

MINUTE ITEM

This Calendar Item No. 31
was approved as Minute Item
No. 31 by the State Lands
Commission by a vote of 2
to 0 at its 10/26/78
meeting.

CALENDAR ITEM

31.

COMPENSATORY GAS AGREEMENT

10/78
W 40104
Kuehn
PRC 5585

- APPLICANT: Buttes Resources Company
P. O. Box 5083
Denver, Colorado 80217
- LOCATION: Stockton Deep Water Channel Area, San Joaquin
County.
- TYPE OF LAND: Sovereign lands in the San Joaquin River,
12 Mile Slough, 14 Mile Slough, 21 Mile
Slough and Black Slough.

PERTINENT INFORMATION:

A compensatory gas agreement is proposed whereunder the State would be compensated for future drainage of gas from State sovereign lands by wells drilled by Buttes Resources Company on uplands adjoining the State lands within the Stockton Deep Water Channel Area. The State lands include a portion of the beds of the San Joaquin River, 12 Mile Slough, 14 Mile Slough, 21 Mile Slough and Black Slough. Buttes Resources Company has under lease those lands adjacent to and surrounding the State Lands proposed to be included in the agreement area. Section 6815 of the P.R.C. provides: "Whenever it appears to the Commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State or where the provisions of Section 6827 are deemed by the Commission to be impractical in the particular case by reason of the small size or irregular configuration of the property, or its inaccessibility from surface drillsites reasonably available or obtainable, the Commission, in lieu of following the provisions of Section 6827, may negotiate and enter into agreements with the owners or operators of such wells on private lands for the payment of compensation to the State for such drainage, or may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only. . . . "

CALENDAR ITEM NO. 31. (CONTD)

Under the proposed compensatory agreement, Buttes Resources Company agrees to account for and to pay in money to the State on gas produced and saved from any well hereafter drilled within the Stockton Deep Water Channel Area that will drain gas from adjoining State land, in accordance with the following schedule:

1. 25% of the sale value of all gas allocated to State lands.
2. 25% of the sale value of all gasoline and other products extracted from the quantity of gas allocated to State lands. The draft of the proposed compensatory agreement has been reviewed and approved by staff counsel.

EXHIBITS: A. Location Map. B. Land Description.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 6815 OF THE P.R.C., AUTHORIZE THE ISSUANCE OF A COMPENSATORY GAS AGREEMENT TO BUTTES RESOURCES COMPANY COVERING THOSE STATE LANDS IN THE BED OF THE SAN JOAQUIN RIVER, 12 MILE SLOUGH, 14 MILE SLOUGH, 21 MILE SLOUGH AND BLACK SLOUGH IN THE STOCKTON DEEP WATER CHANNEL AREA AS DESCRIBED IN EXHIBIT "B" ATTACHED HERETO, SAN JOAQUIN COUNTY, SO AS TO PROTECT THE STATE INTEREST IN SUCH LANDS.

EXHIBIT "A"
STATE LANDS COMMISSION
Compensatory Gas Agreement
Buttes Resources Company

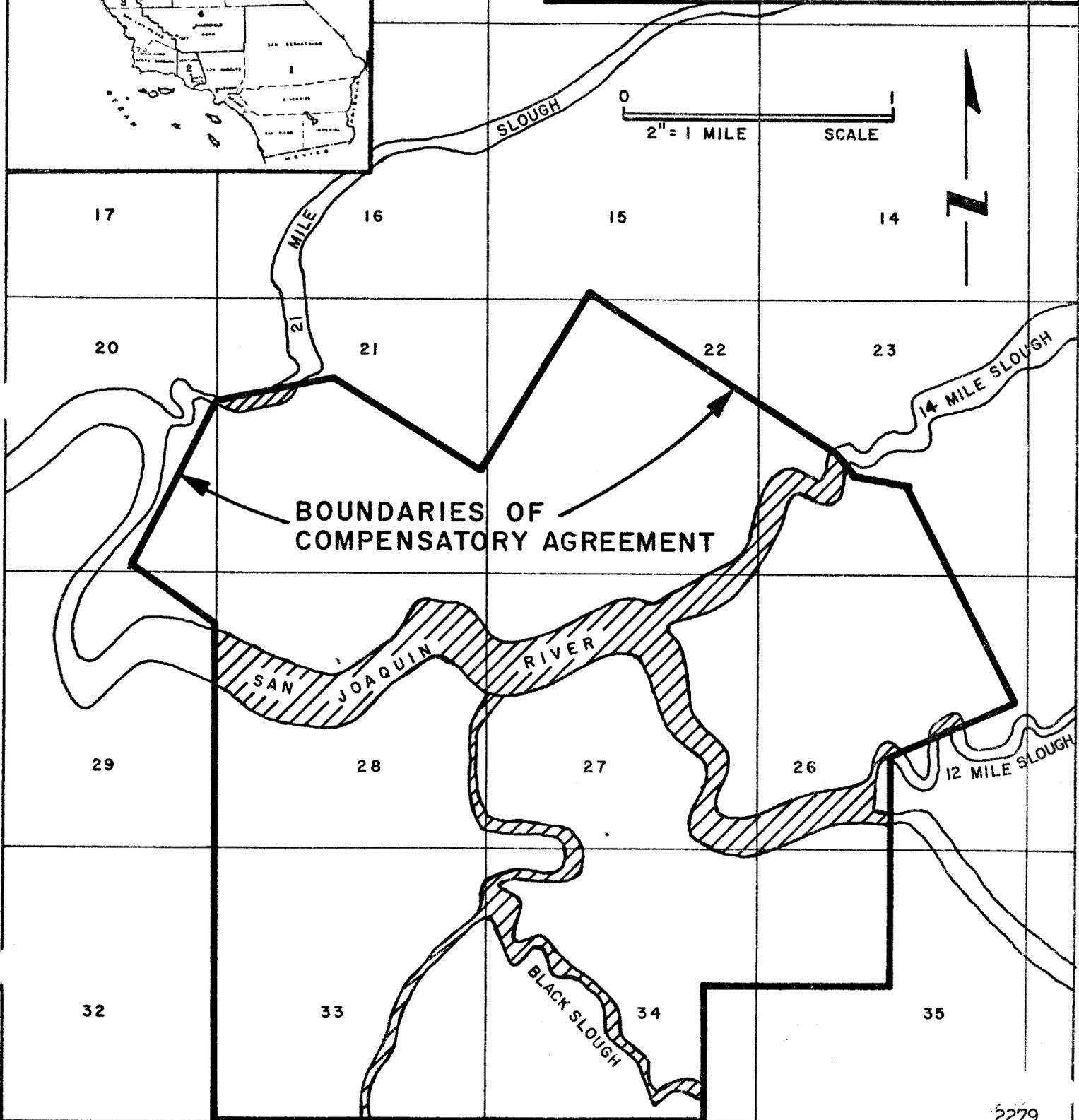
SAN JOAQUIN RIVER, 12 MILE SLOUGH, 14 MILE SLOUGH,
21 MILE SLOUGH AND BLACK SLOUGH
SAN JOAQUIN COUNTY

September 1978

CPP



LOCATION



BOUNDARIES OF
COMPENSATORY AGREEMENT

EXHIBIT "B"

LAND DESCRIPTION

W 40104

All the California State-owned mineral interests lying within the area described by the following thirteen (13) California Coordinate System, Zone III coordinates containing 545.45 acres.

- | | | |
|-----|---------------|-------------|
| 1. | X = 1,742,700 | Y = 539,200 |
| 2. | X = 1,738,900 | Y = 539,200 |
| 3. | X = 1,738,900 | Y = 536,600 |
| 4. | X = 1,729,200 | Y = 536,600 |
| 5. | X = 1,729,200 | Y = 546,300 |
| 6. | X = 1,727,800 | Y = 547,400 |
| 7. | X = 1,729,200 | Y = 550,200 |
| 8. | X = 1,731,600 | Y = 551,000 |
| 9. | X = 1,734,500 | Y = 549,200 |
| 10. | X = 1,736,600 | Y = 552,800 |
| 11. | X = 1,743,000 | Y = 549,200 |
| 12. | X = 1,745,100 | Y = 545,000 |
| 13. | X = 1,742,700 | Y = 544,000 |

END OF DESCRIPTION

Prepared

Frank T. Camp

Checked

Edward B. Zimmerman

Reviewed

Gary A. Melton

Date

OCT. 5, 1978