

MINUTE ITEM

20. SECOND AMENDMENT TO POOLING AGREEMENT, SACRAMENTO RIVER GAS UNIT NO. 1; THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, TEXACO INC., 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 12 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE AMENDMENT OF PARAGRAPHS VII AND VIII OF THE UNIT AGREEMENT, DATED JUNE 10, 1958, BETWEEN THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, TEXACO INC., ANTHONY J. KENNEDY, ET UX., AND HENRY HOTTINGER, ET UX., LEASE OWNERS, AND OTHER PARTIES REFERRED TO AS ROYALTY OWNERS, SO THAT PARAGRAPHS VII AND VIII SHALL HEREAFTER READ AS CITED IN EXHIBITS "A" AND "B" ATTACHED HERETO AND HEREBY MADE A PART HEREOF. ALL OTHER TERMS AND CONDITIONS OF THE UNIT AGREEMENT ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachment

Exhibits "A" and "B"
Calendar Item 12 (4 pages)

EXHIBIT "A"

AMENDED PARAGRAPH VII

This Agreement may be terminated at any time when gas is not capable of being produced from said Unitized Area in quantities deemed paying by lease Owners, their successors and assigns, by making, executing and recording an instrument terminating said unit as to all of said land.

Unless sooner terminated, said unit shall remain in effect, and all of the oil and gas leases in their entirety described in Exhibit "A" shall remain in effect, and the terms of all of said leases shall be extended, so long as gas is capable of being produced from any part of the Unitized Area.

EXHIBIT "B"AMENDED PARAGRAPH VIII

If, at any time, there is a well, or wells, 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, or wells, 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 thereto, 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.

It is understood and agreed that in the event the oil and gas leases subject hereto, and this Pooling Agreement, are not maintained in force by any other provision, or provisions, thereof, and the Lessee elects to maintain the Pooling Agreement and the leases subject hereto in force and effect by the payment of shut-in gas well royalty, that the Lessor shall receive shut-in royalty for each month that production of gas is suspended due to lack of a market or demand therefor, and that the first month shall commence on the day the production of gas is so suspended and payment shall be made at the time above provided for.

All payments or tenders herein provided for may be made to Lessor's last known address mailed on or before the due date of the payment or tender transmitting the check.

Except as amended hereby, said Pooling Agreement shall remain unchanged, and it is recognized by each of the undersigned parties as a binding, valid and subsisting Pooling Agreement.

CALENDAR ITEM

12.

SECOND AMENDMENT TO POOLING AGREEMENT, SACRAMENTO RIVER GAS UNIT NO. 1; THE DOW CHEMICAL COMPANY, VISTARIO CORPORATION, TEXACO INC., 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, Texaco Inc. (formerly 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 which lie 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 Company and the Vistario Corporation. The purpose of the Pooling Agreement was to drill a deep test well. Three wells have been completed and are currently producing gas.

The Commission, on June 25, 1959 (Minute Item 20, page 4951), approved the amendment of Paragraph VIII of the Pooling Agreement to clarify the provision for royalty payment when gas is not sold because of the lack of a market.

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 Vistario Corporation, for approval of a proposed amendment to Paragraph VII and a revision of amended Paragraph VIII of the Pooling Agreement.

Paragraph VII of the Pooling Agreement now reads:

"This agreement may be terminated at any time when gas is not being produced from said Unitized Area in quantities deemed paying by Lease Owners, their successors and assigns, by making, executing and recording an instrument terminating said unit as to all of said land. Unless sooner terminated, said unit shall remain in effect so long as any of the oil and gas leases described in Exhibit A remain in effect, and the terms of all of said leases shall be extended so long as gas is produced from any part of the Unitized Area."

Upon Commission approval Paragraph VII would hereafter read as cited in Exhibit "A" attached. The amended language clarifies the conditions under which this agreement may be terminated.

Amended Paragraph VIII of the Pooling Agreement, approved by the Commission on June 25, 1959 (Minute Item 20, page 4951), now 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 as royalty on or before four (4) months after the date on which production of gas is suspended, and thereafter at monthly intervals,

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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."

Upon Commission approval Paragraph VIII would hereafter read as cited in Exhibit "B" attached. The amended language clarifies the effective and due date of payment for shut-in royalty when gas is not being sold from the Unitized Area.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE AMENDMENT OF PARAGRAPHS VII AND VIII OF THE UNIT AGREEMENT, DATED JUNE 10, 1958, BETWEEN THE DOW CHEMICAL COMPANY, VISTARCO CORPORATION, TEXACO INC., ANTHONY J. KENNEDY, ET UX., AND HENRY HOTTINGER, ET UX., LEASE OWNERS, AND OTHER PARTIES REFERRED TO AS ROYALTY OWNERS, SO THAT PARAGRAPHS VII AND VIII SHALL HEREAFTER READ AS CITED IN EXHIBITS "A" AND "B" ATTACHED HERETO AND HEREBY MADE A PART HEREOF. ALL OTHER TERMS AND CONDITIONS OF THE UNIT AGREEMENT ARE TO REMAIN IN FULL FORCE AND EFFECT.

Attachments
Exhibits "A" and "B"

EXHIBIT "A"

AMENDED PARAGRAPH VII

This Agreement may be terminated at any time when gas is not capable of being produced from said Unitized Area in quantities deemed paying by Lease Owners, their successors and assigns, by making, executing and recording an instrument terminating said unit as to all of said land. Unless sooner terminated, said unit shall remain in effect, and all of the oil and gas leases in their entirety described in Exhibit "A" shall remain in effect, and the terms of all of said leases shall be extended, so long as gas is capable of being produced from any part of the Unitized Area.

EXHIBIT "B"AMENDED PARAGRAPH VIII

If, at any time, there is a well, or wells, 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, or wells, 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 thereto, 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.

It is understood and agreed that in the event the oil and gas leases subject hereto, and this Pooling Agreement, are not maintained in force by any other provision, or provisions, thereof, and the Lessee elects to maintain the Pooling Agreement and the leases subject hereto in force and effect by the payment of shut-in gas well royalty, that the Lessor shall receive shut-in royalty for each month that production of gas is suspended due to lack of a market or demand therefor, and that the first month shall commence on the day the production of gas is so suspended and payment shall be made at the time above provided for.

All payments or tenders herein provided for may be made to Lessor's last known address mailed on or before the due date of the payment or tender transmitting the check.

Except as amended hereby, said Pooling Agreement shall remain unchanged, and it is recognized by each of the undersigned parties as a binding, valid and subsisting Pooling Agreement.