MINUTE ITEM
This Calendar Item No. C95 was approved as Minute Item No. 95 by the California State Lands Commission by a vote of 3 to 0 at its 8-19-03 meeting.

CALENDAR ITEM
C95

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S 4

08/19/03
PRC 2908.1
PRC 2990.1
A. Nitsche

CONSIDER AMENDMENT TO COMPENSATORY ROYALTY AGREEMENT NOS. PRC 2908.1 AND PRC 2990.1, GRIMES AND SYCAMORE AREA, COLUSA AND SUTTER COUNTIES

APPLICANT:

Tri-Union Development Corporation
Attn: Mr. Edward Strempel
19315 N. Hwy. 35
Alvin, TX 77511

AREA, LAND TYPE, AND LOCATION:

Compensatory Royalty Agreement No. PRC 2908.1 contains approximately 640 acres in the vicinty of the Grimes area of the Sacramento River, Colusa and Sutter Counties. Compensatory Royalty Agreement No. PRC 2990.1 contains approximately 108.40 acres in the Sycamore area of the Sacramento River, Colusa and Sutter Counties.

BACKGROUND:

Compensatory Royalty Agreement No. PRC 2908.1 was issued to Patrick A. Doheny on June 28, 1962. Compensatory Royalty Agreement No. PRC 2990.1 was issued to Patrick A. Doheny on January 28, 1965. Through various assignments and name changes, Tri-Union Development Corporation (Tri-Union) has been the operator for these agreements since 1965. On June 18, 2003, California State Lands Commission (Commission) staff received a request from Tri-Union for an amendment of these agreements to allow Tri-Union to pay royalty on the natural gas produced under these agreements on the 25th of the second month following the month of production. At the present time, royalty payments for PRC 2908.1 and PRC 2990.1 are due on the 25th day of the month following the month of production. Tri-Union is requesting this change because

its gas purchaser, due to marketing changes, is unable to provide Tri-Union with accurate sales information in time to allow it to meet the current contractural deadlines for payment of State royalty. Since Tri-Union has an excellent lease compliance record, and does not have complete and accurate information available to meet the present payment schedule, Commission staff recommends that the Commission approve amending the agreements to allow payment by the 25th of the second month following the month of gas production retroactive to January 1, 2003.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code sections: Division 6, Parts 1 and 2: Division 13.
B. California Code of Regulations sections: 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 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a " project "as defined by the CEQA and the State CEQA Guidelines.

   Authority: Public Resources section 21065 and Title 14, California Code of Regulations, sections 15060(c)(3) and 15378.

EXHIBITS:

A. Amendment to Agreement PRC 2809.1
B. Amendment to Agreement PRC 2990.1
C. Location map PRC 2809.1
D. Location map PRC 2990.1

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3)

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:

1. FIND THAT AMENDING THE ROYALTY PROVISIONS OF COMPENSATORY ROYALTY AGREEMENT NOS. PRC 2908.1 AND PRC 2990.1 IS IN THE BEST INTEREST OF THE STATE.

2. APPROVE THE AMENDMENT OF COMPENSATORY ROYALTY AGREEMENT NOS. PRC 2908.1 AND PRC 2990.1, EFFECTIVE THE FIRST DAY OF THE MONTH FOLLOWING COMMISSION APPROVAL, CHANGING THE ROYALTY DUE DATE TO THE TWENTY FIFTH (25TH) DAY OF THE SECOND MONTH FOLLOWING THE MONTH OF PRODUCTION RETROACTIVE TO JANUARY 1, 2003.

PRC 2908.1
PRC 2990.1
A. Nitsche

EXHIBIT A

AMENDMENT TO STATE COMPENSATORY
ROYALTY AGREEMENT PRC 2908.1

Compensatory Royalty Agreement No. PRC 2908.1 was entered into with Patrick A. Doheny on June 28, 1962. The agreement contains approximately 640 acres in the Grimes Area, Sacramento River, Colusa and Sutter counties California. Through a series of assignments, Tri-Valley Union Development Corporation is now the operator of this lease.

Pursuant to the Commission approval of August 19, 2003, the State Lands Commission and Tri- Valley Union Development Corporation hereby agree to amend the State Compensatory Royalty Agreement No. PRC 2908.1, Paragraph 2 to read: "State's royalties hereunder shall be due and payable no later than the (25th) day of the second month following production with respect to gas, gasoline and other products sold or used."

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

TRI-VALLEY UNION DEVELOPMENT CORPORATION	STATE OF CALIFORNIA STATE LANDS COMMISSION
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____
Attest	Attest

PRC 2908.1
PRC 2990.1
A. Nitsche

EXHIBIT B

AMENDMENT TO STATE COMPENSATORY
ROYALTY AGREEMENT PRC 2990.1

Compensatory Royalty Agreement No. PRC 2990.1 was entered into with Patrick A. Doheny on June 28, 1965. The agreement contains approximately 108.40 acres in the Sycamore Area, Sacramento River, located in Colusa and Sutter counties California. Through a series of assignments, Tri-Valley Development Corporation is now the operator of the lease.

Pursuant to the Commission approval of August 19, 2003, the State Lands Commission and Tri-Valley Union Development Corporation hereby agree to amend the State Compensatory Royalty Agreement No. PRC 2990.1, Paragraph 2 to read: "State's royalties hereunder shall be due and payable no later than the twenty-fifth (25th) day of the second month following production with respect to gas, gasoline and other products sold or used."

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

TRI-VALLEY UNION DEVELOPMENT CORPORATION	STATE OF CALIFORNIA STATE LANDS COMMISSION
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____
Date: _____	Date: _____
Attest	Attest

EXHIBIT C

PRC 2908.1
PRC 2990.1

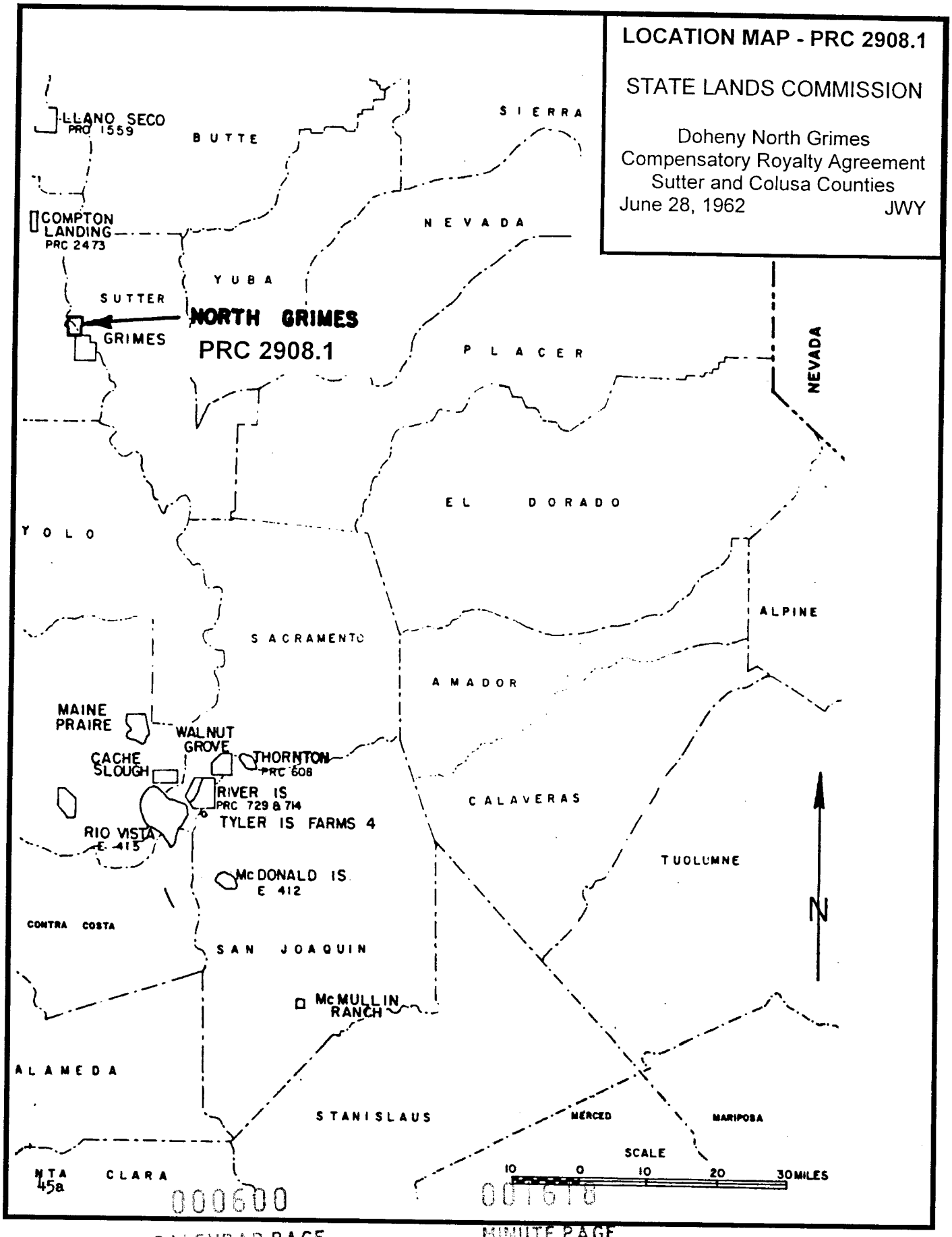
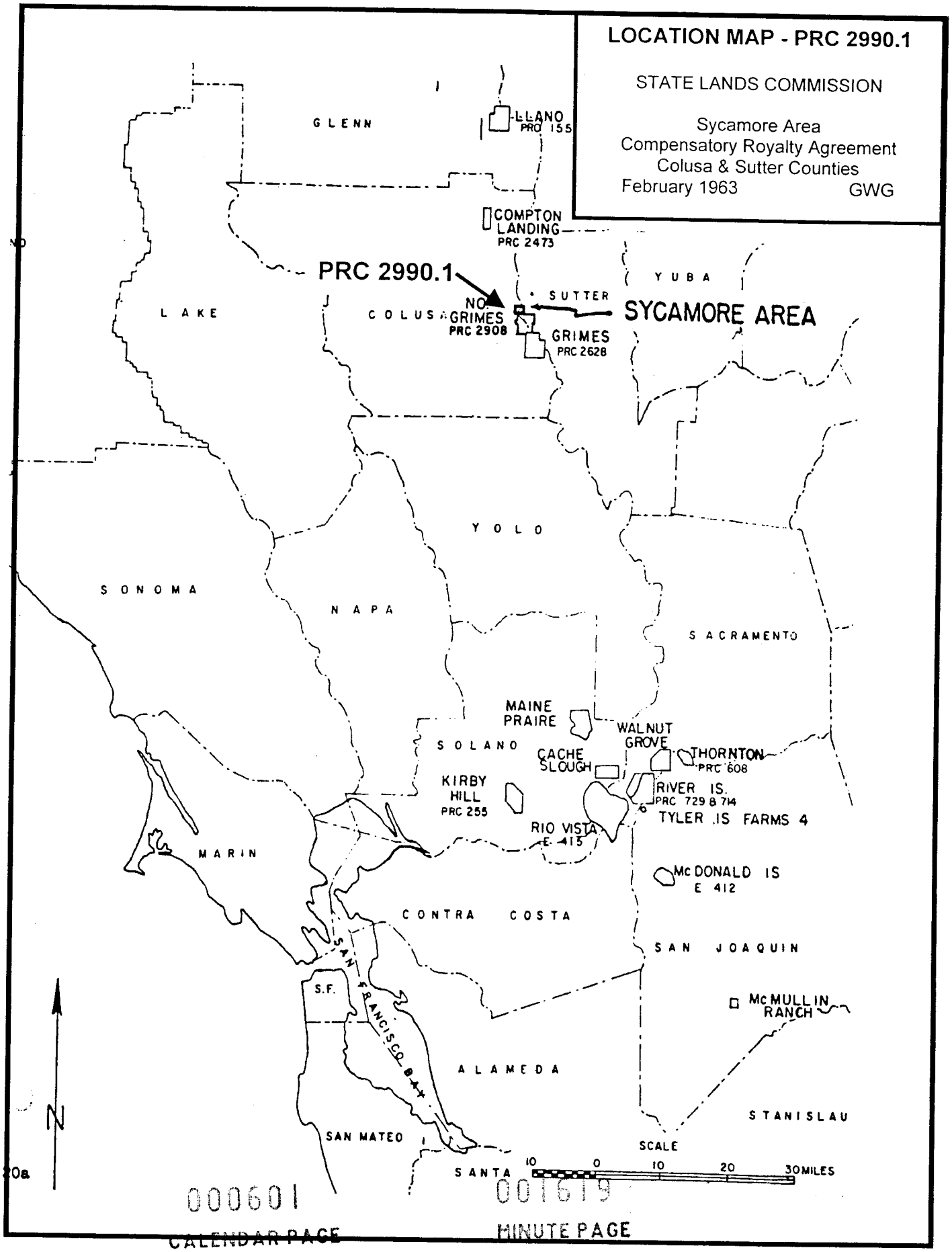


EXHIBIT D

PRC 2908.1
PRC 2990.1