

MINUTE ITEM

5. (REQUEST FOR EXTENSION OF AGREEMENT FOR EASEMENT 392.1, SIGNAL OIL AND GAS COMPANY AND HANCOCK OIL COMPANY, HUNTINGTON BEACH FIELD, ORANGE COUNTY - W. O. 2983.)

After presentation of Calendar Item 7 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE ISSUANCE OF A NEW LEASE IN EXCHANGE FOR AGREEMENT FOR EASEMENT 392.1 IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE JOINT LESSEES, SIGNAL OIL AND GAS COMPANY AND HANCOCK OIL COMPANY, FOR A TERM OF FIVE YEARS AND FOR SO LONG THEREAFTER AS OIL OR GAS IS PRODUCED IN PAYING QUANTITIES, OR LESSEE SHALL BE CONDUCTING PRODUCING, DRILLING, DEEPENING, REPAIRING, REDRILLING OR OTHER NECESSARY LEASE OR WELL MAINTENANCE OPERATIONS ON THE LEASED LAND, ALL OTHER TERMS AND CONDITIONS OF THE EXISTING AGREEMENT FOR EASEMENT 392.1 TO REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT.

Attachment

Calendar Item 7 (1 page)

CALENDAR ITEM

OIL & GAS

7.

(REQUEST FOR EXTENSION OF AGREEMENT FOR EASEMENT 392.1, SIGNAL OIL AND GAS COMPANY AND HANCOCK OIL COMPANY, HUNTINGTON BEACH FIELD, ORANGE COUNTY - W. O. 2983.)

Agreement for Easement 392 was issued to Southwest Exploration Company on September 26, 1938, pursuant to competitive public bidding, for a term of twenty years. On April 12, 1956, with the approval of the State Lands Commission, the Southwest Exploration Company assigned Agreement for Easement 392 to the Signal Oil and Gas Company and the Hancock Oil Company.

Section 1 of the agreement provides, in part, for extension at the expiration of the original term with "...the option to the grantee to continue the term of this agreement as to all wells drilled or producing at the expiration of the initial term hereof for so long as oil or gas is produced from such wells." The joint lessees have exercised this option.

Section 6827 of the Public Resources Code states in part: "...the Commission may issue a new lease in exchange for any lease issued for a term of 20 years, or any renewal or extension thereof; such new lease shall be issued at the same royalty and upon the same terms and conditions as the lease for which it is exchanged, unless the Commission and the lessee shall otherwise agree, except that the term of such exchange lease shall be for a term of five years and for so long thereafter as oil or gas is produced in paying quantities, or lessee shall be conducting producing, drilling, deepening, repairing, re-drilling or other necessary lease or well maintenance operations on the leased land." An application has been received from the joint lessees for the extension of the term of the lease as provided for under Division 6 of the Public Resources Code. The lease has been thoroughly explored and is being produced in the most efficient manner possible from onshore drillsites. Currently there are 316 wells producing in the leased area.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE ISSUANCE OF A NEW LEASE IN EXCHANGE FOR AGREEMENT FOR EASEMENT 392.1 IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE JOINT LESSEES, SIGNAL OIL AND GAS COMPANY AND HANCOCK OIL COMPANY, FOR A TERM OF FIVE YEARS AND FOR SO LONG THEREAFTER AS OIL OR GAS IS PRODUCED IN PAYING QUANTITIES, OR LESSEE SHALL BE CONDUCTING PRODUCING, DRILLING, DEEPENING, REPAIRING, REDRILLING OR OTHER NECESSARY LEASE OR WELL MAINTENANCE OPERATIONS ON THE LEASED LAND, ALL OTHER TERMS AND CONDITIONS OF THE EXISTING AGREEMENT FOR EASEMENT 392.1 TO REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT.