

MINUTE ITEM

This Calendar Item No. C124 was approved as Minute Item No. 124 by the California State Lands Commission by a vote of 3 to 0 at its 6-19-98 meeting.

**CALENDAR ITEM
C124**

A 8, 10, 15, 17
S 4, 5, 7

06/19/98
PRC 6426
A. Nitsche
R. Nobles

**CONSIDER APPROVAL OF THE ROYALTY PAYMENT DATE
UNDER CERTAIN ASSIGNED ROYALTY INTERESTS,
SACRAMENTO RIVER,
SACRAMENTO COUNTY**

APPLICANT:

Vintage Petroleum Company
Attn.: Mickey Halve, Revenue Analyst
4200 One Williams Center
Tulsa, OK 74172

AREA, LAND TYPE, AND LOCATION:

Agreement No. PRC 6246 includes approximately 2.9 acres in the Sacramento River, Sacramento County, California.

BACKGROUND:

On or about March 21, 1982, the State of California, acting through the California State Lands Commission (the "State"), entered into that certain Boundary Line Settlement Agreement with David R. Wilcox, et. al., (the "Boundary Agreement") in settlement of litigation in the matter of Wilcox, et. al. vs. State of California. As the result of the Boundary Agreement, Wilcox, et. al., quitclaimed to the State a dry parcel of 2.9 acres, more or less, (the "State Parcel") and agreed to assign to the State the royalty interest in that portion of the Rio Vista Gas Field Unit attributable to the State Parcel. Royalties accruing to the interest acquired by the State are payable under the terms of that certain Oil and Gas Lease Agreement, dated January 16, 1945, (the "Lease") by and between J. F. Wilcox, et. al., as Lessors, and Natural Gas Corporation, as Lessee. Vintage Petroleum, Inc. ("Vintage") is the successor-in-interest to Natural Gas Corporation and current owner of the leasehold estate.

On April 13, 1998, the California Lands Commission (Commission) staff received a request from Vintage to modify the royalty payment due date under the Lease. Vintage is currently obligated to account to the State and tender payment for

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royalties on or before the 20th day of the month for all gas production allocated to the State Parcel during the preceding month. Vintage has advised staff that, due to changes in the natural gas market, it is unable to secure accurate production and sales data from its purchasers in time to meet current royalty accounting deadlines under the Lease. Accordingly, Vintage is requesting amendment of the accounting obligation under the Lease to provide that the Lessee will make the royalty payment on or before the 10th day of the second month following the calendar month of production. Vintage has an excellent lease compliance record. Due to the fact that Vintage does not receive complete and accurate sales information in time to meet the present royalty payment obligation date, Commission staff recommends that the Commission approve the proposed modification of the royalty payment due date to the 10th day of the second month following the calendar month of production.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code, Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulations, Title 3, Division 3; Title 14, Division 6.

OTHER PERTINENT INFORMATION:

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 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 the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

- A. Location Map
- B. Amendment to Agreement

PERMIT STREAMLINING ACT DEADLINE:

N/A

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RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS 15061, BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14 CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

APPROVE MODIFICATION OF THE ROYALTY PAYMENT DATE UNDER THAT CERTAIN OIL AND GAS LEASE AGREEMENT, DATED JANUARY 16, 1998, INsofar AS IT PERTAINS TO THE STATE PARCEL AND THE ASSIGNMENT OF ROYALTY INTEREST, DATED MARCH 21, 1998 (PRC 6426.1), TO THE TENTH (10) DAY OF THE SECOND MONTH FOLLOWING THE CALENDAR MONTH OF PRODUCTION.

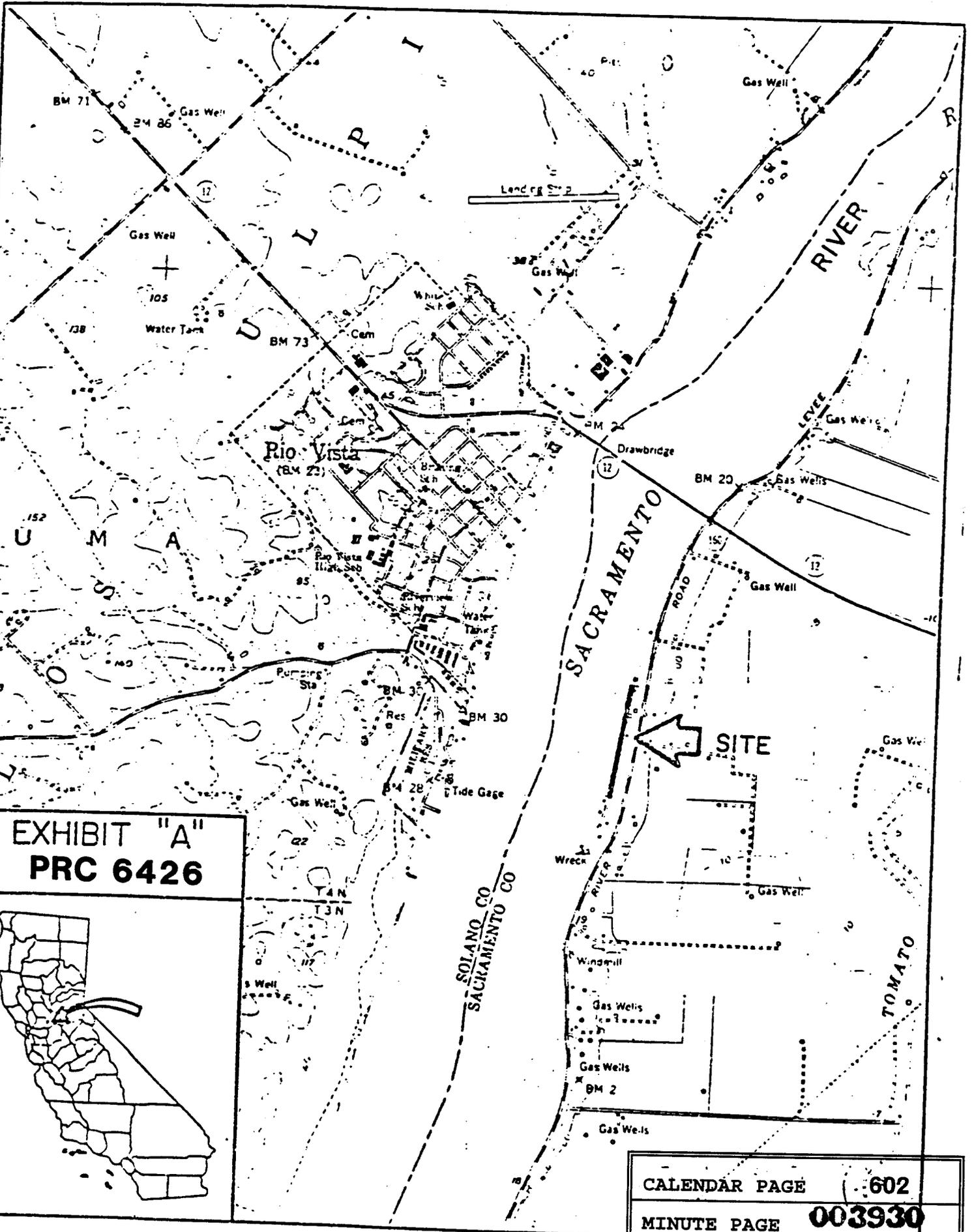


EXHIBIT "A"
PRC 6426



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EXHIBIT B

PRC 6426

**AMENDMENT OF COMPENSATORY ROYALTY PAYMENT DUE DATE
UNDER OIL AND GAS LEASE NO. PRC 6426**

This Amendment of Oil and Gas Lease, dated June ____, 1998, is entered into by and between the State of California through the California State Lands Commission ("State") and Vintage Petroleum, Inc. ("Vintage").

Witnesseth

Whereas, J. F. Wilcox, et. al., as Lessor, and Natural Gas Corporation, as Lessee, entered into that certain oil and gas lease, dated January 16, 1945 (hereafter referred to as the "Lease") covering certain lands located in Sacramento County, California; and

Whereas, said Lease covers, among other lands described therein, a 2.9 acre, more or less, portion of dry streambed of the Sacramento River; and

Whereas, as the result of a Boundary Line Settlement Agreement, dated March 21, 1982, by and between David R. Wilcox, et. al. and the State, title to said 2.9 acre parcel (hereinafter referred to as the "State Parcel") was quitclaimed to the State of California; and

Whereas, as a further result of said Boundary Line Settlement Agreement, David R. Wilcox, et al., assigned to the State their royalty interest in that portion of the Rio Vista Gas Field Unit attributable to the State Parcel; and

Whereas, Vintage has succeeded to the Lessee's interest in the Lease and is currently accounting to the State for the royalty share of production from the Rio Vista Gas Field Unit which is attributable to the State Parcel; and

Whereas, Vintage has requested that the royalty payment due date established under said Lease and applicable to the State Parcel be modified from the 20th day of the month following the calendar month in which the production occurred to the 10th day of the second month following the calendar month in which production occurred; and

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Whereas, the State Lands Commission, by action taken June 19, 1998, has authorized the said modification as requested.

NOW, THEREFORE, the undersigned parties do hereby amend said Lease, insofar as same pertains to the State Parcel, as follows:

That portion of Paragraph 5 of said Lease which requires payment of royalties for gas produced from or allocated to the said land to be made on the 20th day of the succeeding month following the month of production is modified, effective the date of this Amendment, to require royalty such payments be made on or before the 10th day of the second month following the month in which the production occurred.

All other terms and conditions of the Lease shall remain unchanged. As herein modified, said Lease is, and shall remain, in full force and effect.

Executed as of the effective date first written above.

VINTAGE PETROLEUM, INC.

STATE OF CALIFORNIA
STATE LANDS COMMISSION

