

STANDARD B & P "NOISE"

Pool	Total Participating Area (acres)	Estimated Productive Area of State Lands (acres)	Allotment to State Lands (44th Revision)	Allotment to State Lands (45th Revision)
East Emigh	2727.97	12.39	0.4542%	0.4542%
West Emigh	16984.09	1838.94	10.8274	10.8274
West Hamilton	9216.34	1181.61	12.8322	12.8208
East Midland	4782.26	95.28	1.9924	1.9924
Anderson A-6	103.77	0	0	0

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING THE EXECUTIVE OFFICER TO APPROVE THE 44TH REVISION (POOL BASIS) TO THE STATE'S ALLOTMENT OF PRODUCTIVE LANDS EFFECTIVE OCTOBER 13, 1950, AND THE 45TH REVISION (POOL BASIS) EFFECTIVE NOVEMBER 15, 1950, AS PRESENTED BY THE STANDARD OIL COMPANY OF CALIFORNIA ON DECEMBER 8 AND DECEMBER 14, 1950, RESPECTIVELY, PURSUANT TO AGREEMENT FOR EASEMENT NO. 415.

9. (PROPOSED GAS LEASE, TIDE AND SUBMERGED LANDS AND BEDS OF NAVIGABLE RIVERS, SACRAMENTO AND SAN JOAQUIN COUNTIES - W.O. 478) The Commission was informed that on November 21, 1949 the Commission authorized the publication of a notice of intention for a lease for the production of gas only from State lands contained within a specifically described tract lying in Sacramento and San Joaquin Counties in the vicinity of the City of Isleton based upon the extension of the Rio Vista Field by the completion of Well Isleton Community 1 and the potential additional extension by Well Gardner No. 5 then in the process of drilling. Subsequent developments in the area resulted in a considerable number of outlying non-productive wells. However, current results over a greater area than authorized heretofore as the exterior limits for a proposed State gas lease have established five wells potentially capable of draining gas from State land.

Mr. Charles Ward appeared before the Commission on behalf of Brazos Oil and Gas Company, one of the prospective bidders and gave his approval of the proposed action except that his company would prefer the area be advertised for in two parcels, one for the Georgiana Slough properties, the other for those adjoining the Sacramento River.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED AUTHORIZING THE AMENDMENT OF THE AUTHORIZATION OF NOVEMBER 21, 1949 (MINUTE PAGE 1030, ITEM 42) TO PERMIT THE EXECUTIVE OFFICER TO PUBLISH A NOTICE OF INTENTION PURSUANT TO THE PROVISIONS OF THE PUBLIC RESOURCES CODE FOR A LEASE FOR THE PRODUCTION OF GAS ONLY FROM ALL OF THE STATE LAND CONTAINED WITHIN THE FOLLOWING DESCRIBED TRACT LYING IN SACRAMENTO AND SAN JOAQUIN COUNTIES IN LIEU OF THE TRACT DESCRIBED IN THE AFORESAID AUTHORIZATION OF NOVEMBER 21, 1949. THE AREA PROPOSED FOR LEASE AUTHORIZATION IS DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT DESIGNATED AS PIER 8, U.S.E.D., LOCATED ON THE NORTHEASTERLY BOUNDARY LINE OF STATE EASEMENT NO. 415, THENCE NORTHEASTERLY A DISTANCE OF APPROXIMATELY 14,300 FEET TO THE POINT OF INTERSECTION WITH THE SOUTHWEST CORNER OF THE AREA DESCRIBED ABOVE, THENCE NORTHERLY A DISTANCE OF APPROXIMATELY 10,800 FEET TO THE NORTHWEST CORNER OF SECTION 6, T. 4 N., R. 4 E., M.D.B. & M., THENCE EASTERLY A DISTANCE OF APPROXIMATELY 18,300 FEET TO THE NORTHEAST CORNER OF SECTION 3, T. 4 N., R. 4 E., M.D.B. & M., THENCE SOUTHERLY A DISTANCE OF APPROXIMATELY 33,625 FEET TO A POINT, THENCE WESTERLY

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A DISTANCE OF APPROXIMATELY 18,300 FEET TO THE INTERSECTION WITH THE BOUNDARY LINE OF STATE EASEMENT NO. 415, (THIS POINT IS ALSO THE INTERSECTION OF THE BOUNDARY LINE OF STATE EASEMENT NO. 415 AND THE RANGE LINE BETWEEN RANGES 3 EAST AND 4 EAST, P.D.B. & M.) THENCE NORTHWESTERLY ALONG THE BOUNDARY LINE OF STATE EASEMENT NO. 415, A DISTANCE OF APPROXIMATELY 10,700 FEET TO THE POINT OF BEGINNING, CONTAINING AN AREA OF 15,500 ACRES MORE OR LESS.

10. PROPOSED REVISION OF GAS SALES CONTRACT, AGREEMENT FOR EASEMENT 415, STANDARD OIL COMPANY OF CALIFORNIA - W.O. 465) The Commission was informed that the consideration by the Commission of the proposal of the Standard Oil Company of California, lessee under Agreement for Easement No. 415, Rio Vista, to modify the Gas Sales Contract of May 16, 1940, between Standard Oil Company and Pacific Gas and Electric Company, has resulted heretofore in a request to the Attorney General for a formal opinion on the legal issues involved (Minute Page 1080-31, Item 43). The contract amendment as proposed would result in the determination of the price of gas for royalty computations in relation to the posted price for Standard Bunker Fuel Oil instead of fuel oil corresponding to Pacific Specification 400 as stated in the original contract. Such amendment of price base would result in a decrease of approximately \$200,000. in royalties payable to the State under Easement 415 for the calendar years 1949 and 1950 as compared with the royalties computed upon the original contract base as contended by the Division of State Lands.

The Standard Oil Company has now submitted an alternative proposal for amendment of the gas sales contract of May 16, 1940. This proposal would also revise the contract effective January 1, 1949 to relate the price of gas to the posted price for Standard Bunker Fuel Oil for delivery at Richmond, California (and consequently, the same \$200,000. difference in royalty computation discussed above would exist) but, the consideration for the amendment of the contract would be the specification of higher gas price minima and price increase increments determined from the posted price for Standard Bunker Fuel Oil for the calendar years 1951 through 1955. The specification of these increased unit values would result in increased royalty income to the State under the terms of Agreement for Easement 415. On an assumed basis of continuation of past production rates and oil prices for the contract period, this increase would exceed the royalty which would accrue under the original gas sales contract of May 16, 1940, by more than \$1,000,000. More detailed estimates reflecting possible production and price variations based upon extrapolation of past production and marketing experience from the field, and estimates of reserve production capacity confirm the probability that the net royalty increase under the proposed revised gas sales contract would exceed royalties computed under the original contract by more than \$1,000,000.

In summary, the latest proposed revision to the gas sales contract of May 16, 1940, would result in a substantial royalty increase to the State over the gas royalties due under Easement 415 and the terms of the original gas sales contract as interpreted by the Division of State Lands.

Consideration has also been given to the probability that inasmuch as the Standard Oil Company of California as lessee and seller of the gas has been paid heretofore by the Pacific Gas and Electric Company on an interpretation of the contract which has resulted in a lower gas price than results from the Division of State Lands interpretation, final resolution of such differences could probably be had only through litigation.