

MINUTE ITEM

4/29/71  
EGJ

15. APPROVAL OF RESOLUTION, SUBSURFACE LEASE, CITY COUNCIL, CITY OF TRACY, SAN JOAQUIN COUNTY, CALIFORNIA - W 9195.

After consideration of Calendar Item 25 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 7060 OF THE PUBLIC RESOURCES CODE, APPROVES THE PROPOSED RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TRACY TO LEASE FOR THE PURPOSE OF DRILLING FOR, PRODUCING, EXTRACTING, AND REMOVING OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN LANDS OF THE CITY OF TRACY, AND APPROVE THE FORM OF LEASE NOW ON FILE WITH THE COMMISSION.

Attachment:

Calendar Item 25 (2 pages)

CALENDAR ITEM

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25.

APPROVAL OF RESOLUTION, SUBSURFACE LEASE, CITY COUNCIL, CITY OF TRACY,  
SAN JOAQUIN COUNTY, CALIFORNIA.

The City of Tracy has submitted for approval by the Commission, in accordance with Section 7060 and Section 7061 of the Public Resources Code, a proposed resolution of intention to enter into an oil and gas lease for the exploration for and production of oil and gas and other hydrocarbons from 225.2 acres of land owned by the City. In addition to the aforesaid resolution proposed to be adopted by the City Council, there was submitted a proposed subsurface lease relating to the subject area, including a legal description of the property for which an oil and gas lease is being sought.

Section 7058.5 of the Public Resources Code provides, in part: "Before a lease or any operating agreement or other type of agreement for the production of oil, gas, or other hydrocarbons is entered into,...the governing body of the city shall in open meeting adopt a resolution declaring its intention to take such action. The resolution shall describe the property involved in such manner as to identify it, specify the minimum rental, royalty, or other consideration, and the term of the lease or agreement, the form of the lease or agreement, and one variable, biddable factor, on which bids will be received, and fix a time not less than 30 days thereafter and place for a public meeting of said governing body, at which meeting sealed proposals to lease or contract will be received and considered. The resolution shall, before the date of such meeting, be published once a week for four successive weeks in one or more newspapers of general circulation in the city where the property is situated, or, if there is no newspaper of general circulation in such city, in one or more newspapers of general circulation in the county where the property is situated...."

Section 7060 provides in part: "No such lease or agreement shall be effective unless prior to adopting the resolution provided for by Section 7058.5 the City shall have petitioned the State Lands Commission for approval of the proposed resolution, and the proposed resolution shall have been approved by the State Lands Commission..."

The proposed resolution, which has been reviewed by the staff, includes the substantive contents required under Section 7058.5 of the Public Resources Code.

The City Council of the City of Tracy, in light of the specific provisions of the proposed lease, reasonably finds that operations under the proposed lease will not substantially interfere with the use of any property described in the lease used, owned, dedicated, or acquired as parks, highways, streets, walks or public playgrounds, inasmuch as the lease provides that drilling for oil and gas beneath the surface of the property shall be done by means of slant drilling from surface locations outside the outer boundaries of the property, as required by Section 7057 of the Public Resources Code.

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The proposed lease provides for payment to the City of a royalty of 16-2/3% of the sales value of oil, gas and other hydrocarbons except extracted gasoline. The minimum rental is \$2,252.00 per year and the variable bid factor upon which bids shall be received shall be the rent for the first year which shall not be less than \$2,252.00. The maximum lease term is 35 years.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 7060 OF THE PUBLIC RESOURCES CODE, APPROVE THE PROPOSED RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TRACY TO LEASE FOR THE PURPOSE OF DRILLING FOR, PRODUCING, EXTRACTING, AND REMOVING OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES FROM THOSE CERTAIN LANDS OF THE CITY OF TRACY, AND APPROVE THE FORM OF LEASE NOW ON FILE WITH THE COMMISSION.