

MINUTE ITEM

25. APPLICATION FOR COMPENSATORY ROYALTY AGREEMENT, GRIZZLY ISLAND WATERFOWL MANAGEMENT AREA, SOLANG COUNTY; R. E. RAPP AND EDWARD T. PERRY - W.O. 4196, P.R.C. 2892.1.

After consideration of Calendar Item 20 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER, UNDER THE PROVISIONS OF SECTION 6815 OF THE PUBLIC RESOURCES CODE, TO ENTER INTO A FORM OF COMPENSATORY ROYALTY AGREEMENT WITH R. E. RAPP AND EDWARD T. PERRY FOR THE STATE'S INTEREST IN THE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED AND MADE A PART HEREOF, WHICH AGREEMENT SHALL PROVIDE FOR ROYALTY PAYMENTS TO THE STATE IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

1. $8\frac{1}{3}$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL OIL PRODUCED.
2. $8\frac{1}{5}$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL GAS PRODUCED.
3. $7\frac{1}{2}$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL GAS PRODUCED IN THE EVENT THAT IT IS NECESSARY TO COMPRESS THE GAS FOR DELIVERY TO A TRANSMISSION LINE.
4. $8\frac{1}{3}$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL GASOLINE OR OTHER PRODUCTS EXTRACTED FROM GAS PRODUCED.

Attachment

Calendar Item 20 (5 pages)

CALENDAR ITEM

20.

APPLICATION FOR COMPENSATORY ROYALTY AGREEMENT, GRIZZLY ISLAND WATERFOWL MANAGEMENT AREA, SOLANO COUNTY; R. E. RAPP AND EDWARD T. PERRY - W.O. 4196.

An application has been received from R. E. Rapp and Edward T. Perry to enter into an oil and gas lease covering an area of approximately 2589 acres of State land included in the Grizzly Island Waterfowl Management Area, Solano County.

The land included in the application is under the jurisdiction of the Department of Fish and Game, and is a portion of approximately 8,581 acres acquired by the State through a condemnation action in 1950 for use as a waterfowl refuge. The judgment of condemnation reserved to the defendants an undivided one-half interest in the mineral rights and specifically provided for the right of the defendants to enter and do all things necessary to remove the minerals so reserved.

At the time of condemnation, the property was included in an oil and gas lease; however, the area applied for was quitclaimed in 1950. The Department of Fish and Game has specified operating conditions that would be desirable in this particular game refuge.

The conditions specified by the Department of Fish and Game are acceptable to the applicants, and are to be incorporated in the agreement with the State.

The applicants have submitted photocopies of an oil and gas lease entered into with the five current owners of the undivided mineral interest retained by the defendant in the condemnation action.

In the opinion of the staff, it is in the best interests of the State to negotiate by agreement for the development of its mineral interest -

1. In order that the land may be used for the primary purpose for which it was acquired, a waterfowl refuge;
2. So as to secure the operating conditions specified by the Department of Fish and Game;

and, additionally, because:

3. The mineral interests in the property are held fifty percent by the State and fifty percent by the five State cotenants.
4. The land included in the proposed compensatory agreement is not within the geologic structure of any producing oil or gas field.

The office of the Attorney General has advised that a compensatory agreement under the provisions of Section 6815 of the Public Resources Code may be considered to be applicable in this instance, and that legally this would appear to be the most desirable method of providing for the development of

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the State's interest in the Grizzly Island Waterfowl Management area. (Existing statutes are not prohibitive nor do they make specific provision for the peculiarities of cotenancy problems herewith presented.)

In view of the foregoing, it is proposed to enter into a compensatory agreement with the applicants which will provide for:

1. Royalty: $8\frac{1}{3}\%$ on all oil, gas, and gas products. (Normally the State receives $16\frac{2}{3}\%$. In this instance, the State, holding an undivided 50% of the mineral rights, is entitled to only one-half of the normal royalty rate.)
2. Terms and Conditions:
 - (a) The agreement is to run coextensively with the leases entered into with the State's cotenants; i.e., for a term of three years and for so long thereafter as oil or gas is produced or drilling operations are conducted;
 - (b) A cash bonus is to be paid to the State of \$1.50 per acre for entering into the agreement;
 - (c) Commencing with the second year and each year thereafter, if the applicant has not commenced drilling operations or terminated the agreement, an advance rental is to be paid to the State of \$1.50 per acre;
 - (d) If the applicant has not commenced drilling operations within three years, the agreement will terminate.

The applicants have established their qualifications to enter into an agreement with the State. The statutory \$5 filing fee has been paid.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER, UNDER THE PROVISIONS OF SECTION 6815 OF THE PUBLIC RESOURCES CODE, TO ENTER INTO A FORM OF COMPENSATORY ROYALTY AGREEMENT WITH R. E. RAPP AND EDWARD T. PERRY FOR THE STATE'S INTEREST IN THE LANDS DESCRIBED IN EXHIBIT "A" ATTACHED AND MADE A PART HEREOF, WHICH AGREEMENT SHALL PROVIDE FOR ROYALTY PAYMENTS TO THE STATE IN ACCORDANCE WITH THE FOLLOWING SCHEDULE:

1. $8\frac{1}{3}\%$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL OIL PRODUCED.
2. $8\frac{1}{3}\%$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL GAS PRODUCED.
3. $7\frac{1}{2}\%$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL GAS PRODUCED IN THE EVENT THAT IT IS NECESSARY TO COMPRESS THE GAS FOR DELIVERY TO A TRANSMISSION LINE.
4. $8\frac{1}{3}\%$ PERCENT ROYALTY ON THE SALE OR USE VALUE OF ALL GASOLINE OR OTHER PRODUCTS EXTRACTED FROM GAS PRODUCED.

Attachment
Exhibit "A"

EXHIBIT "A"

THAT CERTAIN AREA LOCATED IN SOLANO COUNTY KNOWN
AS GRIZZLY ISLAND WATERFOWL MANAGEMENT AREA, AND
MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL I -

Being part of Lots 2 and 3 of said Grizzly Island, according to survey and map made by R. H. STRETCH in 1871, which Map is filed in the office of the County Recorder of the County of Solano, State of California, in Book 41 of Deeds, page 160, being also part of Swamp and Overflowed Land Survey No. 564, in said County of Solano, being more particularly described as follows:

Beginning at the most Southerly corner of a tract of land heretofore conveyed by said J. WARREN DUTTON to EMILY I. BEEMAN, by Deed dated October 1, 1910 and recorded in Book 187 of Deeds, page 89, in the Office of the County Recorder of Solano County, said point of beginning being also the most Southerly corner of Lot 5 of Chaplin's Subdivision No. 1, a map of which was filed in the Office of the said Recorder of said Solano County, August 25, 1911, in Book 3 of Maps at page 38; thence along the Southerly line of said Chaplin's Subdivision No. 1, and along the Southerly line of a tract of land conveyed by said J. WARREN DUTTON to FRANK H. HOWELL, by Deed dated October 1, 1910, said line being the middle of a dredger ditch, North 70° 22' East 96.70 chains to the levee along Montezuma Slough; thence along said levee, South 8° 34' West 33.54 chains; South 17° 17' East 20.87 chains; thence South 66° 21' West 65.64 chains to a point at public road; thence along the Easterly line of said road, North 35° West 3.25 chains; North 40° 28' West 36.02 chains; North 22° 02' West 18.16 chains to the place of beginning, containing 422 acres, more or less.

Also, beginning at the Montezuma Slough Levee, at the Northeasterly corner of said above described tract, running thence along said levee, South 8° 34' West 33.54 chains; South 17° 17' East 20.87 chains; thence North 66° 21' East 1.50 chains to Montezuma Slough; thence along the easterly bank of said slough the following courses and distances, North 14° 30' West, 20 chains; North 8° 30' east, 22 chains; North 22° 02' 53" east, 12.95 chains to the land of FRANK H. HOWELL; thence South 83° 45' West 5.70 chains to the place of beginning, containing 14 acres, more or less;

EXCEPTING THEREFROM any portion thereof that lies outside of the lands described in patents issued by the State of California for Swamp and Overflowed Land Survey No. 564.

PARCEL II -

Situated on Grizzly Island, in Section 12, Township 3 North, Range 1 West, M.D.M., and in Section 7, Township 3 North, Range 1 East, M.D.M., and being part of Lot 2 of Grizzly Island, according to survey and Map of R. H. STRETCH in 1871, which map is filed in the Office of the Recorder of Solano County,

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California, in Book 41 of Deeds, at page 160; being also part of S. & O. Land Survey No. 564, Solano County.

Beginning at that certain post marked "D" and "E", situated on the North-easterly side of that certain public road running Westerly and North-easterly from Dutton's Ferry, at Montezuma Slough, near the junction of said road with that certain public road, which leads from said public road to Dutton's old landing on Gray's Island at Suisun Bay; thence North $16^{\circ} 55'$ East 38.40 chains to the middle of a small slough; thence along the middle of said small slough, North $45^{\circ} 30'$ East, 12 chains; South 67° East, 5 chains; North $21^{\circ} 45'$ East, 6 chains; South $48^{\circ} 45'$ East, 7 chains; North $51^{\circ} 27' 05''$ East, 11.21 chains; to a stake on the middle of that certain levee along the Montezuma Slough, said stake being situated between two flood gates; thence along the middle of said levee, North $32^{\circ} 45'$ West 1.11 chains to the middle of the Northerly one of said two flood gates; thence North $22^{\circ} 15'$ West 14.80 chains; North $14^{\circ} 55'$ West 7.46 chains to that certain post situate on the said levee, said post being on the line between the tract herein described and the land sold to J. S. BRIDENSTINE; thence South $66^{\circ} 21'$ West 65.64 chains to that certain post situate on the Northeasterly side of said public road, said post being also on the line between the land herein described and land sold to J. S. BRIDENSTINE; thence along the Northeasterly side of said public road, South $31^{\circ} 37'$ East 11.16 chains; South $32^{\circ} 35'$ East 10.45 chains; South $34^{\circ} 45'$ East 10.00 chains; South $40^{\circ} 00'$ East 3.61 chains; South $49^{\circ} 30'$ East 13.10 chains to the place of beginning, containing 193 acres more or less;

Also, beginning at said point of said levee between said two flood gates; thence along said levee, North $32^{\circ} 45'$ West 1.11 chains to the middle of the Northerly of said two flood gates; thence North $22^{\circ} 15'$ West 14.80 chains, North $14^{\circ} 55'$ West 7.46 chains to that certain post situate on said levee; being the Northeast corner of said above described tract of land; thence North $66^{\circ} 21'$ East about 1.50 chain to the bank of Montezuma Slough; thence along the bank of said Montezuma Slough South $18^{\circ} 15' 46''$ East, 22.91 chains; thence South $40^{\circ} 15'$ West, 1 chain to the place of beginning, said land lying between said tract of land first above described and the said Montezuma Slough, containing 3 acres more or less;

EXCEPTING THEREFROM any portion thereof lying outside of the lands described in Patent issued by the State of California for Swamp and Overflowed Land Survey No. 564.

PARCEL III -

Beginning at Post I, as shown on Map of Survey for J. W. DUTTON and F. N. CHAPLIN, April 1910, in Book 3 of Maps at page 29; said point of beginning is on the Easterly boundary of land of Rosemoor Farms Company and is the most Southerly corner of land of L. A. KRONIGSHOFER; thence North $71^{\circ} 45'$ East 2934.4 feet to Post XIII; thence along the boundary of land of ALICE M. BARKER and land of JOHN LAWLER South $59^{\circ} 48'$ East 569.6 feet to Post XIV South $52^{\circ} 53'$ East 861.3 feet to Post XV, South $51^{\circ} 34'$ East 800.6 feet to Post XVI, South $45^{\circ} 02'$ East 895.0 feet to Post XVII, South $53^{\circ} 26'$ East 582.8 feet to Post XVIII,

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South 46° 30' East 1008.5 feet to Post XIX, South 42° 30' East 805.2 feet to Post XX, South 40° 32' East 1402.5 feet to Post XXI; thence South 7° 11' East 1425.6 feet to Post XXII, South 42° 45' East 337.9 feet to Post XXIII, South 65° 10' East 1026.3 feet to Post XXIV; thence on same course about 33 feet to middle of Solano Cut; thence along the Southwesterly boundary of Chaplin Subdivision on Grizzly Island, said boundary being along County Road Number 456 in Section 2, Township 3 North, Range 1 West, as shown on map filed August 25, 1911 in Book 3 of Maps, at page 38, Solano County Records, to the most Southerly corner thereof; the following courses and distances, South 78° 45' East, 16.16 chains; South 76° East, 4 chains; South 67° 15' East, 3.95 chains; South 45° 30' East, 35 chains; South 44° 50' East, 17.06 chains; South 39° 52' East, 13.61 chains to a point on the Westerly boundary of the land of the B. B. Company; thence along the Westerly boundary of land of B. B. Company South 22° 02' East 1198.6 feet, South 40° 28' East 2377.3 feet, South 35° East 214.5 feet; South 31° 37' East 736.6 feet; South 32° 35' East 689.7 feet, South 34° 45' East 660 feet, South 40° 00' East 238.3 feet, South 49° 30' East 1260.6 feet to the most southerly corner of land of said B. B. Company; thence South 52° 40' East, 990 feet, more or less, to point on line between Section 12 and 13, T. 3 N.-1 W. Thence West along the line between Section 12 and Section 13, T. 3 N., R. 1 W., 5400 feet more or less, to the center of Grizzly Slough, thence along the center of said Grizzly Slough North 59° 30' West, 660 feet more or less; North 43° 15' West, 650 feet more or less; North 30° 15' West, 1525 feet more or less to the quarter section line of Section 11, T. 3 N., R. 1 W.; thence along said quarter section line North 635 feet more or less to the center of said Section 11; thence West, 1020 feet more or less to the center of Grizzly Slough; thence along the center of said Grizzly Slough North 65° West, 1800 feet more or less to the line between Sections 10 and 11, T. 3 N., R. 1 W.; thence North 450 feet more or less; North 45° East, 570.5 feet more or less; thence North 45° West, 7997.2 feet more or less; thence North 660 feet more or less to the corner common to Sections 3 and 4, T. 3 N., R. 1 W., and Sections 33 and 34, T. 4 N., R. 1 W.; thence West 660 feet along the line between Section 33, T. 4 N., R. 1 W., and Section 4, T. 3 N., R. 1 W.; thence North 45° West 4380 feet more or less to a point; said point being the Easterly corner of land of Rosemoor Farms Company; thence North 23° 30' West 1819 feet to place of beginning, containing 2039 acres more or less.

Except beginning at Post I as shown on map of Survey for J. W. DUTTON and F. N. CHAPLIN, April, 1910 by E. N. EAGER Licensed Surveyor, which map was filed in the office of the County Recorder, September 10, 1910, in Book 3 of Maps 29, said point of beginning is on the Easterly boundary of land of Rosemoor Farms Company and is the most Southerly corner of land of L. A. KRONIGSHOFER; thence North 71° 45' East 2934.4 feet to Post XIII; thence along the boundary of land of ALICE M. BARKER and land of JOHN LAWLER, South 59° 48' East 569.6 feet to Post XIV; thence South 48° 15' West 3435.96 feet to a point, said point being the Easterly corner of land of Rosemoor Farms Company; thence North 23° 30' West 1819 feet to place of beginning, containing 82 acres more or less.