

MINUTE ITEM

30. GAS LEASE, 42ND DISTRICT AGRICULTURAL ASSOCIATION, GLENN COUNTY;  
TIDEWATER OIL COMPANY - W.O. 5058, P.R.C. 3162.0

After consideration of Calendar Item 29 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. DETERMINES THAT IT IS IMPRACTICABLE IN THIS INSTANCE, BY REASON OF THE SMALL SIZE AND INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE, TO FULFILL THE PROVISIONS OF SECTION 6827 (COMPETITIVE PUBLIC BIDDING); AND AUTHORIZES, PURSUANT TO THE PROVISIONS OF SECTION 6815, A NEGOTIATED LEASE WHICH PROVIDES, THROUGH DRILLING FROM ADJACENT LANDS, FOR THE DEVELOPMENT OF GAS ONLY FROM STATE LANDS DESCRIBED IN EXHIBIT " " ATTACHED HERETO AND HEREBY MADE A PART HEREOF.
2. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO ENTER INTO THE FORM OF GAS LEASE COVERING THE LANDS DESCRIBED IN EXHIBIT "A", WHICH LEASE, IDENTIFIED AS W.O. 5058 DATED JUNE 30, 1964, IS ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION.

Attachment

Calendar Item 29 (3 pages)

CALENDAR ITEM

29.

GAS LEASE, 42nd DISTRICT AGRICULTURAL ASSOCIATION, GLENN COUNTY; TIDEWATER OIL COMPANY - W.O. 5058.

A request to enter into an oil and gas lease covering 46.78 acres more or less of land included in the Glenn County Fair Grounds at Orland, below the depth of 500 feet below the surface of the ground, has been submitted by Tidewater Oil Company to the 42nd District Agricultural Association (see Exhibits "B" and "C").

Section 6815 of the Public Resources Code provides in part: "...Whenever it appears to the Commission that wells drilled upon private land are draining, or may drain, oil or gas from lands owned by the State, or where the provisions of Section 6827 are deemed by the Commission to be impracticable in the particular case by reason of the small size, ...or its inaccessibility from surface drillsites reasonably available or obtainable, the Commission, in lieu of following provisions of Section 6827, ...may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only..."

The State Administrative Manual, Section 8317.12, provides: "State agencies contemplating entering into oil and gas leases will inform the State Lands Division, Department of Finance, of this fact. The State Lands Division will negotiate the proposed oil and gas lease and transmit it to the owning agency for approval."

The Division of Fairs and Expositions has submitted to the State Lands Commission copies of the oil and gas lease offered, and has submitted a motion by the Board of Directors that 42nd D.A.A. sign a lease with Tidewater Oil Company for an oil and gas lease for a period of five years.

Tidewater has approximately 2,000 acres of land under lease in the immediate vicinity of Orland, including approximately 90% of the town and nearly all of the area surrounding the fairgrounds. The leases entered into by Tidewater with other landowners in this unproven area provide for an annual rental of from \$5 to \$25 per acre and one-eighth royalty, with a five-year primary term in which to commence drilling operations.

In this general area, the possibility of developing oil production is considered to be quite remote. The lease negotiated by this Division provides for the production and sale of natural gas only; any crude oil contained within the leased land is the sole property of the State.

The gas lease negotiated by the State provides for a rental of \$25 per acre or a total of \$1,167.25 per year, and a royalty of 16-2/3% of all dry gas or non-oil products removed or sold from the leased land. The primary term in which to commence drilling is five years. The term of the lease is twenty years and so long thereafter as gas is produced therefrom or drilling operations are conducted thereon. Under the terms of the lease, lessee may pool State

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lands with other lands into operating units not to exceed 660 acres. State may take its one-sixth royalty in kind. The 42nd D.A.A. has reviewed and approved the negotiated form of lease.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT IT IS IMPRACTICABLE IN THIS INSTANCE, BY REASON OF THE SMALL SIZE AND INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE, TO FULFILL THE PROVISIONS OF SECTION 6827 (COMPETITIVE PUBLIC BIDDING); AND AUTHORIZE, PURSUANT TO THE PROVISIONS OF SECTION 6815, A NEGOTIATED LEASE WHICH PROVIDES, THROUGH DRILLING FROM ADJACENT LANDS, FOR THE DEVELOPMENT OF GAS ONLY FROM STATE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.
2. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO ENTER INTO THE FORM OF GAS LEASE COVERING THE LANDS DESCRIBED IN EXHIBIT "A", WHICH LEASE, IDENTIFIED AS W.O. 5058 DATED JUNE 30, 1964, IS ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION.

Attachment  
Exhibit "A"

EXHIBIT "A"

Notwithstanding any provisions to the contrary contained herein, this lease and all rights granted to Lessee hereunder are expressly limited to those depths lying below five hundred (500) feet below the surface of the lands hereinafter described and Lessee shall not have the right to enter upon or use any portion of said lands lying above said depth, described as follows:

Commencing at the Southeast corner of the Southeast quarter (SE-1/4) of the Southeast quarter (SE-1/4) of Section 22, Township 22 North, Range 3 West, M.D.B. & M., being the true point of beginning; thence northerly along the East line of said Section 22, 1320 feet, more or less, to a point being the intersection of the center line of Yolo Street in the City of Orland and the East line of the said Section 22, thence westerly along the said center line of Yolo Street 1320 feet, more or less, to a point, thence southerly parallel with the said East line, Section 22, 384 feet, thence North 89° 35' West 462 feet, thence southerly parallel with the East line of said Section 22, 125 feet, thence South 89° 35' East 462 feet, thence southerly parallel with the East line of said Section 22, 276.4 feet, more or less, to a point being the intersection of the center line of Chapman Street in the City of Orland, thence westerly along the center line of the said Chapman Street 462 feet, thence southerly parallel with the East line of the said Section 22, 534.6 feet, more or less, intersecting the South line of the said section 22, thence easterly along the said South line of Section 22, 462 feet to a point being the Southwest corner of the Southeast quarter (SE-1/4) of the Southeast quarter (SE-1/4) of the said Section 22, thence easterly along the South line of the said Section 22, 1320 feet, more or less, to the Southeast corner of the Southeast quarter (SE-1/4) of the Southeast quarter (SE-1/4) of the said Section 22, being the true point of beginning,

EXCEPTING THEREFROM a strip of land 20 feet wide and 462 feet long along the South side of the said center line of Chapman Street,

Containing in the above described land 46.78 acres, more or less.