

MINUTE ITEM

This Calendar Item No. 52
was approved as Minute Item
No. 52 by the State Lands
Commission by a vote of 3
to 0 at its 3/27/90
meeting.

CALENDAR ITEM

52

03/27/90
PRC 1482
Tanner

A 58
S 37

**AMENDMENT TO COMPENSATORY
ROYALTY AGREEMENT, PRC 1482,
ORANGE COUNTY**

LESSEE: BreitBurn Energy Corporation
Attn: Halbert S. Washburn
President
1534 The Strand
Hermosa Beach, CA 90254

AREA, TYPE LAND AND LOCATION:
PRC 1482 is a Compensatory Royalty Agreement
consisting of approximately 627 acres located
within the Seal Beach Oil Field, Orange County,
California.

BACKGROUND:

PRC 1482 was issued as a Compensatory Royalty Agreement to
Hancock Oil Company on January 21, 1955. Through a series of
assignments and acquisitions, BreitBurn Energy Corporation
acquired this Compensatory Royalty Agreement from R.C.U.
Operator on September 1, 1989. BreitBurn Energy Corporation is
selling the natural gas produced from the Alamitos lease area
covered by this agreement to Lomita Gas Company.

Recently, Lomita Gas Company was acquired by suburban propane
quantum corporation based in New Jersey. Effective January 1,
1990 all of the accounting functions that had been handled
locally were transferred to New Jersey. As a result of this
change, BreitBurn Energy Corporation is having difficulty
generating the reports and royalty payments due the State by
the 25th day of the month, following the month of production.

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as required by Section IV of the Compensatory Royalty Agreement. BreitBurn Energy Corporation is requesting a 20-day extension for royalty payments. Current royalty payments under this agreement are approximately \$1,800 per month (\$1,500 for oil and \$300 for gas).

STAFF RECOMMENDATIONS:

Because of the extra time needed for the gas royalty accounting for this agreement, staff recommends the following amendment: Second Party shall make settlement with, and payments to, First Party on or before the 25th day of each month for First Party's royalties payable hereunder on oil produced and shipped during the preceding calendar month and on or before the 15th day of the second calendar month following production on dry gas, natural gasoline, and other products extracted and saved from gas produced under this agreement.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE AMENDMENT OF SECTION IV OF COMPENSATORY ROYALTY AGREEMENT PRC 1482 TO PROVIDE THAT GAS ROYALTY SHALL BE DUE AND PAYABLE ON OR BEFORE THE 15TH DAY OF THE SECOND MONTH FOLLOWING THE MONTH OF PRODUCTION.
3. AUTHORIZE EXECUTION OF THE AMENDMENT ON FILE IN THE COMMISSION'S OFFICE TO EFFECT THIS CHANGE.