

MINUTE ITEM

29. PROPOSED AMENDMENT TO STATE COMPENSATORY ROYALTY AGREEMENT (KIRBY HILL GAS FIELD) P.R.C. 255.1, SOLANO COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. - W.O. 5132.

After consideration of Calendar Item 8 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO EXECUTE THE AMENDMENT AS SUBMITTED BY STANDARD OIL COMPANY OF CALIFORNIA, ATTACHED HERETO AS EXHIBIT "A" AND HEREBY MADE A PART HEREOF, TO BE EFFECTIVE MARCH 1, 1964. ALL OTHER TERMS AND CONDITIONS OF STATE COMPENSATORY ROYALTY AGREEMENT P.R.C. 255.1 SHALL REMAIN IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 8 (3 pages)

CALENDAR ITEM

8.

PROPOSED AMENDMENT TO STATE COMPENSATORY ROYALTY AGREEMENT (KIRBY HILL GAS FIELD) P.R.C. 255.1, SOLANO COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. - W.O. 5132.

State Compensatory Royalty Agreement P.R.C. 255.1 (Kirby Hill Gas Field), entered into with Standard Oil Company of California on February 9, 1953, provides, in part, that royalties be paid to the State for the drainage of gas from State lands within the Kirby Hill Gas Field. The determination of the State's percentage participation in the field production is based on individual well-pressure and production-allocation factors, and is revised on March 1 of each year.

The royalty provisions of this agreement were based on the extremely complex nature of the geologic structure and upon the difficult problem of apportioning that gas being drained from State lands. Based upon the production experience in the field for the past three years, the static nature of development operations, and the limited prospect of any future development, it has been found that the calculation of royalty accruing to the State under this agreement may be greatly simplified.

Section 6210.7 of the Public Resources Code states: "The commission may amend or terminate any lease, easement, or contract under its jurisdiction, with the consent of the other party thereto."

Standard Oil Company has submitted a proposed amendment (Exhibit "A" attached) to the Compensatory Royalty Agreement whereby the State's percentage participation would be changed to a straight percentage formula based upon the surface acreage. The purpose of the amendment is to simplify the royalty computation. State land presently within the productive limits of the Kirby Hill Gas Field is 1.75 per cent of the total productive acreage. Under the new royalty formula, the State would be allocated 1.82 per cent of the total field production as its share upon which royalties would be paid. Application of the proposed straight percentage royalty formula, for comparative purposes, to the production figures between December 1960 and June 1963 yielded a slightly higher value than the royalty paid under the provisions of the existing agreement. The current royalty from this agreement is about \$120 per month.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE AMENDMENT AS SUBMITTED BY STANDARD OIL COMPANY OF CALIFORNIA, ATTACHED HERETO AS EXHIBIT "A" AND HEREBY MADE A PART HEREOF, TO BE EFFECTIVE MARCH 1, 1964. ALL OTHER TERMS AND CONDITIONS OF STATE COMPENSATORY ROYALTY AGREEMENT P.R.C. 255.1 SHALL REMAIN IN FULL FORCE AND EFFECT.

Attachment
Exhibit "A"

EXHIBIT "A"

AGREEMENT AMENDING COMPENSATORY ROYALTY AGREEMENT
(Kirby Hills Gas Field)

THIS AGREEMENT, dated this _____ day of _____, 1964, by and between the STATE OF CALIFORNIA, acting through the State Lands Commission, herein called the "State", and STANDARD OIL COMPANY OF CALIFORNIA, a corporation, herein called "Standard";

W I T N E S S E T H:

WHEREAS, on February 9, 1953, State and Standard entered into a "COMPENSATORY ROYALTY AGREEMENT (Kirby Hills Gas Field)" whereby Standard agreed to pay State royalties on account of drainage from the State's lands in said Field arising out of production from certain other lands therein under the terms and conditions as set forth in said Agreement;

WHEREAS, State presently owns 1.75% of the total productive acreage within the boundaries of the Kirby Hills Gas Field;

WHEREAS, under said Agreement the share of total field production accruing to the State's lands is determined by means of a formula, the calculations involved in which together with the verification thereof are complicated and time consuming for both parties; and

WHEREAS, the parties have considerable experience dealing with said Field and, in view of the static nature of current operations therein and of the limited prospects for any future resurgence of development, believe that the future share of field production accruing to the State's lands by reason of said Agreement can be fairly and far more simply calculated by means of the formula hereinafter set forth;

N o w, T h e r e f o r e, for and in consideration of the premises and of the mutual reciprocal benefits derived by each party hereto, and of the performance by each party hereto of the covenants and agreements herein contained by each party to be kept and performed, the State, pursuant to the power vested in the State Lands Commission by Division 6 of the Public Resources Code of California and Lessee herein named do hereby covenant and agree as follows:

1. Exhibit C of said Compensatory Royalty Agreement is hereby amended insofar and insofar only as said Agreement applies to gas produced from the Domengine and Martinez Sands by deleting all provisions thereof after the words "Determination of State Lands' Percentage Share of Production:" and substituting therefor the following:

"The State shall be allocated the product of 1.75% of total field production and the arbitrary factor of 1.04 as its share of said production upon which royalties shall be paid hereunder."

EXHIBIT "A" (CONTD.)

The existing provisions of said Agreement and Exhibit shall remain in full force and effect as to gas production from zones underlying State lands other than said Domengine or Martinez Sands.

- 2. This modification shall be effective as of March 1, 1964, for all purposes of calculation of royalty hereunder.
- 3. Except as herein modified, said Agreement shall be deemed to be in full force and effect and the parties hereto acknowledge full performance of the covenants and conditions contained in said agreement to the date hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its officers or representatives thereunto duly authorized as of the day and year first above written.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

F. J. HORTIG, EXECUTIVE OFFICER
STATE

STANDARD OIL COMPANY OF CALIFORNIA

By _____
Contract Agent

By _____
Assistant Secretary
STANDARD