

MINUTE ITEM
This Calendar Item No. 53
was approved as Minute Item
No. 53 by the State Lands
Commission by a vote of 3
to 0 at its 3/27/90
meeting.

CALENDAR ITEM

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03/27/90
PRC 7283
Hamilton

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AMENDMENT TO AGREEMENT OF UNDERSTANDING FOR
STATE OIL AND GAS LEASE PRC 7283,
SUTTER COUNTY

LESSEE: Capitol Oil Corporation
Attention: Mr. Paul W. Mason
1545 River Park Drive, Suite 501
Sacramento, CA 95815

SUMMARY:

On February 6, 1989, the Commission entered into State Oil and Gas Lease PRC 7283 with Capitol Oil Corporation. State Oil and Gas Lease PRC 7283 is a negotiated subsurface (no surface use) lease which contains a three-year drilling term on about 128 acres of Department of Fish and Game land located within the Tisdale By-Pass in Sutter County, California.

On August 30, 1989, the Commission consented to the pooling of 64.37 acres of State oil and gas lease PRC 7283 lands with State Reclamation Board and private leased lands held by Capitol to form a 305.37-acre operating unit to explore for and produce natural gas. The Commission also entered into the "Agreement of Understanding for State oil and gas lease PRC 7283" (AOU) which describes the terms and conditions by which the pooled lands will be developed.

Paragraph 2 of the AOU states that: "Said unit shall become effective upon the execution by Capitol in writing, not later than six months after final approval of this request, of a 'Declaration of Pooling' which shall describe the pooled acreage in terms identical to the description of said unit contained in Exhibit "A" hereto. Written notice of such

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declaration shall be given to the State." According to this paragraph, Capitol has six months after Commission approval or until February 28, 1990 to declare the unit.

Capitol has notified staff that it will not be able to declare the unit by the February 28, 1990 deadline and requests that the Commission extend the time to declare the unit by agreeing to delete the sentence in Paragraph 2 of the AOU that reads: "... not later than six months after final approval of this request,..."

Staff has reviewed Capitol's request and has concluded that deleting the above-mentioned sentence from Paragraph 2 of the AOU will not affect any of the provisions of State oil and gas lease PRC 7283 or the AOU and will give Capitol until February 6, 1992 (the expiration of the drilling term of Lease PRC 7283) to declare the unit. Therefore, staff proposes that Paragraph 2 of the AOU be amended to read: "Said unit shall become effective upon the execution by Capitol in writing of a 'Declaration of Pooling' which shall describe the acreage in terms identical to the description of said unit contained in Exhibit "A" hereto. Written notice of such declaration shall be given to the State."

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

(Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.)

EXHIBIT: A. Amendment to AOU.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THE ACTIVITY EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.

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2. AMEND PARAGRAPH 2 OF THE "AGREEMENT OF UNDERSTANDING FOR STATE OIL AND GAS LEASE PRC 7283" (DATED AUGUST 7, 1989) TO READ: "SAID UNIT SHALL BECOME EFFECTIVE UPON THE EXECUTION BY CAPITOL, IN WRITING, OF A 'DECLARATION OF POOLING' WHICH SHALL DESCRIBE THE ACREAGE IN TERMS IDENTICAL TO THE DESCRIPTION OF SAID UNIT CONTAINED IN EXHIBIT "A" HERETO. WRITTEN NOTICE OF SUCH DECLARATION SHALL BE GIVEN TO THE STATE."

3. AUTHORIZE THE EXECUTIVE OFFICER, OR DELEGATE, TO EXECUTE THE ABOVE CHANGE TO THE CITED AGREEMENT OF UNDERSTANDING.

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Exhibit "A"

AMENDMENT TO AGREEMENT OF UNDERSTANDING
FOR STATE OIL AND GAS LEASE PRC 7283

State Oil and Gas Lease PRC 7283 was entered into between the State Lands Commission (State) and Capitol Oil Corporation (Capitol) on February 6, 1989 and contains approximately 128 acres situate in Sutter County California.

Paragraph 22(b) of the lease allows Capitol, with the consent of the State and under terms and conditions approved by the State, to pool or unitize all or part of the lands under Lease PRC 7283 to form an operating unit. Calendar Item 25 approved by the State Lands Commission on August 30, 1989 consented to the pooling or unitization of the lands in Lease PRC 7283 with other lands. The lands to be pooled or unitized are described in Exhibit "A" of Calendar Item 25. This consent is memorialized in an Agreement of Understanding approved by the State in the above referenced Calendar Item 25.

Capitol and State hereby agree to amend paragraph 2 of the Agreement of Understanding to read as follows:

"Said unit shall become effective upon the execution by Capitol, in writing, of a 'Declaration of Pooling' which shall describe the acreage in terms identical to the description of said unit contained in Exhibit 'A' hereto. Written notice of such declaration shall be given to the State."

All other terms and conditions of the Agreement of Understanding shall remain unchanged unless expressly modified by Capitol and State.

Capitol Oil Corporation

State Lands Commission

By: [Signature]

By: _____

Date: 3-21-90

Date: _____

Attest: _____

Attest: _____