

MINUTE ITEM

6/22/67

26. COMPENSATORY ROYALTY AGREEMENT, MOONS BEND AREA, COLUSA COUNTY; GREAT BASINS PETROLEUM COMPANY - W.O. 6239, P.R.C. 3791.1.

After consideration of Calendar Item 21 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 6815 OF THE PUBLIC RESOURCES CODE, DETERMINES THAT IT IS IMPRACTICABLE TO FULFILL THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AND AUTHORIZES THE EXECUTIVE OFFICER TO ENTER INTO A COMPENSATORY ROYALTY AGREEMENT WITH GREAT BASINS PETROLEUM COMPANY FOR STATE LANDS SHOWN IN EXHIBIT "B" OF SAID AGREEMENT, TO PROTECT THE STATE'S INTEREST IN A PORTION OF THE BED OF THE SACRAMENTO RIVER LYING WITHIN SECTIONS 3 AND 4, T. 15 N., R. 1 W., AND SECTION 34, T. 16 N., R. 1 W., M.D.B. & M., COLUSA COUNTY. THIS AGREEMENT SHALL PROVIDE FOR ROYALTY PAYMENTS TO THE STATE IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

1. 16-2/3% OF THE SALE VALUE OF ALL GAS ALLOCATED TO STATE LANDS. IN THE EVENT IT IS NECESSARY TO COMPRESS THE GAS FOR DELIVERY TO THE LINE, THE ROYALTY RATE HEREUNDER SHALL BE 15% IN LIEU OF 16-2/3%;
2. 16-2/3% OF THE SALE OR USE VALUE OF ALL GASOLINE AND OTHER PRODUCTS EXTRACTED FROM THE QUANTITY OF GAS ALLOCATED TO STATE LANDS.

Attachment

Calendar Item 21 (2 pages)

21.

APPLICATION FOR COMPENSATORY ROYALTY AGREEMENT, MOONS BEND AREA, COLUSA COUNTY;  
GREAT BASINS PETROLEUM COMPANY - W.O. 6239.

An application has been received from Great Basins Petroleum Company, a Colorado corporation, for a compensatory royalty agreement with the State. Under the agreement, the State would be compensated for drainage of gas from State sovereign lands. The State land (Exhibit "B") underlies a portion of the Sacramento River in Colusa County. Such compensation would be in lieu of drilling offset wells on State lands.

Section 6815 of the Public Resources Code provides, in part:

"Whenever it appears to the commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State, or where the provisions of Section 6827 are deemed by the commission to be impracticable in the particular case by reason of the small size, or irregular configuration of the property, or its inaccessibility from surface drillsites reasonably available or obtainable, the commission, in lieu of following the provisions of Section 6827, may negotiate and enter into agreements with the owners or operators of such wells on private lands for the payment of compensation to the State for such drainage, ..."

Great Basins is the owner of upland oil and gas leases in the area adjoining the Sacramento River. The leases are in portions of Sections 3 and 4, T. 15 N., R. 1 W., and Section 34, T. 16 N., R. 1 W., M.D.B. & M., Colusa County. Great Basins has completed three wells in the Moons Bend Gas Field. The nearest well is approximately 4300 feet south of the Sacramento River. Great Basins proposes to pool 30.52 acres more or less of State land with a portion of their upland leases to form a unit of approximately 311.98 acres.

The percentage of production to be allocated to State land under the proposed agreement would be the ratio that the area of State land bears to the total area of the unit. This percentage has been determined to be 9.783%. In the event that production is established, Great Basins agrees to account for and pay to the State royalty in accordance with the following schedule:

1. 16-2/3% of the sale value of all gas allocated to State lands. In the event it is necessary to compress the gas for delivery to the line, the royalty rate hereunder shall be 15% in lieu of 16-2/3%.
2. 16-2/3% of the sale or use value of all gasoline and other products extracted from the quantity of gas allocated to State lands.

It is the opinion of the Office of the Attorney General that the agreement will comply with the requirements of Section 6815 of the Public Resources Code, will comply with the provisions of the law and the Rules and Regulations of the Commission, and will adequately protect the interests of the State.

CALENDAR ITEM 21. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 6815 OF THE PUBLIC RESOURCES CODE, DETERMINE THAT IT IS IMPRACTICABLE TO FULFILL THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AND AUTHORIZE THE EXECUTIVE OFFICER TO ENTER INTO A COMPENSATORY ROYALTY AGREEMENT WITH GREAT BASINS PETROLEUM COMPANY FOR STATE LANDS SHOWN IN EXHIBIT "B" OF SAID AGREEMENT, TO PROTECT THE STATE'S INTEREST IN A PORTION OF THE BED OF THE SACRAMENTO RIVER LYING WITHIN SECTIONS 3 AND 4, T. 15 N., R. 1 W., AND SECTION 34, T. 16 N., R. 1 W., M.D.B. & M., COLUSA COUNTY. THIS AGREEMENT SHALL PROVIDE FOR ROYALTY PAYMENTS TO THE STATE IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

1.  $16\frac{2}{3}\%$  OF THE SALE VALUE OF ALL GAS ALLOCATED TO STATE LANDS. IN THE EVENT IT IS NECESSARY TO COMPRESS THE GAS FOR DELIVERY TO THE LINE, THE ROYALTY RATE HEREUNDER SHALL BE 15% IN LIEU OF  $16\frac{2}{3}\%$ ;
2.  $16\frac{2}{3}\%$  OF THE SALE OR USE VALUE OF ALL GASOLINE AND OTHER PRODUCTS EXTRACTED FROM THE QUANTITY OF GAS ALLOCATED TO STATE LANDS.