

MINUTE ITEM
This Calendar Item No. 21
was approved as Minute Item
No. 21 by the State Lands
Commission by a vote of 2
to 0 at its 11-10-87
meeting.

CALENDAR ITEM

A 26
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11/19/87
PRC 6996
PRC 7114
Hamilton

AMENDMENT OF STATE OIL AND GAS LEASES
PRC 6996 AND PRC 7114, SAN JOAQUIN COUNTY

LESSEE: Corbin J. Robertson
c/c Quintana Petroleum Corporation
1050 Seventeenth Street, Suite 400
Denver, Colorado 80265

OPERATOR: Quintana Petroleum Corporation
Attn.: Bob Gerber
1050 Seventeenth Street, Suite 400
Denver, Colorado 80265

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Leases PRC 6996 and PRC 7114
contain approximately 38.56 acres and 171 acres,
respectively, of tide and submerged land in
White Slough and Middle River, respectively, in
San Joaquin County, California.

BACKGROUND INFORMATION:
State Oil and Gas Leases PRC 6996 and PRC 7114
were issued to Corbin J. Robertson on June 26,
1986 and July 16, 1987, respectively. Quintana
Petroleum Corporation is the operator of both
leases.

Currently, only Lease PRC 6996 is producing gas
under the authorized unit agreement entitled
the "Moresco Gas Unit." The gas produced from
the Moresco Gas Unit and Lease PRC 6996 is sold
to Pacific Gas and Electric Company (PG&E)
pursuant to an existing gas sales agreement
between Mr. Robertson and PG&E. The gas sales
agreement between Mr. Robertson and PG&E is a

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typical FG&E gas sales agreement and provides that PG&E make payment for gas delivered during any month on or before the 25th day of each calendar month following the month of production, or the 15th day after receipt of operator's invoice, whichever occurs later. However, because of PG&E's gas well production data collecting methods, accounting procedures and payment scheduling, gas production payments usually are made by PG&E between 30 and 40 days following the month of production.

The last sentence of paragraph 3(c) of State Oil and Gas Lease PRC 6996 (and PRC 7114) states, in part, that "Money royalty on gas substances shall be due no later than the twenty-fifth day of the calendar month following the calendar month in which the gas substances are produced...." However, since PG&E has been making gas production payments to Quintana from five to 15 days after the royalty due date specified in the lease, Quintana and other State lessee's have been prevented from making timely royalty payments to the State and have incurred late payment penalties and interest by the State. In this instance, Quintana has incurred \$981.15 for the period April through July 1987. Therefore, Quintana as operator, and on behalf of the lessee, has requested that the Commission amend the last sentence of paragraph 3(c) of State Oil and Gas Lease PRC 6996 to read: "Money royalty on gas substances shall be due no later than the fifth day of the second calendar month following the calendar month in which the gas substances are produced and shall be paid in accordance with procedures prescribed by the State." This amendment will permit Quintana to make timely gas royalty payments to the State. In addition, Quintana has requested the Commission to waive the above penalty and interest charges. Quintana also has requested that the same provision of State Oil and Gas Lease PRC 7114 be amended as the same royalty payment problem will exist should the lease become productive.

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AB 884: N/A.

OTHER INFORMATION:

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines (Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378).

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AMEND THE LAST SENTENCES OF PARAGRAPH 3(C) OF STATE OIL AND GAS LEASES PRC 6996 AND PRC 7114 TO READ: "MONTHLY ROYALTY ON GAS SUBSTANCES SHALL BE DUE NO LATER THAN THE FIFTH DAY OF THE SECOND CALENDAR MONTH FOLLOWING THE CALENDAR MONTH IN WHICH THE GAS SUBSTANCES ARE PRODUCED AND SHALL BE PAID IN ACCORDANCE WITH PROCEDURES PRESCRIBED BY THE STATE." ALL OTHER TERMS AND CONDITIONS OF THE LEASES ARE TO REMAIN UNCHANGED AND UNAFFECTED.
3. WAIVE PENALTY AND INTEREST CHARGES INCURRED BY QUINTANA PETROLEUM ON LEASE PRC 6996 AND/OR PRC 7114, IN THE AMOUNT OF \$981.15, FOR THE PERIOD OF APRIL THROUGH JULY 1987.
4. AUTHORIZE THE STAFF OF THE COMMISSION TO TAKE SUCH OTHER STEPS INCLUDING APPLICATION TO THE BOARD OF CONTROL AS MAY BE NECESSARY TO CARRY OUT THIS AUTHORIZATION.

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