

4. (PROPOSED GAS LEASE, GREY LODGE REFUGE, BUTTE COUNTY - W.O. 1125.) On February 9, 1953 (Minute Item 13, Pages 1732-33), the Commission authorized the Executive Officer to defer the reoffering of the Grey Lodge Refuge area, Butte County, for an oil and gas lease for an additional period during which time a report was to be made to the Commission on the results of conferences with the oil industry, relative to bases of future oil and gas lease offers. As a result of such conferences with a subcommittee of the Public Lands Committee of the Western Oil and Gas Association, general agreement has been reached as to equitable provisions for an oil and gas lease offer, with the exception of the conditions to be specified for whole or partial surrender of a lease by the lessee, the bases for termination of a lease in the event of a default by the lessee under operating requirements of the lease and the specifications of the factors upon which the individual bids will be based. Drafts of the staff proposals to cover these items and of the alternatives proposed are attached. Representatives of the Western Oil and Gas Association presented reasons to the Commission why the alternative provisions suggested should be incorporated in any lease offer for the Grey Lodge Refuge area.

In summary, the primary differences between the Division of State Lands lease form draft and the Western Oil and Gas Association proposals are as follows:

DIVISION OF STATE LANDS

WESTERN OIL AND GAS ASSOCIATION
PROPOSAL

Section 5. Quitclaim of any portion of lease area at the option of the lessee provided none of the area proposed to be quitclaimed includes lands which are being drained by wells outside the lease area and it is determined that an offset well could be drilled on the leased lands to produce oil or gas in paying quantities. In the event of lack of agreement as to these matters the questions are to be settled by arbitration.

Section 5. Quitclaim of the whole or any part of the lease to be effective under any conditions selected at the option of the lessee.

Section 6. Lease subject to cancellation in the event that any default continues for a period of 60 days after written notice and no remedial steps have been taken by lessee.

Section 6. Lease to be subject to cancellation only for continued defaults other than relating to the drilling or operation of any required well. In the event of default in the drilling or operation of any well, lease to be cancellable only as to any undeveloped lease area, saving to the lessee all drilling or producing wells and operating areas as to which no default exists.

In the event of a default in the drilling or operation of an offset well after determination by the arbitration proceedings of the requirement for such well, the lease performance bond is to be forfeited to the State and operations suspended under the lease until a performance bond has been filed in replacement.

DIVISION OF STATE LANDS (Cont.)

WESTERN OIL AND GAS ASSOCIATION
PROPOSAL (Cont.)

Lease to be cancelled as to all undeveloped leased area.

Exhibit "B", Royalty Rate and Bid Procedure:

Gas royalty rate to be determined by bid multiplier offered by bidder. Sliding scale dependent upon production rates between 16-2/3% minimum and 75% maximum.

Oil royalty rate determined by specified formula. Sliding scale dependent upon rate of production, minimum rate 16-2/3%, maximum 55% (+).

(Gasoline royalty fixed at 16-2/3%. Lease Page 3, Section 3.)

Alternative 1.

Royalty rate on oil, gas and gasoline to be fixed at 12-1/2% with successful bidder to be determined by highest cash bonus offered for lease.

Alternative 2.

Royalty rate on gas and gasoline to be determined by specified formula providing sliding scale dependent upon rates of production (12-1/2% minimum, 45% (+) maximum). Successful bidder to be determined by highest cash bonus offered for lease.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, IT WAS RESOLVED AS FOLLOWS:

The Executive Officer is authorized to utilize the lease form draft as prepared by the Division of State Lands for the offer for public bid of an oil and gas lease of 2,542 acres of State land in the Grey Lodge Refuge, Butte County, pursuant to Sections 6801 et seq. of the Public Resources Code as authorized August 29, 1951 (Minute Item 35, Page 1433) with the language proposed by Western Oil and Gas Association for Sections 5 and 6 to be accepted for inclusion as to this lease offer only. Lease drilling requirements and royalty bid schedules are to be established by conference between the Western Oil and Gas Association and the Staff. The propriety of bonus bidding is deemed by the Commission to be more properly a subject for consideration of the State Legislature.

5. (APPLICATION FOR LEASE, TIDE AND SUBMERGED LANDS, ANTIOCH, CONTRA COSTA COUNTY, JOHN J. RODGERS - W.O. 3136, P.R.C. 805.1.) On June 30, 1952, the Commission was informed that John J. Rodgers had applied for a lease covering 4.72 acres of tide and submerged lands fronting on his upland property, adjacent to but outside of the city limits of Antioch. Three alternatives were presented to the Commission for consideration. Action was deferred pending the working out of arrangements to protect the State's interests in possible rentals from owners of preemptions. On August 21, 1952, the Commission took the following action:

"UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, A RESOLUTION WAS ADOPTED DEFERRING ACTION ON MR. JOHN J. RODGERS' APPLICATION FOR A LEASE OF APPROXIMATELY TWO ACRES OF TIDE AND SUBMERGED