

MINUTE ITEM

4/28/66

24. MODIFIED FORM OF OIL AND GAS LEASE FOR STATE RESERVED MINERAL INTERESTS WITHOUT THE RIGHT OF SURFACE ENTRY - W.O. 5624.

After consideration of Calendar Item 22 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION APPROVES AND ADOPTS, PURSUANT TO DIVISION 6, PART 2, CHAPTER 3, ARTICLES 2 AND 5 OF THE PUBLIC RESOURCES CODE, THE FORM OF OIL AND GAS LEASE APPROVED MARCH 1, 1966 (MINUTE ITEM 34, PAGE 12,307), AS MODIFIED IN EXHIBIT "1" ATTACHED, AS THE FORM OF OIL AND GAS LEASE TO BE USED FOR STATE RESERVED MINERAL INTERESTS WITHOUT THE RIGHT OF SURFACE ENTRY.

Attachment

Calendar Item 22 (6 pages)

22.

MODIFIED FORM OF OIL AND GAS LEASE FOR STATE RESERVED MINERAL INTERESTS
WITHOUT THE RIGHT OF SURFACE ENTRY - W.O. 5624.

On March 1, 1966, the State Lands Commission approved and adopted a form of oil and gas lease to be utilized in State-owned upland areas. This lease was drafted to cover lands where the State has the right of surface entry. To provide for the leasing of lands that have been sold with minerals reserved to the State without the right of surface entry, a modification of the lease form is necessary.

The staff and the office of the Attorney General have prepared a modified form of oil and gas lease for State reserved mineral interests without the right of surface entry. The modified paragraphs are shown on Exhibit "1" attached; the added words are underlined and the deleted words are lined out.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE AND ADOPT, PURSUANT TO DIVISION 6, PART 2, CHAPTER 3, ARTICLES 2 AND 3 OF THE PUBLIC RESOURCES CODE, THE FORM OF OIL AND GAS LEASE APPROVED MARCH 1, 1966 (CALENDAR ITEM 30, PAGE 52), AS MODIFIED IN EXHIBIT "1" ATTACHED, AS THE FORM OF OIL AND GAS LEASE TO BE USED FOR STATE RESERVED MINERAL INTERESTS WITHOUT THE RIGHT OF SURFACE ENTRY.

Attachment

Exhibit "1"

EXHIBIT "1"

PROPOSED MODIFICATION

STATE LANDS COMMISSION

State of California

Oil and Gas Lease

5. Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under this lease or of any portion thereof comprising a ten (10) acre parcel or multiple thereof in a compact form, or of any separate or distinct zone or geological horizon or portion thereof underlying such ten (10) acre parcel or multiple thereof. Such quitclaim or relinquishment shall be effective as of the date of its filing, subject to the continued obligation of the Lessee and his surety to make payment of all rentals and royalties theretofore accrued and to place all wells as drilled into the lands or in the zones or horizons to be quitclaimed or relinquished, in condition for suspension or abandonment in accordance with the terms of this lease and the rules and regulations of the State; thereupon the Lessee shall be released from all obligations thereafter accruing under the lease with respect to the lands, zones, or horizons quitclaimed or relinquished. But no such quitclaim or relinquishment shall release such Lessee or his surety from any liability for breach of any obligation of this lease with respect to which the Lessee is in default at the time of the filing of such quitclaim or relinquishment.

6. In the event the Lessee shall fail to exercise due diligence and care in the prosecution of the development work in accordance with

EXHIBIT "1" (CONTD.)

the terms and conditions of this lease prior to the discovery of oil or gas in paying quantities in the lands leased hereunder and if such default shall continue after thirty (30) days' written notice to the Lessee and demand for performance, then the State may cancel this lease. After discovery of oil or gas in paying quantities on the lands leased hereunder this lease may be forfeited and cancelled upon, and only upon, failure of the Lessee after ninety (90) days' written notice and demand to comply with any of the provisions of this lease or of the regulations applicable hereto and in force at the date of invitation for bids pursuant to which this lease is awarded; provided, however, that in the event of any such cancellation the Lessee shall have the right to retain hereunder any and all drilling or producing wells as to which no default exists, together with ~~a parcel of land surrounding each such well or~~ wells and such subsurface rights of way through the leased lands as may be reasonably necessary to enable the Lessee to drill and operate such retained well or wells. In the event of the cancellation, quitclaim, expiration or other termination of this lease in whole or in part, the Lessee shall have a reasonable time within which to remove any and all property, equipment and facilities owned or used by the Lessee in connection with operations under the portion of this lease so terminated.

7. ~~The State expressly reserves the right to allow, and to continue to allow if and where presently existing, upon such terms as the State may determine, joint or several use of such easements or rights of way, including easements upon, through, or in the leased lands as may be necessary or appropriate for the working of any State lands.~~

EXHIBIT "1" (CONTD.)

The State of California, to the extent of its rights therein, also reserves the right to lease, sell, or otherwise dispose of the surface of the lands embraced within this lease, insofar as the surface areas subject to use by Lessee hereunder are not required by the Lessee for present or future use in its operations under this lease. Any such surface leases or rights granted by the State of California shall be subject to the Lessee's then-existing structures and to the Lessee's right to use the leased lands in its operations. If the surface of the leased land is under the jurisdiction of any agency or agencies of the State of California other than the State Lands Commission, nothing in this paragraph or in this lease shall be construed so as to authorize the State Lands Commission to use or occupy, or to allow the use or occupancy of, the surface of the leased lands, or any portion thereof, except as described in Exhibit "D" hereof.

7. The Lessee shall not at any time during the term of this lease nor thereafter have any right, expressed or implied, to drill any well or wells from the surface area overlying the leased lands or to use any portion of the surface area, or the surface area within five hundred feet (500') of the surface, overlying the leased lands or any part thereof, for any purpose whatsoever. It is understood and agreed, however, that the Lessee may, at its option, obtain rights in respect to other lands in the vicinity of the leased lands and may have available on such other lands drillsites from which wells can be slant drilled into the leased lands.

EXHIBIT "1" (CONTD.)

14. The Lessee shall, at the time of execution of this lease, furnish and thereafter maintain a good and sufficient bond in favor of the State of California in the penal sum of _____ to guarantee the faithful performance by the Lessee of the terms, covenants, and conditions of this lease and of the provisions of Division 6 of the Public Resources Code, Statutes of California, and of the rules and regulations promulgated thereunder, including immediate elimination of any contamination or pollution caused in any manner or resulting from operations under this lease.

~~At the expiration of this lease or sooner termination thereof, the Lessee shall surrender the premises leased, with all permanent improvements thereon, in good order and condition, or, at the option of the State and as specified by the State, the Lessee shall remove such structures, fixtures and other things as have been put on the leased lands by the Lessee and otherwise restore the premises, all removal and restoration costs to be borne by the Lessee, subject to the Lessee's right to remove his equipment as provided in the statutes. Notwithstanding any provision of this lease, the Lessee shall have the right to remove any and all oil field development and producing equipment having a re-use or salvage value.~~ At the expiration of this lease or sooner termination thereof the Lessee shall surrender the premises leased, in good order and condition. The Lessee shall have the right to remove either during or after the term hereof, any and all drilling and producing equipment placed in the premises by Lessee, including the right to pull all casings, subject to the provisions of Paragraph 9 hereof, provided no such removal shall involve use of or access to any lands overlying the leased lands, or any part thereof.

EXHIBIT "1" (CONTD.)

22. (a) Subject to the provisions of Exhibit "A" hereto, each well drilled pursuant to the terms of the lease may be drilled or re-drilled to and into the subsurface of the lands covered by the lease from drill-sites located upon that portion of the surface of the leased land described in Exhibit "D" hereto, from drillsites outside the leased land owned by or available at any time to the lessee, or, with the express permission of the State, from drillsites outside the leased land owned or controlled by the State. Except as otherwise provided in Exhibit "D" hereto, Lessee shall have no right to use or occupy any portion of the surface of the leased land for any lease purpose.

22. (a) The State, subject to the conditions hereafter provided, hereby grants unto Lessee and its assigns such rights-of-way, easements, and servitudes in and through the subsurface of the leased lands, at depths at least five hundred feet (500') beneath the surface, as the Lessee or its assigns may from time to time reasonably require for boring well holes from surface locations outside the leased lands and outside the surface area overlying the leased lands and for casing and otherwise completing, maintaining and producing such wells.

3. c. (Exhibit "A" of lease form) At least one (1) well for the production of gas or gas condensate from any zone which produces gas or gas condensate only, into each one hundred and sixty (160) acres, or major fraction thereof, of the area contained in the leased lands.