

MINUTE ITEM

14. RENEWAL AND EXTENSION OF OIL AND GAS LEASE P.R.C. 426.1, HUNTINGTON BEACH FIELD, ORANGE COUNTY; SIGNAL OIL AND GAS COMPANY - W.O. 4969.

After consideration of Calendar Item 19 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO EXECUTE AND ISSUE A NEW LEASE IN EXCHANGE FOR LEASE P.R.C. 426.1, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE. AS REQUESTED BY THE LESSEE, SIGNAL OIL AND GAS 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. THE NEW LEASE IS TO BE ISSUED AT THE SAME ROYALTY AND UPON THE SAME TERMS AND CONDITIONS AS LEASE P.R.C. 426.1, FOR WHICH IT IS TO BE EXCHANGED.

Attachment

Calendar Item 19 (4 pages)

CALENDAR ITEM

19.

RENEWAL AND EXTENSION OF OIL AND GAS LEASE P.R.C. 426.1, HUNTINGTON BEACH FIELD, ORANGE COUNTY; SIGNAL OIL AND GAS COMPANY - W.O. 4969.

State Oil and Gas Lease P.R.C. 426.1, covering approximately 640 acres of tide and submerged land in the Huntington Beach Field, Orange County, was issued to Signal Oil and Gas Company on February 10, 1950, for a period of 20 years, with a provision for extension thereof upon such terms and conditions and for such period of time as the State deems is in its best interests. The State Lands Commission approved the assignment of a partial interest in the lease to Hancock Oil Company on July 25, 1958 (Minute Item 25, page 4196), and Hancock was merged with and title passed to Signal Oil and Gas Company on January 1, 1959.

An application has been received from the lessee requesting the extension of Lease P.R.C. 426.1 or the issuance of a new lease, in accordance with Section 6827 of the Public Resources Code, which stated 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, redrilling, or other necessary lease or well maintenance operations on the leased land."

The lessee has directionally drilled 62 wells from onshore sites into the lease area, and has drilled 2 core holes; 62 wells are currently producing. During the last year, in addition to conducting well-remedial operations, lessee has drilled 3 new wells and 2 core holes in the productive zone.

The spacing requirements, one gas well for each 40 acres in a gas zone or one well for each 10 acres in an oil zone, have been fulfilled in the known productive zones underlying the leased area.

The form of agreement amending the term of State Oil and Gas Lease P.R.C. 426.1 has been reviewed and approved as to form by the Staff Counsel (Exhibit "B" attached).

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE A NEW LEASE IN EXCHANGE FOR LEASE P.R.C. 426.1, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE LESSEE, SIGNAL OIL AND GAS COMPANY, FOR A TERM OF FIVE YEARS AND FOR SO LONG HEREAFTER 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. THE NEW LEASE IS TO BE ISSUED AT THE SAME ROYALTY AND UPON THE SAME TERMS AND CONDITIONS AS LEASE P.R.C. 426.1, FOR WHICH IT IS TO BE EXCHANGED.

EXHIBIT "B"

STATE LANDS COMMISSION
STATE OF CALIFORNIA

AGREEMENT AMENDING TERM OF STATE OIL AND GAS LEASE P.R.C. 426.1

THIS AGREEMENT made and entered into this _____ day of _____, 1964, pursuant to Division 6 of the Public Resources Code, Statutes of California, by and between the State of California, acting by and through the State Lands Commission, hereinafter called the State, and Signal Oil and Gas Company, herein sometimes called "Lessee," or "Signal."

WITNESSETH THAT:

1. WHEREAS on the 10th day of February, 1950, the State as Lessor made and entered into an oil and gas lease with Signal Oil and Gas Company, as Lessee, which lease covers a certain tract of tide and submerged lands situate in the County of Orange, State of California, therein particularly described, and which lease is on file in the offices of the State Lands Commission, and which lease is designated as California State Lease 426.1 P.R.C.; and

2. WHEREAS said lease has been amended by mutual agreement of the parties and is now subsisting and in effect, as appears in the official records of the State; and

3. WHEREAS after various mesne conveyances and transfers, Signal Oil and Gas Company is now the holder of the Lessee's interest and of the leasehold estate under said lease; and

4. WHEREAS on November 15, 1963, Lessee made application for the extension or exchange of said lease as provided herein; and

EXHIBIT "B" (CONTD.)

5. WHEREAS the State has heretofore duly authorized an amendment of the term of said lease as provided herein.

NOW, THEREFORE, it is hereby mutually agreed as follows:

6. The signing of this agreement by the parties hereto constitutes an oil and gas lease between said parties in exchange for said State Oil and Gas Lease P.R.C. 426.1 at the same royalty and upon the same terms and conditions as said State Oil and Gas Lease 426.1 P.R.C. as amended and subsisting, which are hereby incorporated by reference herein as a part hereof, excepting that the language appearing on page 3 of State Oil and Gas Lease 426.1 P.R.C. reading as follows:

"The term of this Lease shall continue for a period of twenty (20) years from and after the date hereof, but such term may be thereafter extended upon such terms and conditions and for such period of time as the State deems for its best interests."

is hereby stricken and deleted from said lease, and in lieu thereof the following language is substituted:

"The term of said lease shall be for a term of five (5) years from and after the date of this agreement and for so long thereafter as oil and 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."

EXHIBIT "B" (CONTD.)

7. Nothing herein contained shall operate to discharge or release Lessee, its legal representatives or assigns, from the liabilities, heretofore or hereafter arising, to fulfill, keep, and promptly perform the terms and conditions contained in said State Oil and Gas Lease 426.1 P.R.C.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the date and year first above written.

STATE LANDS COMMISSION OF THE STATE OF CALIFORNIA

By _____
Executive Officer

LESSEE:
SIGNAL OIL AND GAS COMPANY

By _____
Vice President

By _____
Assistant Secretary