

MINUTE ITEM

This Calendar Item No. 34
was approved as Minute Item
34 by the State Lands
Commission by a vote of 2
to 0 at its 9/27/78
meeting.

CALENDAR ITEM

34.

9/78
W 40129
Hamilton

APPLICATION FOR EXEMPTION OF PROPOSED OIL AND GAS LEASE
FROM COMPETITIVE PUBLIC BIDDING PROCEDURE
REQUIRED UNDER THE PUBLIC RESOURCES CODE

APPLICANT: Hilmar Cemetery District.
LOCATION: City of Hilmar, Merced County.
PROPOSED USE: The Hilmar Cemetery District, a political corporation proposes to lease a single 3-acre parcel of its land to Gas Producing Enterprises, Inc., a Delaware Corporation, and has requested exemption from the public bidding procedures as authorized under Section 7052 of the P.R.C.

PERTINENT INFORMATION:

Section 7052 of the P.R.C. provides in part: "...the State Lands Commission may in its discretion exempt particular leases or operating agreements from the procedure required by this section and Section 7053 whereby reason of the small size of the property or drainage, actual or imminent, such procedure would in the judgment of the State Lands Commission in the particular case be impractical."

The exemption is requested by the Cemetery District in order that a lease may be entered into to provide for the potential development of this small parcel in conjunction with adjacent lands. Drillsites are prohibited within the cemetery.

The staff has reviewed the proposed lease form and is of the opinion that the terms and conditions are reasonable. The lease provides for a 20-year term, a 5-year drilling term (drilling would be accomplished by slant drilling or by pooling the leased lands into an operating unit) and \$5.00 per acre per year rent. The 12½% royalty originally offered by Gas Producing Enterprises was increased to 16-2/3% based on our recommendation to the Cemetery District. In view

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of the small size of the parcel and its lack of available drillsites, it is the opinion of the staff that it would be impractical to require the Hilmar Cemetery District to follow the competitive bidding procedures of Section 7052.

The Merced County Council has advised that CEQA is not applicable in this matter. No EIR has been required by Merced County for permits to drill oil and gas wells. Only a conditional use permit and performance bond will be required.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED, PURSUANT TO THE PROVISIONS OF SECTION 7052 OF THE P.R.C., THE COMMISSION APPROVE THE EXEMPTION OF THE PROPOSED OIL AND GAS LEASE OF HILMAR CEMETERY DISTRICT ON THE 3-ACRE PARCEL OF LAND DESCRIBED IN PROPOSED LEASE FORM ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION, AND BY REFERENCE MADE A PART HEREOF, FROM COMPETITIVE PUBLIC BIDDING PROCEDURE AS AUTHORIZED UNDER SECTION 7052 OF THE P.R.C. BY REASON OF THE IMPRACTICALITY OF COMPETITIVE BIDDING BECAUSE OF SMALL SIZE; SUBJECT TO THE EXPRESS CONDITION THAT THE LEASE WILL PROVIDE FOR A ROYALTY OF 16-2/3%.

EXHIBIT "A"
STATE LANDS COMMISSION
W 40129
Request for Exemption from
Bidding Procedure
by
Hilmar Cemetary District
Merced County

August 1978

MGH

