shore Oil Company, bankrupt, and from Tide Petroleum Company, bankrupt to the Eagle Oil and Refining Company, Incorporated) Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to approve these assignments, subject to the assignee agreeing to comply with all of the terms and conditions of the easements, including the filing with the State of two corporate surety bonds (one for each easement) in an amount of \$2,000.00 each. Said bonds are required for the purpose of indemnifying the State against any breach of performance of any of the conditions or requirements or obligations of said easements.