The Executive Officer is authorized to approve the assignment by Harold D. Hyde of Lease P.R.C. 1290.2, covering Lot 33, Fish Canyon, Los Angeles County, to Russell H. Simpson.

11. (COMPENSATORY ROYALTY AGREEMENT, KIRBY HILL GAS FIELD, SOLANO COUNTY, STANDARD OIL COMPANY OF CALIFORNIA, P.R.C. 255 - W.O. 1001.) On August 22, 1946 (Minute Item 9, Page 658), the Commission authorized the negotiation of a compensatory royalty agreement with the Standard Oil Company of California to provide royalty payments for gas drained from State lands in the Kirby Hill Gas Field at royalty rates ranging from 16-2/3 per cent to 37 per cent. The evaluation of Kirby Hill Gas Field potentialities and the State's equitable share of production from the field has been extremely difficult because of complicated subsurface geologic conditions. An agreement has now been drafted pursuant to the provisions of Division 6 of the Public Resources Code to provide for royalty payments by the Standard Oil Company of California to the State for the equitable share of the State in the Kirby Hill Gas Field production at the royalty rates previously authorized by the Commission. This agreement has been approved as to form by the Office of the Attorney General. The Standard Oil Company of California has submitted payments, in accordance with the recommended royalty bases, of $17,036.19 for royalty accruals from the start of production in the Kirby Hill Gas Field on January 1, 1947, through November, 1952.

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

The Executive Officer is authorized to execute a compensatory royalty agreement with the Standard Oil Company of California covering the lands of the State of California within the Kirby Hill Gas Field, Solano County, effective January 1, 1947, at a minimum gas royalty rate of 16-2/3 per cent and a maximum rate of 37 per cent, for so long a time as the Standard Oil Company of California is a lessee of any lands within the limits of the Kirby Hill Gas Field, Solano County, subject to the filing of a surety bond of $2000 to guarantee performance under the agreement.

12. (APPROVAL OF GAS SALES CONTRACT, SIGNAL OIL AND GAS COMPANY, EASEMENT 392, LEASES P.R.C. 163, P.R.C. 425, P.R.C. 426, HUNTINGTON BEACH.) Agreement for Easement 392 and Oil and Gas Leases P.R.C. 163, P.R.C. 425, and P.R.C. 426, Huntington Beach, held by the Signal Oil and Gas Company and the Southwest Exploration Company, provide that in the event the State shall elect to take royalty in money instead of in kind, the Lessee shall not sell or otherwise dispose of the products of the lease except in accordance with sales contract or other methods first approved in writing by the State. Pursuant to this provision, the Signal Oil and Gas Company has submitted for approval a copy of a gas sales contract between the Signal Oil and Gas Company and the City of Long Beach to cover the delivery of all gas marketed from the subject leases, and Signal has requested the State to waive its right to take the royalty gas in kind during the contract term of five years. Signal Oil and Gas Company processes its own gas production from Leases P.R.C. 163 and P.R.C. 426, as well as the gas produced from Easement 392 and Lease P.R.C. 425 by the Southwest Exploration Company under a

processing contract approved heretofore by the Commission (Minute Item 1, Page 288). The gas sales contract is for a term of five years, commencing January 5, 1953, with the option in the City of Long Beach to vary the commencement date to any date not later than March 1, 1953, upon notice. The general terms and conditions of the contract relating to delivery, price and measurement of gas are in conformance with the respective lease terms and general practice in the Huntington Beach fields. An interim letter contract, covering the delivery of gas to the City of Long Beach until completion of a new pipe line from the Huntington Beach field to the City of Long Beach, has also been submitted, to terminate not later than February 15, 1953, at a price of 20.5 cents per m.c.f. of gas delivered to the City of Long Beach. The principal contract, to become effective on the termination of the interim agreement, provides an initial sales price during the first two years of the contract of 18 cents per m.c.f., and an additional compression charge of 2 cents per m.c.f. which is neither credited nor charged to the State, with the price during the remaining period of the contract escalated in relation to the Standard Oil Company of California's posted price for bunker fuel oil at El Segundo. This 18 cents per m.c.f. initial price is to be compared with the price of 14.5 cents received for gas from the State leases under the last effective gas sales contract.

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

> The Executive Officer is authorized to approve the gas sales contract of December 1, 1952, between the Signal Oil and Gas Company and the City of Long Beach as the basis for sale and delivery by Signal Oil and Gas Company of all dry gas marketed from State Agreement for Easement 392 and Oil and Gas Leases P.R.C. 163, P.R.C. 425 and P.R.C. 426, Huntington Beach, subject to the express condition that the approval of the sales contract shall not be construed to modify or affect in any manner any of the lease terms, including full compliance by the lessee with all the terms and conditions of the aforesaid leases respectively and the Rules and Regulations of the Commission. The Executive Officer is further authorized to approve the interim gas sales contract of December 24, 1952, between the Signal Oil and Gas Company and the City of Long Beach, covering the sale and delivery of dry gas marketed from the aforesaid leases for a period terminating not later than February 15, 1953.

13. (PROPOSED GAS LEASE, GREY LODGE REFUGE, BUTTE COUNTY - W.O. 1125.) On December 18, 1952 (Minute Item 8, Page 1702), the Commission authorized the deferment of reoffering the Grey Lodge Refuge area, Butte County, for a gas lease, for a period of not to exceed 60 days, during which time a report is to be made to the Commission on the results of a conference with the oil industry relative to bases for future oil and gas lease offers. Two extended conferences have been held with a subcommittee of the Public Lands Committee of the Western Oil and Gas Association, at which oil and gas lease requirements have been reviewed in detail. A third and probably final conference has been scheduled tentatively, at which it is anticipated that agreement will be reached on bases for future oil and gas lease offers by the State which will be mutually advantageous to the State and to the industry.