MINUTE ITEM
This Calendar Item No. C42
was approved as Minute Item
No. 42 by the State Lands
Commission by a vote of 3
to 0 at its 7-19-93
meeting.

CALENDAR ITEM

C42

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07/19/93
PRC 4660
Tanner

APPROVE THE AMENDMENT OF
COMPENSATORY ROYALTY AGREEMENT PRC 4660,
SAN JOAQUIN COUNTY

APPLICANT:

Vernon E. Faulconer, Inc
Attn: Joan Mullenax, Land Department
P. O. Box 7995
Tyler, Texas 75711

AREA, TYPE LAND AND LOCATION:

Compensatory Royalty Agreement PRC 4660, consisting of approximately 40.05 acres, is located within the Mokelumne River bed in San Joaquin County.

Royalty:

16 2/3 percent of the value of all gas produced and saved from all wells now or hereafter drilled within the Staten Island Area.

BACKGROUND:

Compensatory Royalty Agreement PRC 4660 was issued to Texaco, Inc. and Union Oil Company of California on April 27, 1972. Texaco, Inc. sold its interest in this agreement to Vernon E. Faulconer, Inc., effective September 1, 1992. Compensatory royalty is being paid pursuant to the agreement on natural gas produced from the South Walnut Grove Field, San Joaquin County.

The field operator, Vernon E. Faulconer, Inc. is selling gas to PG&E and is being paid approximately one month following the month of production. The Compensatory Agreement requires royalty payments by the 25th of the month following the month of production. Therefore royalty payment is required under the agreement before the operator receives accounting and payment for gas delivered to PG&E. The operator has requested an extension of the time to pay its royalty. It has been proposed to modify the agreement to

provide that the royalty shall be due on or before the 15th day of the second month following the month of production. Current royalty payments under this agreement are approximately $50 per month.

APPLICANT STATUS:
Applicant is lessee of upland.

STATUTORY AND OTHER REFERENCES:
A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

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 that 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.

2. Paragraph 2 of Compensatory Agreement PRC 4660 is proposed to be amended as follows:

   > State's royalties hereunder with respect to the gas, gasoline and other products sold or used shall be due and payable no later than the fifteenth (15) day of the second calendar month following the calendar month of production.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS 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.

2. APPROVE THE AMENDMENT OF COMPENSATORY ROYALTY AGREEMENT PRC 4660 TO PROVIDE THAT ROYALTY SHALL BE DUE AND PAYABLE NOT LATER THAN THE FIFTEENTH (15) DAY OF THE SECOND CALENDAR MONTH FOLLOWING THE CALENDAR MONTH OF PRODUCTION.