MINUTE ITEM
This Calendar Item No. C55
was approved as Minute Item
No. 55 by the State Land
Commission by a vote of 3
to 0 at its May 3, 1995
meeting.

CALENDAR ITEM
C55

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05/03/95
PRC 2966
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ACCEPT THE TERMINATION OF COMPENSATORY ROYALTY AGREEMENT PRC 2966 (294 ACRES OF INLAND TIDE AND SUBMERGED LANDS) NEAR WALNUT GROVE GAS FIELD, SACRAMENTO AND SAN JOAQUIN COUNTIES

LESSEE:

Union Oil Company of California
1800 30th Street, Suite 200
Bakersfield, CA 93301-1921

BACKGROUND:

Compensatory Royalty Agreement PRC 2966 was issued to Union Oil Company of California (Unocal) on December 5, 1962 and contains 294 acres of inland tide and submerged lands in the vicinity of the Walnut Grove Gas Field in Sacramento and San Joaquin Counties, California.

Public Resources Code Section 6815 provides that the Commission may negotiate and enter into agreements for compensation for drainage of State lands by oil and gas wells drilled upon private land. Compensatory Royalty Agreement PRC 2966, issued to compensate the State for drainage from wells drilled in the Walnut Grove Gas Field, provides in Paragraph 6 that the Party may be relieved of performance under this agreement should it surrender or terminate all leases subject hereto. In a letter dated March 20, 1995, Unocal has requested the State's agreement to a termination. All production has ceased from wells draining State lands.

On March 23, 1995, the Commission's Long Beach office staff received the document "Termination of Compensatory Royalty Agreement PRC 2966". This document was dated March 20, 1995, and relinquishes to the State all of the lessee's rights and interest in the lands described in Exhibit "B" of State Compensatory Royalty Agreement PRC 2966 dated June 8, 1962.

A review of the Commission's files reveals that no default exists on the Agreement, that the "lessee" has complied with all applicable laws and provisions.

CALENDAR PAGE	314
MINUTE PAGE	752

STATUTORY AND OTHER REFERENCES:

A. P.R.C. 6815 and Agreement Paragraph 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 CEQA because the activity is not a "project" as defined by the CEQA Statutes and Guidelines.

   Authority: P.R.C. 21084 and 14 Cal. Code Regs. 15378.

EXHIBIT:

A. State Compensatory Royalty Agreement PRC 2966 Map

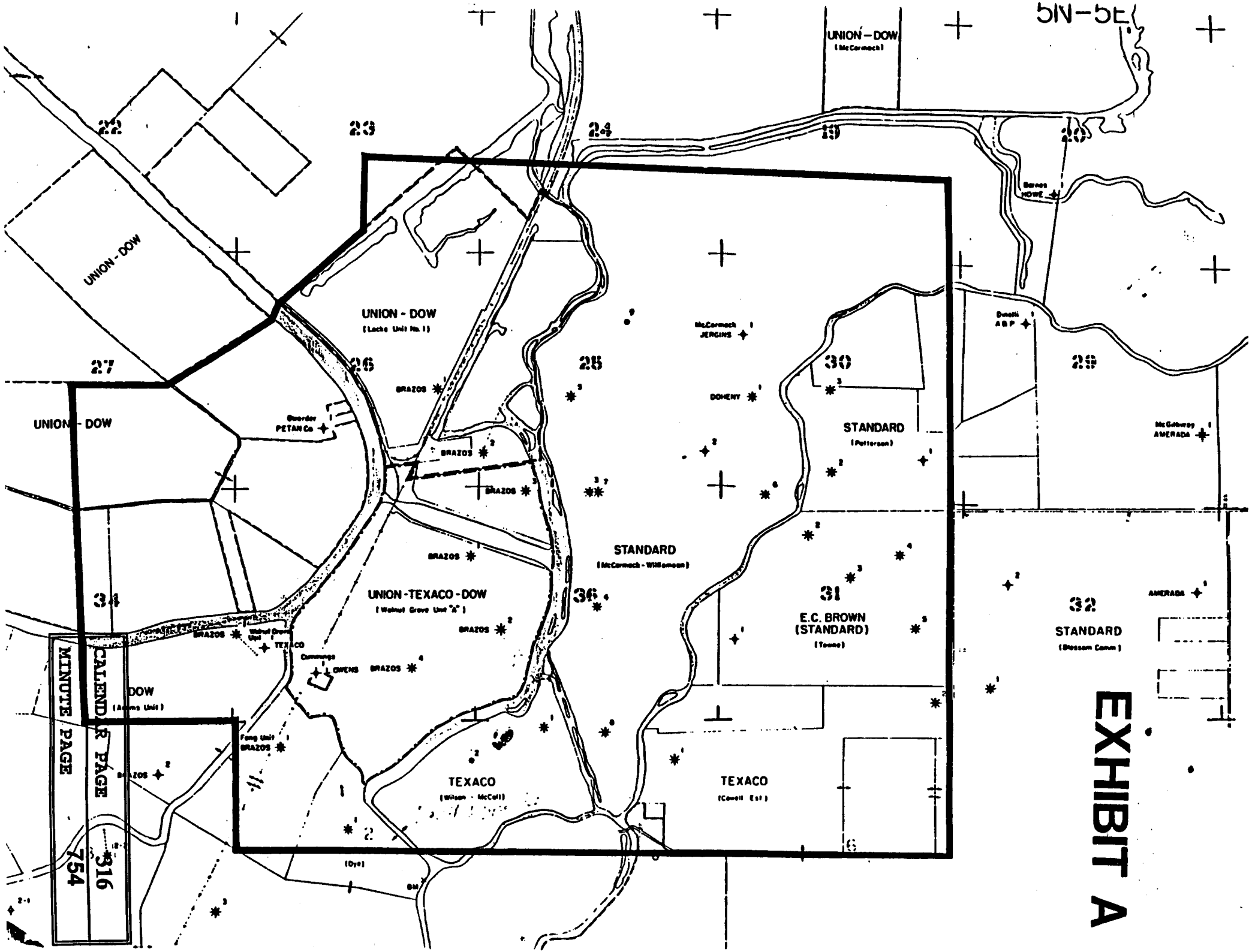
IT IS RECOMMENDED THAT THE COMMISSION:

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.

2. ACCEPT FROM UNION OIL COMPANY OF CALIFORNIA (APPLICANT), THE TERMINATION FOR STATE COMPENSATORY ROYALTY AGREEMENT DATED MARCH 20, 1995, WHEREIN UNION OIL COMPANY OF CALIFORNIA, RELINQUISHES TO THE STATE ALL RIGHT AND INTEREST IN THE LANDS DESCRIBED IN EXHIBIT "B" OF STATE COMPENSATORY ROYALTY AGREEMENT PRC 2966 DATED JUNE 8, 1962.

3. CONSENT TO THE TERMINATION AND RELEASE OF UNION OIL COMPANY OF CALIFORNIA FROM ALL OBLIGATIONS UNDER STATE COMPENSATORY ROYALTY AGREEMENT PRC 2966 EFFECTIVE MARCH 23, 1995, THE FILING DATE OF THE TERMINATION.

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



MINUTE PAGE 754

CALENDAR PAGE 316