

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE COMMISSION AUTHORIZED THE EXECUTIVE OFFICER TO INCLUDE THE FOLLOWING MODIFICATIONS IN THE STANDARD FORM OF OIL AND GAS LEASE TO BE SPECIFIED IN THE LEASE OFFER FOR 2,640 ACRES OF TIDE AND SUBMERGED LANDS AT HUNTINGTON BEACH (W.O. 1809):

1. CALCULATION OF LEASE ROYALTIES TO BE BASED ON AVERAGE DAILY SHIPMENTS FROM LEASE DURING CALENDAR MONTH.
2. IN THE EVENT OF PARTIAL QUITCLAIM, RESERVATION TO THE STATE OF REASONABLE DRILL SITES AND STORAGE AREAS WITHIN THE LEASE AREA NOT QUITCLAIMED.
3. IN THE EVENT OF A PARTIAL QUITCLAIM, AN AGREEMENT BY THE LESSEE, AT THE OPTION OF THE STATE, NOT TO BID ON ANY RE-OFFER OF THE QUITCLAIMED AREA.
4. LEASE OIL ROYALTY RATE TO BE IN ACCORDANCE WITH THE FORMULA:

$$R = \frac{S - 36}{2.3 + 0.015 S}$$

WHERE R = ROYALTY RATE IN PER CENT

S = AVERAGE DAILY LEASE SHIPMENTS DURING CALENDAR MONTH

MINIMUM ROYALTY RATE = 16-2/3%
MAXIMUM ROYALTY RATE = 60%

5. SUCCESSFUL BIDDER TO BE DETERMINED BY HIGHEST CASH BONUS PAYMENT OFFERED FOR LEASE BY A QUALIFIED BIDDER.

7. (APPLICATION FOR A COMPENSATORY ROYALTY AGREEMENT, ANAHEIM BAY, ORANGE COUNTY, HANCOCK OIL COMPANY - W.O. 1875, P.R.C. 1482.1.) The following report was presented to the Commission by the staff:

"An application has been received from Hancock Oil Company, a Delaware corporation, for consideration of a compensatory royalty agreement, whereunder the State would be compensated for drainages from State tide and submerged lands in the Anaheim Bay area, Orange County, from wells drilled and produced by the Hancock Oil Company on leased uplands surrounding the State lands. Such compensation would be in lieu of drilling offset wells upon the State lands.

"Section 6815 of the Public Resources Code provides: 'Whenever it appears to the commission that wells drilled on private lands are draining or may drain oil or gas from lands owned by the State, the commission may enter into agreements with the owners or operators of such wells for the payment of compensation to the State for such drainage, in lieu of drilling offset wells upon such State lands'.

"Under Condemnation Case 3496 W.M. Civil, the U. S. Navy in 1946 acquired 627 acres of land in the Anaheim Bay area of Orange County as a site for a net and ammunition depot. This acquisition excluded specifically tide and submerged land sloughs within the perimeter of the area taken, title to which is vested in the State. In the acquisition, mineral rights were reserved to the original landowner, as well as limited specific locations from which future mineral development might be conducted. These reserved rights are now held under oil and gas lease by the Hancock Oil Company, who have drilled a producing well, Hancock-Alamitos 1, which is currently draining oil and gas from the adjoining State tide and submerged lands. These State tide and submerged lands comprise approximately 54.49 acres, or 8.686% of the total acreage of the lands held by the Hancock Oil Company.

"A request has also been received from The Termo Company of Long Beach for consideration of offering the State lands for general public bidding in lieu of inclusion in a negotiated compensatory royalty agreement. The State lands are all distributed in comparatively narrow slough channels, in such manner as to be generally unsatisfactory for inclusion in a reasonable reservoir development program.

"The compensatory royalty agreement proffered by Hancock Oil Company would pay the State a royalty of 16-2/3% of the market value of the proportion of oil, gas, gasoline, liquefied petroleum gas products, and other hydrocarbon substances produced from wells drilled on the upland lease in the proportion that the State lands bear to the total lease acreage, or 8.686%.

"The draft of the proposed compensatory royalty agreement has been reviewed as to form by the Office of the Attorney General."

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

THE EXECUTIVE OFFICER IS AUTHORIZED TO EXECUTE A FORM OF COMPENSATORY ROYALTY AGREEMENT FOR THE STATE LAND INTEREST OF 8.686% WITHIN THE PERIMETER OF THE HANCOCK OIL COMPANY'S ALAMITOS OIL AND GAS LEASE, WITH THE HANCOCK OIL COMPANY, WHICH AGREEMENT PROVIDES FOR A ROYALTY TO THE STATE OF 16-2/3% ON ITS ACREAGE SHARE OF 8.686% OF OIL, GAS, GASOLINE, LIQUEFIED PETROLEUM GAS PRODUCTS, AND OTHER HYDROCARBON SUBSTANCES PRODUCED FROM SAID ALAMITOS OIL AND GAS LEASE DATED JANUARY 25, 1954.

8. (SUMMARY REPORT - STATUS OF PROPOSED OIL AND GAS LEASE, TIDE AND SUBMERGED LANDS, RINCON, VENTURA COUNTY - W.O. 1436.) The following report was presented to the Commission by the staff:

"1. February 9, 1954. Commission authorized the offer of an oil and gas lease on approximately 1,150 acres of tide and submerged lands at Rincon, Ventura County (Minute pages 1960-61).

"2. June 30, 1954. Seven lease bids received.