MINUTE ITEM

20. ASSIGNMENT, UNDIVIDED ONE-HALF INTEREST IN GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, VISTARIO CORPORATION, SACRAMENTO AND SAN JOAQUIN COUNTIES - W.O. 3792.

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 ASSIGNMENT OF AN UNDIVIDED ONE-HALF INTEREST IN GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1 FROM VISTARIO CORPORATION TO PRODUCING PROPERTIES, INC., A DELAWARE CORPORATION, AND THE HOWARD CORPORATION, A TEXAS CORPORATION, SUBJECT TO THE FOLLOWING CONDITIONS:

- 1. THAT BRAZOS OIL AND GAS COMPANY BE DESIGNATED OPERATOR, WITH FULL RESPONSIBILITY FOR THE PERFORMANCE OF ALL OF THE TERMS, COVENANTS, AND CONDITIONS, WITHOUT MODIFICATION, OF GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1.
- 2. THAT A FULLY EXECUTED COPY OF THE AMENDMENT TO THE POOLING AGREE-MENT, SACRAMENTO GAS UNIT NO. 1, WILL BE SUBMITTED TO THE STATE LANDS COMMISSION.
- 3. THAT THE APPROVAL OF THIS ASSIGNMENT SHALL NOT BE CONSTRUED TO AFFECT IN ANY WAY THE STATE'S CLAIM OF TITLE TO BROAD SLOUGH.

Attachment Calendar Item 36 (2 pages)

CALENDAR ITEM

36.

ASSIGNMENT, UNDIVIDED ONE-HALF INTEREST IN GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1, VISTARIO CORPORATION, SACRAMENTO AND SAN JOAQUIN COUNTIES - W.O. 3792.

The Brazos Oil and Gas Division of The Dow Chemical Company, operator, has submitted an application on behalf of Vistario Corporation for the assignment of Vistario Corporation's undivided one-half interest in Gas Leases P.R.C. 714.1 and P.R.C. 729.1 to Producing Properties, Inc., a Delaware corporation, and The Howard Corporation, a Texas corporation.

Section 4 of the lease provides in part: "This lease may not be assigned,... except with the written consent of the State and then only to...a corporation, who at the time of the proposed assignment,...possesses the qualifications provided in Division 6 of the Public Resources Code...."

Producing Properties, Inc., has submitted evidence that the corporation possesses qualifications required to hold a State lease. The bond requirements of the leases have been fulfilled by the assignee, and a form of assignment has been executed by the Vistario Corporation, assignor, and by Producing Properties, Inc., assignee.

The \$5 statutory filing fee has been paid by the applicant.

As the result of a recent survey in this vicinity, it was necessary to correct the record surface locations of some producing wells; this affects the State's calculated percentage participation in the leases. Corrected percentages have been agreed upon by the lessees and the State; however, the required adjustment in royalty payments is currently being compared. It appears that royalty adjustments will be comparatively minor. A further percentage adjustment for the area included in Broad Slough may be necessary when title to said land has been clarified.

On June 25, 1959 (Minute Item 20, page 4951), the State Lands Commission approved an Amendment to Pooling Agreement, Sacramento River Gas Unit No. 1, between The Dow Chemical Company, Vistario Corporation, The Texas Company, Anthony J. Kennedy Company, et ux., and Henry Hottinger, et ux., lease owners, and other parties referred to as royalty owners. A fully executed copy of this agreement has not been submitted by the Brazos Oil and Gas Company, operator. The operator has informed the State that Producing Properties, Inc., has been notified of the pendency of the above unresolved matters.

IT IS RECOMMENDED THAT THE STATE LANDS COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE ASSIGNMENT OF AN UNDIVIDED ONE-HALF INTEREST IN GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1 FROM VISTARIO CORPORATION TO PRODUCING PROPERTIES, INC., A DELAWARE CORPORATION, AND THE HOWARD CORPORATION, A TEXAS CORPORATION, SUBJECT TO THE FOLLOWING CONDITIONS:

CALENDAR ITEM 36. (CONTD.)

- 1. THAT BRAZOS OIL AND JAS COMPANY BE DESIGNATED OPERATOR, WITH FULL RESPONSIBILITY FOR THE PERFORMANCE OF ALL OF THE TERMS, COVENANTS, AND CONDITIONS, WITHOUT MODIFICATION, OF GAS LEASES P.R.C. 714.1 AND P.R.C. 729.1.
- 2. THAT A FULLY EXECUTED COPY OF THE AMENDMENT TO THE POOLING AGREE-MENT, SACRAMENTO GAS UNIT NO. 1, WILL BE SUBMITTED TO THE STATE LANDS COMMISSION.
- 3. THAT THE APPROVAL OF THIS ASSIGNMENT SHALL NOT BE CONSTRUED TO AFFECT IN ANY WAY THE STATE'S CLAIM OF TITLE TO BROAD SLOUGH.