

MINUTE ITEM

20. AMENDMENT TO POOLING AGREEMENT, SACRAMENTO RIVER GAS UNIT NO. 1, THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, THE TEXAS COMPANY, ANTHONY J. KENNEDY, ET UX., AND HENRY HOTTINGER, ET UX., LEASE OWNERS, GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY - W.O. 3255.

After consideration of Calendar Item 36 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE AMENDMENT OF PARAGRAPH VIII OF THE UNIT AGREEMENT, DATED JUNE 10, 1958, BETWEEN THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, THE TEXAS COMPANY, ANTHONY J. KENNEDY, ET UX., AND HENRY HOTTINGER, ET UX., LEASE OWNERS, AND OTHER PARTIES REFERRED TO AS ROYALTY OWNERS, SO THAT PARAGRAPH VIII SHALL HEREAFTER READ AS FOLLOWS:

"IF, AT ANY TIME, THERE IS A WELL ON THE UNITIZED AREA CAPABLE OF PRODUCING GAS IN COMMERCIAL QUANTITIES, BUT GAS IS NOT BEING SOLD THEREFROM DUE TO THE LACK OF A MARKET AT THE WELL, LEASE OWNERS MAY PAY AS ROYALTY ON OR BEFORE FOUR (4) MONTHS AFTER THE DATE ON WHICH PRODUCTION OF GAS IS SUSPENDED, AND THEREAFTER AT MONTHLY INTERVALS, TO THE LESSORS, THEIR SUCCESSORS AND ASSIGNS UNDER THE OIL AND GAS LEASE COVERING EACH RESPECTIVE TRACT OF LAND SUBJECT HERETO, A SUM EQUAL TO ONE-TWELFTH (1/12TH) OF FIVE DOLLARS (\$5.00) PER ACRE ON THE NUMBER OF ACRES WITHIN SUCH TRACT THEN SUBJECT TO THIS AGREEMENT, AND IF SUCH PAYMENT IS MADE OR TENDERED, THIS POOLING AGREEMENT AND EACH OIL AND GAS LEASE SUBJECT HERETO, SHALL NOT TERMINATE, AND IT WILL BE CONSIDERED FOR ALL PURPOSES THAT GAS IS BEING PRODUCED FROM THIS UNIT, AND EACH SUCH LEASE, IN PAYING QUANTITIES."

Attachment

Calendar Item 36 (2 pages)

CALENDAR ITEM

36.

AMENDMENT TO POOLING AGREEMENT, SACRAMENTO RIVER GAS UNIT NO. 1, THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, THE TEXAS COMPANY, ANTHONY J. KENNEDY, ET UX., AND HENRY HOTTINGER, ET UX., LEASE OWNERS, GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, SACRAMENTO COUNTY - W.O. 3255.

On June 10, 1958, a Pooling Agreement for Sacramento River Gas Unit No. 1 was entered into by The Dow Chemical Company, Vistario Corporation, The Texas Company, Anthony J. Kennedy, et ux., and Henry Hottinger, et ux. The Commission, on July 25, 1958 (Minute Item 9, page 4152), approved the form of unit agreement and authorized the inclusion of portions of State lands lying below 4700 feet below the surface, under Gas Leases P.R.C. 714.1 and P.R.C. 729.1, which leases are held by The Dow Chemical Corporation and the Vistario Corporation. The purpose of the Pooling Agreement was to drill a deep test. The well has been completed and is currently producing gas.

An application has been received from the Brazos Oil and Gas Company, Division of The Dow Chemical Company, on behalf of The Dow Chemical Company and the Vistario Corporation, for the approval of a proposed amendment to Paragraph VIII of the Pooling Agreement, which reads:

"If, at any time, there is a well on the Unitized Area capable of producing gas in commercial quantities, but gas is not being sold therefrom due to the lack of a market at the well, Lease Owners may pay at monthly intervals, to the Lessors, their successors and assigns under the oil and/or gas lease covering each respective tract of land subject hereto, as a gas royalty a sum equal to 1/12th of \$5.00 per acre on the number of acres within such tract then subject to this agreement, and if such payment is made or tendered, it will be considered that gas is being produced from said well and sold in commercial quantities. The provisions of each lease, as to the manner of making royalty, rental and other payments thereunder, shall control as to the manner of making payments under this paragraph.

"It is recognized that the market demand for gas is seasonal and may vary from time to time and it is understood and agreed that the gas royalty payments above provided for shall not be applicable to those periods when gas production may be suspended during the summer months or other suspension of a temporary nature."

so that the same shall hereafter read as follows:

"If, at any time, there is a well on the Unitized Area capable of producing gas in commercial quantities, but gas is not being sold therefrom due to the lack of a market at the well, Lease Owners may pay as royalty on or before four (4) months after the date on which production of gas is suspended, and thereafter at monthly intervals, to the Lessors, their successors and assigns under the oil and gas lease covering each respective

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tract of land subject hereto, a sum equal to one-twelfth (1/12th) of Five Dollars (\$5.00) per acre on the number of acres within such tract then subject to this Agreement, and if such payment is made or tendered, this Pooling Agreement and each oil and gas lease subject hereto, shall not terminate, and it will be considered for all purposes that gas is being produced from this unit, and each such lease, in paying quantities."

The language of amended Paragraph VIII clarifies the provision for royalty payment when gas is not sold due to the lack of a market.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE AMENDMENT OF PARAGRAPH VIII OF THE UNIT AGREEMENT, DATED JUNE 10, 1958, BETWEEN THE DOW CHEMICAL COMPANY, VISTARCO CORPORATION, THE TEXAS COMPANY, ANTHONY J. KENNEDY, ET UX., AND HENRY HOTTINGER, ET UX., LEASE OWNERS, AND OTHER PARTIES REFERRED TO AS ROYALTY OWNERS, SO THAT PARAGRAPH VIII SHALL HEREAFTER READ AS FOLLOWS:

"IF, AT ANY TIME, THERE IS A WELL ON THE UNITIZED AREA CAPABLE OF PRODUCING GAS IN COMMERCIAL QUANTITIES, BUT GAS IS NOT BEING SOLD THEREFROM DUE TO THE LACK OF A MARKET AT THE WELL, LEASE OWNERS MAY PAY AS ROYALTY ON OR BEFORE FOUR (4) MONTHS AFTER THE DATE ON WHICH PRODUCTION OF GAS IS SUSPENDED, AND THEREAFTER AT MONTHLY INTERVALS, TO THE LESSORS, THEIR SUCCESSORS AND ASSIGNS UNDER THE OIL AND GAS LEASE COVERING EACH RESPECTIVE TRACT OF LAND SUBJECT HERETO, A SUM EQUAL TO ONE-TWELFTH (1/12TH) OF FIVE DOLLARS (\$5.00) PER ACRE ON THE NUMBER OF ACRES WITHIN SUCH TRACT THEN SUBJECT TO THIS AGREEMENT, AND IF SUCH PAYMENT IS MADE OR TENDERED, THIS POOLING AGREEMENT AND EACH OIL AND GAS LEASE SUBJECT HERETO, SHALL NOT TERMINATE, AND IT WILL BE CONSIDERED FOR ALL PURPOSES THAT GAS IS BEING PRODUCED FROM THIS UNIT, AND EACH SUCH LEASE, IN PAYING QUANTITIES."