

21. SUBSURFACE GAS LEASE, 44TH DISTRICT AGRICULTURAL ASSOCIATION, COLUSA COUNTY; SIGNAL OIL AND GAS COMPANY - W.O. 6210, P.R.C. 3726.0.

After consideration of Calendar Item 26 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

IN ACCORDANCE WITH SECTION 6815 OF THE PUBLIC RESOURCES CODE, THE STATE LANDS COMMISSION:

1. DETERMINES THAT THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE ARE IMPRACTICABLE FOR ENTERING INTO A GAS LEASE FOR 57.29 ACRES MORE OR LESS OF STATE LAND IN THE COLUSA COUNTY FAIRGROUNDS AT COLUSA, BY REASON OF THE SMALL SIZE OF THE PARCEL AND ITS INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE;
2. APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO ENTER INTO A NEGOTIATED SUBSURFACE GAS LEASE WITH SIGNAL OIL AND GAS COMPANY IN THE FORM OF LEASE APPROVED BY THE STATE LANDS COMMISSION JULY 28, 1964 (MINUTE ITEM 30, PAGE 10,270), COVERING THE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF. THE FOLLOWING SENTENCE SHALL BE ADDED AT THE END OF LEASE PARAGRAPH 19: "IN THE EVENT OIL OR HYDRO-CARBONS OTHER THAN GAS OR CONDENSATE IN CONJUNCTION THEREWITH ARE ENCOUNTERED IN QUANTITIES ECONOMICAL TO PRODUCE, LESSEE SHALL WITHIN THIRTY DAYS THEREAFTER QUITCLAIM TO THE STATE THE LEASE AS TO THE OIL ZONE."

Attachment
Calendar Item 26 (3 pages)

26.

SUBSURFACE GAS LEASE, 44TH DISTRICT AGRICULTURAL ASSOCIATION, COLUSA COUNTY;
SIGNAL OIL AND GAS COMPANY - W.O. 6210.

A request to enter into an oil and gas lease covering 57.29 acres more or less of land in the Colusa County Fair Grounds at Colusa below a depth of 500 feet from the surface of the ground has been submitted by the Signal Oil and Gas Company (see Exhibits "B" and "C"). The Board of Directors of the 44th District Agricultural Association have stated that they have no objection to granting a subsurface oil and gas lease.

Section 6815 of the Public Resources Code provides that whenever it appears to the Commission that wells drilled upon private lands 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 by reason of the small size of the property or its inaccessibility from surface drillsites reasonably available or obtainable, the Commission may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only.

The potential of developing oil production in this general area is remote, whereas the possibility of developing gas production is more likely. The State's acreage, when considered alone, is insufficient to justify the drilling of a gas well. Signal plans to develop the area by the formation of operating units, and has already leased more than 2000 acres in the area, including most of the land surrounding the State parcel. These factors and the lack of suitable drillsites by others mitigate against offering the land for competitive bidding.

Signal has indicated a willingness to enter into a form of lease that was adopted by the State Lands Commission on July 28, 1964 (Minute Item 30, page 10,270), for a similar situation involving lands of the 42nd District Agricultural Association. The form provides for an annual rental of \$25 per acre and a royalty of 16-2/3% on all dry gas or nonoil products removed or sold from the leased land. The term within which lessee is to commence drilling is three years. The term of the lease is 20 years and so long thereafter as gas is produced therefrom or drilling operations are conducted thereon. Under the terms of the lease form, lessee may pool State lands with other lands into operating units not to exceed 660 acres. The lease 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. To further protect the interests of the State it is proposed to add language to paragraph 19 of the lease form, providing for a quitclaim of the oil zone in the event oil is discovered.

IT IS RECOMMENDED THAT, IN ACCORDANCE WITH SECTION 6815 OF THE PUBLIC RESOURCES CODE, THE STATE LANDS COMMISSION:

1. DETERMINE THAT THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE ARE IMPRACTICABLE FOR ENTERING INTO A GAS LEASE FOR 57.29 ACRES MORE OR LESS OF STATE LAND IN THE COLUSA COUNTY FAIRGROUNDS AT

CALENDAR ITEM 26. (CONTD.)

COLUSA, BY REASON OF THE SMALL SIZE OF THE PARCEL AND ITS INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE;

2. APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO ENTER INTO A NEGOTIATED SUBSURFACE GAS LEASE WITH SIGNAL OIL AND GAS COMPANY IN THE FORM OF LEASE APPROVED BY THE STATE LANDS COMMISSION JULY 28, 1964 (MINUTE ITEM 30, PAGE 10,270), COVERING THE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF. THE FOLLOWING SENTENCE SHALL BE ADDED AT THE END OF LEASE PARAGRAPH 19: "IN THE EVENT OIL OR HYDROCARBONS OTHER THAN GAS OR CONDENSATE IN CONJUNCTION THEREWITH ARE ENCOUNTERED IN QUANTITIES ECONOMICAL TO PRODUCE, LESSEE SHALL WITHIN THIRTY DAYS THEREAFTER QUITCLAIM TO THE STATE THE LEASE AS TO THE OIL ZONE."

Attachment
Exhibit "A"

EXHIBIT "A"

That certain real property situated in the County of Colusa, State of California, and more particularly described as follows:

Lots 5, 6, 7, 8, 17, 18, 19 and 20 as said lots are shown on the map of the Resubdivision of Lots Nos. 5, 6, 7, 8, 17, 18, 19 and 20 of John C. Mogk's Subdivision No. 4 filed in the office of the County Recorder of the said County of Colusa, State of California, on September 7, 1920, in Map Book No. 2 at Page 7,

EXCEPTING THEREFROM that portion of Lot No. 20 described as follows, to wit:

COMMENCING AT THE Northwest corner of said Lot No. 20, and running thence South $74^{\circ} 08'$ East, 635.2 feet; thence South $0^{\circ} 30'$ West, 379.0 feet to a point on the South line of said Lot No. 20; thence South $89^{\circ} 54'$ West, 659.0 feet to the Southwest Corner of said Lot; thence North $0^{\circ} 01'$ West, 496.01 feet and thence North $39^{\circ} 53'$ East, 75.6 feet to the point of beginning and containing in this exception 6.83 acres, more or less,

ALSO EXCEPTING THEREFROM that certain real property situate in the County of Colusa, State of California, particularly described as follows:

BEGINNING at one inch diameter iron pipe marking the Northeasterly corner of Lot No. 20 of the John C. Mogk Subdivision No. 4, as said Lot is shown on the official map or plat of said Subdivision recorded in Book 1 of Maps at page 49, in the office of the County Recorder of Colusa County, California, and running thence from said point of beginning S. $15^{\circ} 32'$ W. 112.30 feet, more or less, to the southeasterly corner of said Lot No. 20; thence N. $89^{\circ} 58'$ W., on and along the Southerly line of said Lot No. 20, 125.10 feet; thence N. $52^{\circ} 37'$ E. 199.94 feet, more or less, to a point on the easterly line of Lot No. 19 of said Subdivision, and thence S. $15^{\circ} 32'$ W. 13.79 feet, more or less, to the point of beginning, being a portion of Lots No. 19 and 20 of the said John C. Mogk Subdivision No. 4, and containing 0.18 acre, more or less.

Said real property contains 57.29 acres more or less.