

**CALENDAR ITEM
C51**

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10/16/08
PRC 3340.1
J. L. Smith

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**APPROVE THE AMENDMENT OF
COMPENSATORY ROYALTY AGREEMENT PRC 3340.1,
LATHROP GAS FIELD,
SAN JOAQUIN COUNTY**

APPLICANT:

Vintage Petroleum, LLC
Attn.: Mr. Russ Ledbetter
960 Ming Ave., Suite 300
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Compensatory Royalty Agreement PRC 3340.1 consists of approximately 31 acres located in bed of the San Joaquin River and Middle River and associated water courses, in an area in San Joaquin County, California, referred to as the "Lathrop Gas Field".

BACKGROUND:

Compensatory Royalty Agreement PRC 3340.1 was issued to Occidental Petroleum Corporation on August 23, 1965. Through a series of assignments, corporate mergers and/or name changes, the current lessee is Vintage Petroleum, LLC (Vintage) as of March 8, 2007.

Vintage is selling gas to California Energy Exchange Corporation (CEEC) and is being paid approximately one month following the month of production. The Compensatory Royalty Agreement requires royalty payments by the 25th of the month following the month of production. Therefore, royalty payment is required under the agreement before Vintage receives accounting and payment for gas it has delivered to CEEC. Vintage has requested an extension of the time to pay its royalty. Staff proposes that the agreement be modified to 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 \$750 per month.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code sections: Division 6, Parts 1 and 2; Division 13.

CALENDAR ITEM NO. **C51** (CONT'D)

- 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 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 15378.

2. Paragraph 2 of Compensatory Royalty Agreement PRC 3340.1 is proposed to be amended as follows:

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

PERMIT STREAMLINING ACT DEADLINE:

N/A (not a "development project" subject to the Act)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(C)(3) 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:

APPROVE THE AMENDMENT OF COMPENSATORY ROYALTY AGREEMENT PRC 3340.1 TO PROVIDE THAT ROYALTY SHALL BE DUE AND PAYABLE NOT LATER THAN THE FIFTEENTH (15TH) DAY OF THE SECOND CALENDAR MONTH FOLLOWING THE CALENDAR MONTH OF PRODUCTION.