

MINUTE ITEM

This Calendar Item No. C48
was approved as Minute Item
No. C48 by the State Lands
Commission by a vote of 3
at its 6/11/90
meeting.

CALENDAR ITEM

A 3
S 1, 4

C 4 8

06/11/90
PRC 6786
Hamilton

**APPROVE ASSIGNMENT AND AMENDMENT OF
STATE OIL AND GAS LEASE PRC 6786,
SUTTER COUNTY**

ASSIGNOR/LESSEE:

OXY USA INC.
Attn: Perry L. Rice
110 West 7th Street
Tulsa, Oklahoma 74102

ASSIGNEE:

Todd Jamison Ballantyne
P. O. Box 682
Rancho Mirage, CA 92270

BACKGROUND

Negotiated subsurface (no surface use) State oil and gas lease PRC 6786 (Lease) was issued to OXY Petroleum, Inc. on January 31, 1985, and contains about 23.36 acres of State lands in the beds and vicinity of Butte Slough and Butte Creek in Sutter County (see Exhibit "A"). OXY USA, Inc. is the successor to OXY Petroleum, Inc. and holds 100 percent interest in the Lease.

P.R.C. 6804 and Lease Paragraph 26 allow the Lessee, with Commission approval, to assign the Lease to any person who possesses the qualifications of P.R.C. 6801. On March 15, 1990, documents were filed that assigned all of OXY's interest in the Lease to Mr. Ballantyne. Staff has reviewed the agreements and has determined that the Assignor and Assignee have complied with Commission regulations and the terms of the lease. Pursuant to P.R.C. 6804 and Lease Paragraph 26, an assignment will take effect on the first day of the month following Commission approval.

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All lands under Lease have been included in the Commission-approved "Butte Slough Unit" (Unit). All lands in the Unit, other than the leased lands, are under lease to Mr. Todd Jamison Ballantyne (See Exhibit "B" - Division of Oil and Gas [D.O.G.] assignment and bonding notices). Production from the Unit is from one vertically drilled gas well, Butte Slough Unit No. 1, located on private land that has been assigned to Mr. Ballantyne.

Lease Paragraph 24 and Exhibit "B" Paragraph 4, require the Lessee to furnish and maintain a bond in the sum of \$10,000 to guarantee the faithful performance of all lease provisions (payment of rentals and royalties). Mr. Ballantyne has requested that a \$1,000 certificate of deposit be substituted for this security. Staff has reviewed this request and has determined, and Mr. Ballantyne has agreed, that a \$3,000 certificate of deposit is sufficient security for the Lease (current royalty is less than \$1,000 per year).

Pacific Gas & Electric Company (PG&E) buys the gas produced from the Unit. Under the Commission-approved PG&E gas sales contract, PG&E pays the seller for the gas at the end of the calendar month following the calendar month the gas is produced. To allow adequate time for the payment of gas royalties, all new northern California negotiated subsurface State oil and gas leases permit the Lessee to pay gas royalties by the fifth day of the second calendar month following the calendar month the gas is produced. However, the Lease requires gas royalty payments to be made by the 25th day of the calendar month following the month the gas is produced. Because the Lessee is required to pay the State's royalty before being paid by PG&E, staff proposes that the lease be amended to provide consistency with the above-described royalty payment schedule of new leases issued by the Commission.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.s 6801 and 6804.

B. Lease Paragraph 26.

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, approval of lease assignment and amendment, to be exempt from

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the requirements of 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.)

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

1. Duly executed lease assignment and amendment forms have been received and are on file in the Long Beach office of the Commission.
2. Assignee is qualified to hold the State lease pursuant to P.R.C. 6801.
3. Filing and processing fees have been received.
4. Performance bond or other security in the sum of \$3,000 and liability insurance coverage of not less than \$500,000 have been received.

EXHIBITS:

- A. Location of Lease.
- B. D.O.G. Assignment and Bonding Notices.
- C. Lease Amendment.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THE ACTIVITY, APPROVAL OF ASSIGNMENT AND AMENDMENT OF STATE OIL AND GAS LEASE PRC 6786, EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CA. CODE REGS. 15378.
2. APPROVE THE ASSIGNMENT OF 100 PERCENT INTEREST IN STATE OIL AND GAS LEASE PRC 6786 FROM OXY USA INC. (ASSIGNOR) TO TODD JAMISON BALLANTYNE (ASSIGNEE). COMMISSION APPROVAL OF THIS ASSIGNMENT IS GIVEN UPON THE CONDITIONS THAT THE ASSIGNMENT WILL NOT RELEASE THE ASSIGNOR FROM ANY OBLIGATION TO THE STATE LANDS COMMISSION UNDER THE LEASE, ANY CONDITIONS IN ANY ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING, AND THAT THE ASSIGNEE WILL BE BOUND BY THE LEASE, INCLUDING ANY MODIFICATIONS AND COLLATERAL AGREEMENTS, TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN ANY ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING. PURSUANT TO P.R.C. 6804, THIS ASSIGNMENT WILL TAKE EFFECT ON JULY 1, 1990.

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3. AMEND THE LAST SENTENCE OF PARAGRAPH 3(c) OF STATE OIL AND GAS LEASE PRC 6786 TO READ: "MONEY ROYALTY ON NON-OIL PRODUCTION SHALL BE DUE NO LATER THAN THE FIFTH DAY OF THE SECOND CALENDAR MONTH FOLLOWING THE CALENDAR MONTH IN WHICH THE NON-OIL PRODUCTION IS PRODUCED."

4. (a.) AMEND THE FIRST SENTENCE OF PARAGRAPH 24 OF STATE OIL AND GAS LEASE PRC 6786 TO READ: "THE LESSEE SHALL FURNISH UPON EXECUTION OF THIS LEASE AND MAINTAIN A BOND OR OTHER SECURITY IN FAVOR OF THE STATE OF CALIFORNIA IN THE SUM PROVIDED IN EXHIBIT "B" TO GUARANTEE THE FAITHFUL PERFORMANCE BY THE LESSEE OF ALL PROVISIONS OF THIS LEASE, DIVISION 6 OF THE PUBLIC RESOURCES CODE AND THE REGULATIONS PROMULGATED THEREUNDER, INCLUDING, BUT NOT LIMITED TO, IMMEDIATE ELIMINATION OF ANY CONTAMINATION OR POLLUTION CAUSED BY OR RESULTING FROM OPERATIONS UNDER THIS LEASE".

(b.) AMEND THE FIRST SENTENCE OF PARAGRAPH 4 OF EXHIBIT "B" OF STATE OIL AND GAS LEASE PRC 6786 TO READ: "THE PERFORMANCE BOND OR OTHER SECURITY TO BE FURNISHED BY THE LESSEE SHALL BE IN THE SUM OF THREE THOUSAND DOLLARS (\$3,000)."

5. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.



OXY
BF3
BUTTE CREEK

EXHIBIT 'A'

16N-1W
25

SACRAMENTO RIVER
35

36
BSU 1
BUTTE SLOUGH

LEGEND

////// BUTTE SLOUGH UNIT BOUNDARY



SCALE

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REPORT OF
PROPERTY/WELL TRANSFER OR ACQUISITION

EXHIBIT "B"

PRC 6786

We have been informed that you have Acquired/Transferred wells.
Please complete and return the following to the:

Division of Oil and Gas
221 West Court St., Suite 1
Woodland, Ca
95695

9/28, 19 89

COPY

Effective JULY 1, 1989
(date)

OXY USA INC
(old operator) transferred ownership of

the following described property to TODD JAMISON BALLANTYNE
(new operator)

1. PORTIONS OF SECTIONS 25, 31 & 36 - 16N - 1W SUTHER CITY, CALIF.
(legal description of property)

(SEE ATTACHED PLAT)

Sec. _____, T. _____, R. _____, B. & M. _____
(field or county)

2. 2 INACTIVE GAS WELLS
(List of all producing, idle, and abandoned wells.)

(If additional space is needed, use back of form.)

OXY USA INC
OXY USA Inc. (name of old operator)

P.O. Box 300 - 110 W. 7th ST.
ADDRESS

TULSA, OKLA 74102

Phone (918) 561-2075

TODD JAMISON BALLANTYNE
(name of new operator)

P.O. BOX 682
604 Desert West Drive
ADDRESS

Rancho Mirage, CA 92270

Phone (619) 340-3102

S. _____
By _____
Name of Representative, Address, and Title

S. _____
By TODD JAMISON

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R 1 W

PRC 6786

SUTTER
COLUSA CO. CO.
BUTTE

MT. DIABLO MERIDIAN

T 16 N

T 15 N

Della Fletcher 0048

Butte Slough U 7422

Butte Slough U 7424

Stödlmayer 7040

7200

Alonso Celato 7710

7-0408350
BUTTE SLOUGH UNIT No. 1
OXY USA (OP)
FULL INTEREST
583.64 ACRE UNIT,
MORE OR LESS

OXY LEASEHOLD INTEREST ALL DEPTHS IN 583.64 ACRES, MORE OR LESS, WILL BE ASSIGNED

OXY USA, INC.
EXPLORATION AND PRODUCTION

7-0408350
BUTTE SLOUGH UNIT No. 1
BUTTE SLOUGH FIELD
SUTTER COUNTY, CALIFORNIA

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MINUTE PLAT
MAY 16 1925

INDIVIDUAL OIL AND GAS WELL CASH BOND

PRC 6786

(SEE INSTRUCTIONS ON REVERSE SIDE FOR APPLICABLE AMOUNT)

Know All Men by These Presents:

WE

That I,

as principal, present a total cash deposit of FIFTEEN THOUSAND AND NO/100 DOLLARS (\$ 15,000.00) in the form of:

Cashiers Check No. ... in the amount of \$... ; and/or
Certified Check No. ... in the amount of \$... ; and/or
Certificate of Deposit No. 11982-01418 in the amount of \$15,000.00; and/or
Passbook Account No. ... in the amount of \$...

Time Deposit Receipt
accompanied by a properly executed assignment form, all made payable solely to the State Division of Oil and Gas.

THE CONDITION OF THE ABOVE OBLIGATION IS SUCH THAT,

WHEREAS, said principal is about to drill, redrill, deepen, or permanently alter an oil or gas well designated as BUTTE SLOUGH No. 3 Sec. 36 T. 16 N. R. 1 W. M.D. B. & M., and is required to file this bond in connection therewith in accordance with Section 3205.5 of Chapter 1 of Division 3 of the Public Resources Code of the State of California.

NOW THEREFORE, if said TODD JAMISON BALLANTYNE

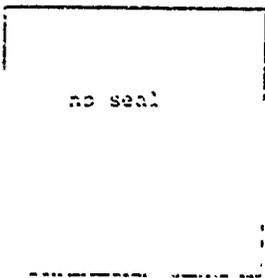
the above bounden principal, shall well and truly comply with all the provisions of Division 3 (commencing with Section 3000) of the Public Resources Code and shall obey all lawful orders of the State Oil and Gas Supervisor, or his district deputy or deputies, subject to subsequent appeal as provided in that division, and shall pay all charges, costs, and expenses incurred by the supervisor or his district deputy or deputies in respect of such well or the property of said principal, or assessed against such well or the property of such principal, in pursuance of the provisions of said division, then this obligation shall be void; otherwise, it shall remain in full force and effect.

If the principal fails to comply with all of the provisions of Division 3, of the Public Resources Code and to obey all lawful orders of the State Oil and Gas Supervisor or his deputies, then the supervisor may draw upon this bond to pay all costs and expenses incurred by the supervisor or his deputy in respect to such well or property.

This bond shall be subject to all conditions set forth in Sections 3204 to 3209, inclusive, P.R.C. IN WITNESS WHEREOF, the and signature of the said principal is hereto affixed.

at Rancho Mirage California, this fourth day of October, 1989

This is to certify under penalty of perjury that the above cash deposit is free of all liens including tax liens by the U.S. Revenue Service or the State of California Franchise Tax Board, Board of Equalization or Department of Employment.



[Principal] TODD JAMISON BALLANTYNE

By: [Signature] TODD JAMISON BALLANTYNE

Witness

State Oil and Gas Supervisor

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On this fourth day of OCTOBER in the year 1989

before me, JEROME MARCUS
a Notary Public in and for said County and State, personally appeared

TODD JAMISON BALLANTYNE
known to me to be the person whose name is subscribed to the within instrument

and acknowledged to me that he subscribed the name
of _____
therein and his own name as _____

TODD JAMISON BALLANTYNE



Jerome Marcus
Notary Public in and for said County and State

INSTRUCTIONS

1. If the principal is a corporation, the corporate seal must be affixed.
2. If the principals are partners, their individual names shall appear in the body of the bond, with the recital that they are partners composing a firm, and naming said firm.
3. The name of the principal as well as the designation and number of the well on the bond must agree exactly with the notice of intention to drill, redrill, deepen, or permanently alter the casing.
4. The signature of the principal must be notarized.
5. Savings account passbooks must be accompanied by an assignment form acknowledging assignment of the account to the State Division of Oil and Gas.
6. Applicable amount:

Coverage for onshore well	
less than 5,000 feet total depth.....	\$10,000
at least 5,000 feet but less than 10,000 feet total depth.....	\$15,000
at least 10,000 feet or greater total depth.....	\$25,000
Supplemental coverage for deepening onshore well	
from less than 5,000 feet to less than 10,000 feet total depth.....	\$ 5,000
from less than 5,000 feet to at least 10,000 feet or greater total depth.....	\$15,000
from at least 5,000 feet but less than 10,000 feet to at least 10,000 feet or greater total depth.....	\$10,000
7. Individual coverage for an offshore well is not acceptable.

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DIVISION OF OIL AND GAS
WELL BOND RIDER

COPY PRL 6786

WHEREAS, on the FOURTH day of OCTOBER 19 89, TODD JAMISON BALLANTYNE
as PRINCIPAL, on behalf of TODD JAMISON BALLANTYNE
as Principal, executed INDIVIDUAL OIL AND GAS WELL CASH BOND
Bond No. dated OCTOBER 4, 1989, in the sum of FIFTEEN THOUSAND AND NO/100
DOLLARS (\$ 15,000), in favor of the STATE OF CALIFORNIA.

NOW, THEREFORE, it is agreed that this rider shall be attached to and form a part of Bond No. dated October 4, 1989,
effective as of the fourth day of OCTOBER 19 89 amending said Bond
as follows:

The above listed Bond hereby assumes liability of Well No.
Butte Slough No.3 in Section 36, T.16N.-R.1W, M.D.B.&M., Butte
Slough Gas Field formerly covered by OXY USA INC. Blanket Bond
No. 926 30 76 , dated 11/6/84 and RIDER dated 10/29/86 executed
by National Fire Insurance Company of Hartford.

*as set forth under the laws of the State of California

IN WITNESS WHEREOF, the seal and signature of the said principal is hereto affixed and the corporate seal and name of the said
surety is hereto affixed and attested by its duly authorized TODD JAMISON BALLANTYNE at
RANCHO MIRAGE California, this fourth day of October, 19 89

no seal
(SEAL OF PRINCIPAL)

[Principal] TODD JAMISON BALLANTYNE

By Todd Jamison Ballantyne
TODD JAMISON BALLANTYNE

(SEAL OF SURETY)

[Surety] _____

By _____

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NOTARIZATION OF THE TODD JAMISON BALLANTYNE
(Surety or Principal)

PRC 6786

STATE OF CALIFORNIA } ss.
COUNTY OF RIVERSIDE }

On this fourth day of OCTOBER, in the year 19 89,

before me, JEROME MARCUS
a Notary Public in and for said County and State, personally appeared

TODD JAMISON BALLANTYNE
known to me to be the person whose name is subscribed to the within instrument

as the _____ of _____

_____ and acknowledged to me that he subscribed the name
of _____ thereto and his own name as _____

TODD JAMISON BALLANTYNE



Jerome Marcus
Notary Public in and for said County and State

INSTRUCTIONS

1. A rider may be used to:
 - (a) Change the name by which the principal is known on the well bond, or previous rider.
 - (b) Extend the liability of a new blanket bond to cover wells previously covered by another blanket bond.
 - (c) Extend the coverage of a blanket well bond to well(s) previously covered by individual well bond(s).
 - (d) Limit the liability of a blanket bond to cover only wells already drilled. (In this case, other bond(s) will be needed to cover subsequent wells.)
2. A rider cannot be used to:
 - (a) Transfer liability from the principal to another party.
 - (b) Reduce the monetary liability of a bond.
 - (c) Reduce the coverage of a blanket well bond by eliminating a well or wells.
 - (d) Extend the coverage of a limited status (coverage limited to the principal's wells as of the date of execution of the bond) blanket well bond.
 - (e) Extend the coverage of an onshore blanket well bond to include offshore wells or vice-versa.
3. The signature of the principal for a cash bond rider, or the surety for an indemnity bond rider, must be notarized.
4. If the principal and/or surety is a corporation, their corporate seal must be affixed.
5. Each principal must file a separate rider. A rider with more than one principal is not acceptable.
6. If the principals are partners, their individual names shall appear on the rider, with the recital that they are partners composing a firm, and naming said firm.
7. A rider containing a cancellation clause at the option of the principal or surety is not acceptable.
8. Information on a rider pertaining to the bond number, the principal, the surety, the bond amount, and the execution date must agree exactly with the information on the bond.

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EXHIBIT "C"

AMENDMENT TO STATE OIL AND GAS LEASE PRC 6786

State Oil and Gas Lease PRC 6786 (Lease) was entered into between the State Lands Commission (State) and OXY Petroleum, Inc. on January 31, 1985 and contains approximately 23.36 acres situate in Sutter County, California. OXY USA Inc. is the successor in interest to OXY Petroleum, Inc.

On June , 1990, the State approved the assignment of a 100% interest in the Lease from OXY USA Inc. to Todd Jamison Ballantyne and approved amendments to the Lease.

Todd Jamison Ballantyne and the State hereby agree to amend the Lease as follows:

1. The last sentence of Lease paragraph 3(c) is amended to read: "Money royalty on non-oil production shall be due no later than the fifth day of the second calendar month following the calendar month in which the non-oil production is produced."
2. The first sentence of Lease paragraph 24 is amended to read: "The Lessee shall furnish upon execution of this lease and maintain a bond or other security in favor of the State of California in the sum provided in Exhibit "B" to guarantee the faithful performance by the Lessee of all provisions of this lease, Division 6 of the Public Resources Code and the regulations promulgated thereunder, including, but not limited to, immediate elimination of any contamination or pollution caused by or resulting from operations under this lease."
3. Lease Exhibit "B", the first sentence of paragraph 4, is amended to read: "The performance bond or other security to be furnished by the Lessee shall be in the sum of three thousand dollars (\$3,000)."

All other terms and conditions of the Lease shall remain unchanged and in full force and effect.

Todd Jamison Ballantyne

State Lands Commission

By: Todd Jamison Ballantyne

By: _____

Date: 6-20-90

Date: _____

Attest: [Signature]

Attest: _____

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