

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the initiation of the acquisition by exchange with the Federal Government of the  $N\frac{1}{2}$  of Section 28,  $N\frac{1}{2}$  of Section 29,  $N\frac{1}{2}$  of  $S\frac{1}{4}$  of Section 30 and the  $W\frac{1}{2}$  of Section 31, T. 11 N., R. 51 W., S.B.M., containing 1,440 acres in Santa Barbara County, with the return to the Federal Government of an equivalent value of the land acquired to be selected from Section 16, T. 19 S., R. 2 E., M.D.M.,  $N\frac{1}{2}$  and  $SE\frac{1}{4}$  of Section 36, T. 28 N., R. 8 E., M.D.M., and Section 16, T. 39 N., R. 12 E., M.D.M., the land acquired by the State to be placed in the vacant school land list for future sale.

25. (Compensatory Royalty Agreement - Sacramento River, Sutter and Colusa Counties - Honolulu Oil Corporation - W. O. No. 218) The Commission was informed that the Honolulu Oil Corporation, as lessee of 7,193 acres of land adjoining the Sacramento River in Sutter and Colusa Counties, which lands will be explored for oil and gas production, have requested the establishment of an agreement whereby the State would be compensated for any gas drained from State lands underlying the River.

The Commission was further informed that in lieu of drilling wells, a royalty of  $12\frac{1}{2}\%$  of the value of production attributable to State lands has been offered. This royalty rate is the same as that contained in the leases covering the 7,193 acres of upland. Also the area of State lands involved is only 260 acres spread over approximately eight miles, none of which would afford desirable drill sites for an equitable development.

Upon motion duly made and unanimously carried, a resolution was adopted authorizing the Executive Officer to negotiate a compensatory royalty agreement with the Honolulu Oil Corporation, covering State lands in the Meridian-Sycamore area of Sutter and Colusa Counties, on the following basis:

1.  $12\frac{1}{2}\%$  royalty on the value of all products attributable to State lands;
2. State's participation in total production to be in the ratio that the area of productive State lands bears to the total productive area;
3. Current payment for royalty on basis of proportions available from known geologic data with provision for final adjustment of total royalty payments based on data from complete field development.

The Commission instructed that final draft of agreement is to be presented to Commission for approval.