

A regular meeting of the State Lands Commission was held in Room 5100 State Capitol, Sacramento 14, California, on Thursday, March 31, 1955, at 1:30 p.m.

Present: Robert C. Kirkwood, Chairman  
Harold J. Powers, Member  
John M. Peirce, Member

Staff Members in Attendance:

Rufus W. Putnam, Executive Officer  
J. Stuart Watson, Assistant Executive Officer  
F. J. Hortig, Mineral Resources Engineer  
Kenneth C. Smith, Supervising Land Title Abstractor  
Elsie F. Latta, Acting Secretary

Others in Attendance:

Representing the Office of the Controller

Howard Schmidt, Administrative Adviser  
Richard H. Little, Administrative Assistant

For Item 4. Compensatory Royalty Agreement

Humble Oil & Refining Company

J. K. Bridges  
William R. Gardner  
R. K. Riddle

1. UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE MINUTES OF THE MEETING OF THE STATE LANDS COMMISSION HELD IN LOS ANGELES ON FEBRUARY 24, 1955 WERE CONFIRMED.
2. UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED THAT THE NEXT MEETING OF THE STATE LANDS COMMISSION WOULD BE TENTATIVELY SET FOR APRIL 28, 1955.
3. (REQUEST FOR APPROVAL OF GAS SALES CONTRACT, STANDARD OIL COMPANY OF CALIFORNIA, LEASE P.R.C. 735.1, MONTALVO, VENTURA COUNTY.) The following report was presented to the Commission:

"State Oil and Gas Lease P.R.C. 735.1, issued June 30, 1952 to the Standard Oil Company of California, pursuant to competitive public bidding, provides that 'The lessee shall file with the State true and correct copies of all sales contracts for the disposition of oil, gas, natural gasoline and other substances produced hereunder. ...In the event the State should elect to take royalty in money instead of in kind, the lessee shall not sell or otherwise dispose of the products produced hereunder except in accordance with such sales contracts or other methods first approved in writing by the State.' Pursuant to this requirement, the Standard Oil Company has submitted for approval a copy of a gas sales contract between the Standard Oil Company of California and the Pacific Lighting Gas Supply Company to cover delivery of all gas marketed from the subject lease.

General terms and conditions of the contract relating to delivery, price and measurement of gas are in conformance with the respective lease terms and general practice in the Montalvo area, Ventura County. The contract is for a period of one year from April 1, 1954 and thereafter, until terminated by either party upon 30 days' written notice to the other, given on or after March 2, 1955. The contract provides for a sale price of 17¢ per M.c.f. for gas delivered to the Pacific Lighting Gas Supply Company. At times the lessee does not sell all of the produced gas but utilizes a portion thereof for operations on property other than the State lease. For such use, the lessee desires to make payment to the State for its royalty share of the gas at the same market value of 17¢ per M.c.f. as is received for gas sold."

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE GAS SALES CONTRACT OF APRIL 1, 1954 BETWEEN THE STANDARD OIL COMPANY OF CALIFORNIA AND THE PACIFIC LIGHTING GAS SUPPLY COMPANY, A CALIFORNIA CORPORATION, AS THE BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF ALL DRY GAS MARKETING FROM STATE OIL AND GAS LEASE P.R.C. 735.1, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL TERMS AND CONDITIONS OF OIL AND GAS LEASE P.R.C. 735.1 AND THE RULES AND REGULATIONS OF THE COMMISSION;

FURTHER, APPROVAL IS GIVEN FOR THE COMPUTATION OF ROYALTIES TO THE STATE FOR GAS PRODUCED BY THE STANDARD OIL COMPANY OF CALIFORNIA FROM THE LEASE AND NOT SOLD BUT USED OFF THE PROPERTY, AT THE REASONABLE MARKET VALUE OF 17¢ PER M.c.f. DURING SUCH PERIOD AS THE SALES CONTRACT, DATED APRIL 1, 1954, IS IN EFFECT.

4. (APPLICATION FOR COMPENSATORY ROYALTY AGREEMENT, LLANO SECO AREA, GLENN AND BUTTE COUNTIES, HUMBLE OIL & REFINING COMPANY - W.O. 1960.) The following report was presented to the Commission: *PRL 1499.1*

"An application has been received from Humble Oil and Refining Company, a Texas corporation, for consideration of a compensatory royalty agreement whereunder the State would be compensated for drainage from State sovereign lands in a portion of the bed of the Sacramento River in Glenn and Butte Counties, from wells drilled and produced by the Humble Oil & Refining Company on leased uplands surrounding the State lands. Such compensation would be in lieu of drilling offset wells upon the State lands.

"Section 6815 of the Public Resources Code provides 'whenever it appears to the commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State, the commission may enter into agreements with the owners or operators of such wells for the payment of compensation to the State for such drainage, in lieu of drilling offset wells upon such State lands.'