

MINUTE ITEM

This Calendar Item No. C42  
was approved as Minute Item  
No. 42 by the State Lands  
Commission by a vote of 3  
to 0 at its 7-19-93  
meeting.

CALENDAR ITEM

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PRC 4660

Tanner

APPROVE THE AMENDMENT OF  
COMPENSATORY ROYALTY AGREEMENT PRC 4660,  
SAN JOAQUIN COUNTY

**APPLICANT:**

Vernon E. Faulconer, Inc  
Attn: Joan Mullenax, Land Department  
P. O. Box 7995  
Tyler, Texas 75711

**AREA, TYPE LAND AND LOCATION:**

Compensatory Royalty Agreement PRC 4660, consisting of  
approximately 40.05 acres, is located within the Mokelumne  
River bed in San Joaquin County.

**Royalty:**

16 2/3 percent of the value of all gas produced and  
saved from all wells now or hereafter drilled within  
the Staten Island Area.

**BACKGROUND:**

Compensatory Royalty Agreement PRC 4660 was issued to  
Texaco, Inc. and Union Oil Company of California on April  
27, 1972. Texaco, Inc. sold its interest in this agreement  
to Vernon E. Faulconer, Inc., effective September 1, 1992.  
Compensatory royalty is being paid pursuant to the agreement  
on natural gas produced from the South Walnut Grove Field,  
San Joaquin County.

The field operator, Vernon E. Faulconer, Inc. is selling gas  
to PG&E and is being paid approximately one month following  
the month of production. The Compensatory Agreement  
requires royalty payments by the 25th of the month following  
the month of production. Therefore royalty payment is  
required under the agreement before the operator receives  
accounting and payment for gas delivered to PG&E. The  
operator has requested an extension of the time to pay its  
royalty. It has been proposed to modify the agreement to

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provide that the royalty shall be due on or before the 15th day of the second month following the month of production. Current royalty payments under this agreement are approximately \$50 per month.

**APPLICANT STATUS:**

Applicant is lessee of upland.

**STATUTORY AND OTHER REFERENCES:**

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

**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.

2. Paragraph 2 of Compensatory Agreement PRC 4660 is proposed to be amended as follows:

State's royalties hereunder with respect to the gas, gasoline and other products sold or used shall be due and payable no later than the fifteenth (15) day of the second calendar month following the calendar month of production.

**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 THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE THE AMENDMENT OF COMPENSATORY ROYALTY AGREEMENT PRC 4660 TO PROVIDE THAT ROYALTY SHALL BE DUE AND PAYABLE NOT LATER THAN THE FIFTEENTH (15) DAY OF THE SECOND CALENDAR MONTH FOLLOWING THE CALENDAR MONTH OF PRODUCTION.