

MINUTE ITEM

This Calendar Item No. ~~C63~~ was approved as Minute Item No. 03 by the California State Lands Commission by a vote of 3 to ~~0~~ at its 8/26/97 meeting.

CALENDAR ITEM

C63

A 8, 10, 26

08/26/97
PRC 190.1
PRC 2834.1
PRC 7375.1

S 4, 5, 12

J. Tanner

CONSIDER AMENDMENT TO COMPENSATORY ROYALTY AGREEMENT NOS. PRC 190.1 AND PRC 2834.1, AND AMENDMENT TO NEGOTIATED SUBSURFACE OIL AND GAS LEASE NO. PRC 7375.1, SACRAMENTO AND SAN JOAQUIN COUNTIES

APPLICANT:

Vintage Petroleum Company
Attn: Ms. Ellen Gore, Revenue Analyst
4200 One Williams Center
Tulsa, OK 74172

AREA, LAND TYPE, AND LOCATION:

Compensatory Royalty Agreement No. PRC 190.1 contains approximately 7.137 acres in the vicinity of Wood and Duck Islands in the Sacramento River, Sacramento County. Compensatory Royalty Agreement No. PRC 2834.1 contains 365 acres in the bed of the San Joaquin River in the McMullen Ranch Area, San Joaquin County. Negotiated subsurface Oil and Gas Lease No. PRC 7375.1 consists of 33 acres of tide and submerged lands in the bed of Beaver Slough, San Joaquin County.

BACKGROUND:

Compensatory Royalty Agreement No. PRC 190.1 was issued to Natural Gas Corporation of California on August 21, 1952. Compensatory Royalty Agreement No. PRC 2834.1 was issued on November 13, 1961, to Great Basins Petroleum Company. Negotiated subsurface Oil and Gas Lease No. PRC 7375.1 was entered into on January 17, 1990, with Sun Operating Limited Partnership. Through a series of assignments, Vintage Petroleum Inc., (Vintage) is now the operator for all three of these agreements.

On August 1, 1997, Commission staff received a request from Vintage for an amendment of these agreements to allow Vintage to pay royalty on the natural

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gas produced under these agreements on the 10th day of the second month following the month of production. At the present time, royalty payments for PRC190.1 are due on the 25th day of the month following the month of production and for PRC 2834.1 and PRC 7375.1, the fifth day of the second month following the month of production. Vintage is requesting this change because their gas purchaser, due to marketing changes, is unable to provide them with accurate sales information in time to allow Vintage to meet the current contractual deadlines for payment of the State royalty. Since Vintage has an excellent lease compliance record, and does not have complete and accurate information available to meet the present payment schedule, Commission staff recommends that the Commission approve amending the agreements to allow payment by the 10th day of the second month following gas production.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulations: Title 3, Division 3; Title 14, Division 6.

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.

EXHIBITS:

- A1-3: Amendments to Agreements
- B1-3: Location Maps

PERMIT STREAMLINING ACT DEADLINE:

N/A

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RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

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.

AUTHORIZATION:

1. FIND THAT AMENDING THE ROYALTY PROVISIONS OF COMPENSATORY ROYALTY AGREEMENT NOS. PRC 190.1 AND PRC NO. 2834.1 AND NEGOTIATED SUBSURFACE OIL AND GAS LEASE NO. PRC 7375.1 IS IN THE BEST INTEREST OF THE STATE.
2. APPROVE THE AMENDMENT OF COMPENSATORY ROYALTY AGREEMENT NOS. PRC 190.1 AND PRC 2834.1 AND NEGOTIATED SUBSURFACE OIL AND GAS LEASE NO. PRC 7375.1 EFFECTIVE THE FIRST DAY OF THE MONTH FOLLOWING COMMISSION APPROVAL, AMENDING THE ROYALTY DUE DATE TO THE TENTH (10TH) DAY OF THE SECOND MONTH FOLLOWING PRODUCTION.

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EXHIBIT A-1

**AMENDMENT TO STATE COMPENSATORY
ROYALTY AGREEMENT PRC 190.1**

Compensatory Royalty Agreement No. PRC 190.1 was entered into with Natural Gas Corporation of California on August 21, 1952. The agreement contains approximately 7.137 acres in the bed of the Sacramento River located in Sacramento County, California. Through a series of assignments, Vintage Petroleum Inc., became the lessee effective November 18, 1994.

Pursuant to the Commission approval of August 26, 1997, the State Lands Commission and Vintage Petroleum Inc., hereby agree to amend the State Compensatory Royalty Agreement No. PRC 190.1, Paragraph 5b to read: "State's royalties hereunder shall be due and payable no later than the tenth (10th) day of the second month following production with respect to gas, gasoline and other products sold or used."

All other terms and conditions of the lease shall remain unchanged and in full force and effect.

VINTAGE PETROLEUM INC.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attest

Attest

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PRC 190.1
PRC 2834.1
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J. Tanner

EXHIBIT A-2

**AMENDMENT TO STATE COMPENSATORY
ROYALTY AGREEMENT PRC 2834.1**

Compensatory Royalty Agreement No. PRC 2834.1 was entered into with Great Basins Petroleum Company on November 23, 1961. The agreement contains approximately 365 acres in the bed of the San Joaquin River located in San Joaquin County, California. Through a series of assignments, Vintage Petroleum Inc., became the lessee effective November 25, 1993.

Pursuant to the Commission approval of August 26, 1997, the State Lands Commission and Vintage Petroleum Inc., hereby agree to amend the State Compensatory Royalty Agreement No. PRC 2834.1, Paragraph 1a to read: "State's royalties hereunder shall be due and payable no later than the tenth (10th) day of the second month following production with respect to gas, gasoline and other products sold or used."

All other terms and conditions of the lease shall remain unchanged and in full force and effect.

VINTAGE PETROLEUM INC.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attest

Attest

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PRC 190.1
PRC 2834.1
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J. Tanner

EXHIBIT A-3

**AMENDMENT TO NEGOTIATED SUBSURFACE
OIL AND GAS LEASE NO. PRC 7375.1**

Negotiated Subsurface Oil and Gas Lease No. PRC 7375.1 was entered into with Sun Operating Limited Partnership on January 17, 1990. The agreement contains approximately 33 acres in the bed of Beaver Slough located in San Joaquin County, California. Through a series of assignments, Vintage Petroleum Inc., became the lessee effective August 1, 1995.

Pursuant to the Commission approval of August 26, 1997, the State Lands Commission and Vintage Petroleum Inc., hereby agree to amend the Negotiated Subsurface Oil and Gas Lease no. PRC 7375.1, Paragraph 3c to read: "State's royalties hereunder shall be due and payable no later than the tenth (10th) day of the second month following production with respect to gas, gasoline and other products sold or used."

All other terms and conditions of the lease shall remain unchanged and in full force and effect.

VINTAGE PETROLEUM INC.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Attest

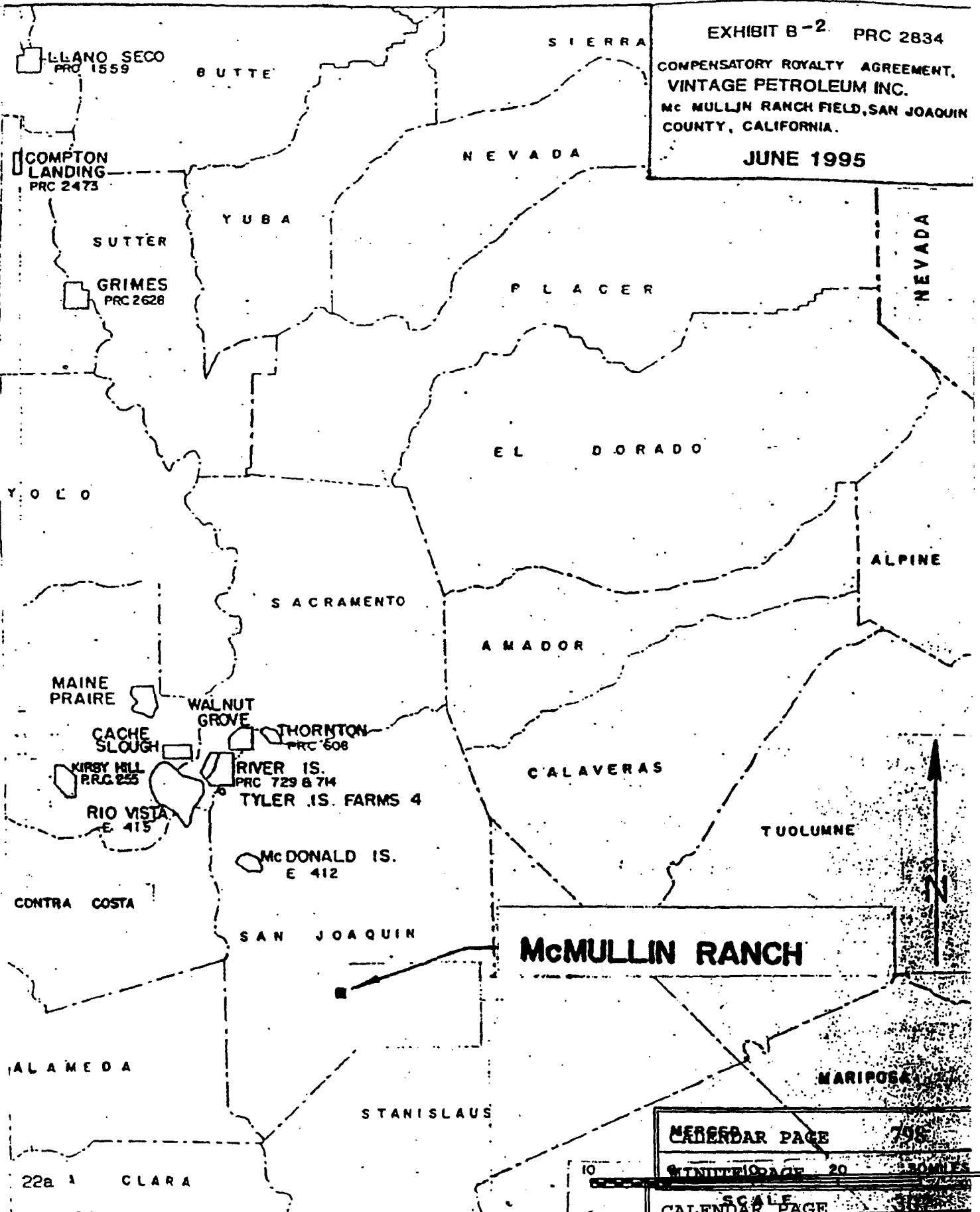
Attest

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EXHIBIT B-2 PRC 2834

COMPENSATORY ROYALTY AGREEMENT,
VINTAGE PETROLEUM INC.
MC MULLIN RANCH FIELD, SAN JOAQUIN
COUNTY, CALIFORNIA.

JUNE 1995



McMULLIN RANCH

MERCER PAGE 795

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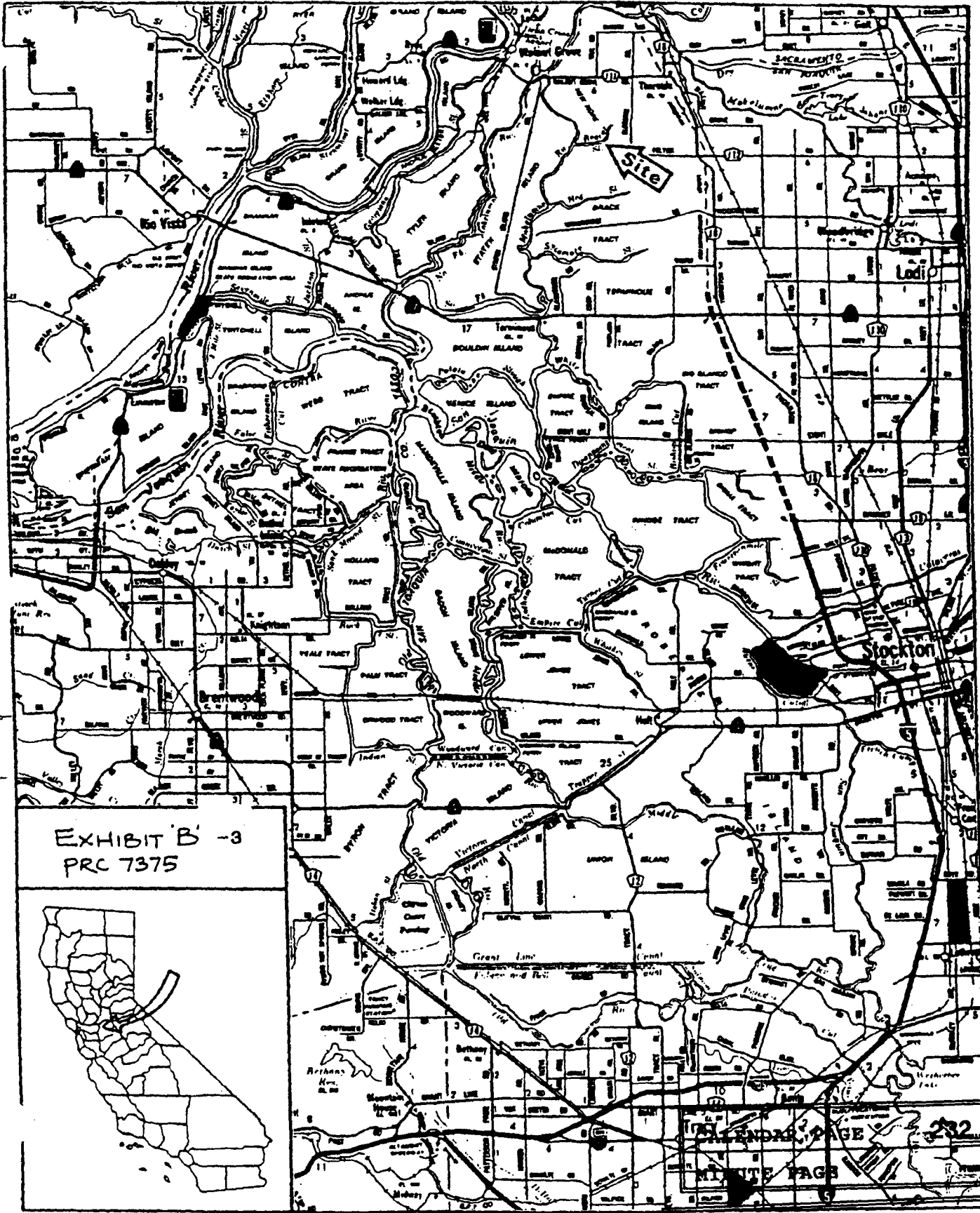


EXHIBIT B -3
 PRC 7375



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