

CALENDAR ITEM  
**C85**

MINUTE ITEM  
This Calendar Item No. C85  
was approved as Minute Item  
No. 85 by the State Lands  
Commission by a vote of 3  
to 0 at its 02/12/97  
meeting.

A 35  
S 18

02/12/97  
PRC 7944 W 40615.21  
A. Willard

**CONSIDER APPROVAL TO ENTER INTO A ROYALTY SHARING  
AGREEMENT WITH THE MINERALS MANAGEMENT SERVICE  
FOR SHARING OF FEDERAL ROYALTY RECEIVED FROM  
FEDERAL OCS OIL & GAS LEASES P0441 AND P0444,  
SANTA BARBARA COUNTY**

**AREA, TYPE LAND AND LOCATION:**

The Federal OCS oil & gas leases PO441 and PO444 are conterminous with State tide and submerged land (at the 3-mile limit) off Point Pedernales and Point Arguello, in Santa Barbara County. The leases comprise approximately 9,257 acres, and share a common border with State Land for approximately three miles.

**BACKGROUND:**

The federal land in question was leased to various oil companies in or around 1981 for the purpose of exploration and development of oil and gas. The companies have been developing those resources since 1986 from Federal Platform Irene. It is apparent from the geological data that the oil and gas reservoir extends under State land. Since the adjoining State land is not under lease and no drilling is authorized or will be authorized on this property, it is in the State's interest to enter into a royalty sharing agreement with the Minerals Management Service (MMS) to compensate the State for the ongoing development, from the Federal leases, of the co-owned reservoir. Preliminary discussions have shown the MMS to be receptive to such an agreement which is provided for under federal law [see 43 U.S.C. Section 1334(j)]. In order to expedite the negotiations and agreement, since there is current production from the co-owned resource, the Commission is requested to delegate authority to the Executive Officer to negotiate and enter into such an agreement with the MMS.

**PROPOSED AGREEMENT AND GENERAL TERMS:**

The proposed agreement would be similar to other State Royalty Sharing and Compensatory Royalty Agreements commonly used by the Commission for extensive gas reservoirs which encompass sovereign navigable waterways. It is

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envisioned that the agreement would allocate a certain percentage of the monthly royalties received by the MMS from the two federal leases to the State as a co-owner of the resource. This would be in addition to the revenue sharing under 43 U.S.C. Section 1337(g). Determination of the actual percentage of the monthly royalty allocated to the State will be determined from a number of conditions, including both fiscal and geologic. No wells will be drilled on State land.

**STATUTORY AND OTHER REFERENCES:**

- A. Public Resources Code: 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 (Title 14, California Code of Regulations, Section 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 the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code Section 21065 and Title 14 California Code of Regulations, Section 15378.

**EXHIBIT:**

- A. Area of OCS Leases PO441 and PO444

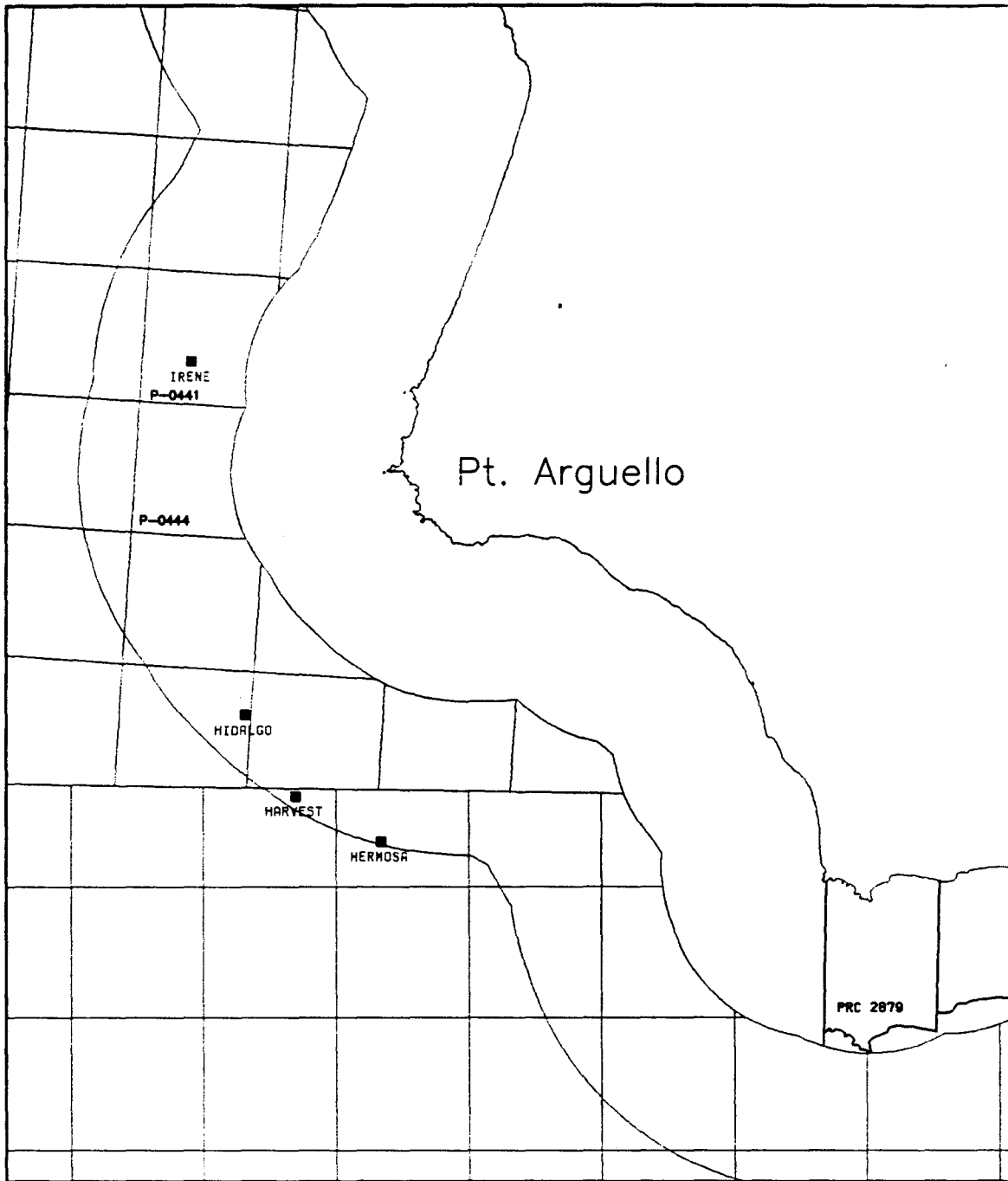
**IT IS RECOMMENDED THAT THE COMMISSION:**

- 1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14 CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14 CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

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2. FIND THAT AN AGREEMENT WITH THE MINERALS MANAGEMENT SERVICE TO SHARE REVENUES FROM THE DEVELOPMENT OF A CO-OWNED RESOURCE IS IN THE BEST INTEREST OF THE STATE.
3. AUTHORIZE THE EXECUTIVE OFFICER TO NEGOTIATE AND ENTER INTO A ROYALTY SHARING AGREEMENT, OR SIMILAR INSTRUMENT, WITH THE MINERALS MANAGEMENT SERVICE, TO COMPENSATE THE STATE FOR THE ONGOING DEVELOPMENT OF THE RESERVOIR ON THE FEDERAL OCS OIL AND GAS LEASES P0441 AND P0444.

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# EXHIBIT "A"

## Location Map

Santa Barbara

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