

MINUTE ITEM

This Calendar Item No. 34
was approved as Minute Item
34 by the State Lands
Commission by a vote of 2
to 0 at its 9/27/78
meeting.

CALENDAR ITEM

34.

9/78
W 40129
Hamilton

APPLICATION FOR EXEMPTION OF PROPOSED OIL AND GAS LEASE
FROM COMPETITIVE PUBLIC BIDDING PROCEDURE
REQUIRED UNDER THE PUBLIC RESOURCES CODE

APPLICANT: Hilmar Cemetery District.
LOCATION: City of Hilmar, Merced County.
PROPOSED USE: The Hilmar Cemetery District, a political
corporation proposes to lease a single
3-acre parcel of its land to Gas Producing
Enterprises, Inc., a Delaware Corporation,
and has requested exemption from the public
bidding procedures as authorized under
Section 7052 of the P.R.C.

PERTINENT INFORMATION:

Section 7052 of the P.R.C. provides in
part: "...the State Lands Commission may
in its discretion exempt particular leases
or operating agreements from the procedure
required by this section and Section 7053
whereby reason of the small size of the
property or drainage, actual or imminent,
such procedure would in the judgment of
the State Lands Commission in the particular
case be impractical."

The exemption is requested by the Cemetery
District in order that a lease may be entered
into to provide for the potential development
of this small parcel in conjunction with
adjacent lands. Drillsites are prohibited
within the cemetery.

The staff has reviewed the proposed lease
form and is of the opinion that the terms
and conditions are reasonable. The lease
provides for a 20-year term, a 5-year drilling
term (drilling would be accomplished by
slant drilling or by pooling the leased
lands into an operating unit) and \$5.00
per acre per year rent. The 12½% royalty
originally offered by Gas Producing Enterprises
was increased to 16-2/3% based on our recommen-
dation to the Cemetery District. In view

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of the small size of the parcel and its lack of available drillsites, it is the opinion of the staff that it would be impractical to require the Hilmar Cemetery District to follow the competitive bidding procedures of Section 7052.

The Merced County Council has advised that CEQA is not applicable in this matter. No EIR has been required by Merced County for permits to drill oil and gas wells. Only a conditional use permit and performance bond will be required.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED, PURSUANT TO THE PROVISIONS OF SECTION 7052 OF THE P.R.C., THE COMMISSION APPROVE THE EXEMPTION OF THE PROPOSED OIL AND GAS LEASE OF HILMAR CEMETERY DISTRICT ON THE 3-ACRE PARCEL OF LAND DESCRIBED IN PROPOSED LEASE FORM ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION, AND BY REFERENCE MADE A PART HEREOF, FROM COMPETITIVE PUBLIC BIDDING PROCEDURE AS AUTHORIZED UNDER SECTION 7052 OF THE P.R.C. BY REASON OF THE IMPRACTICALITY OF COMPETITIVE BIDDING BECAUSE OF SMALL SIZE; SUBJECT TO THE EXPRESS CONDITION THAT THE LEASE WILL PROVIDE FOR A ROYALTY OF 16-2/3%.

EXHIBIT "A"
STATE LANDS COMMISSION
W 40129
Request for Exemption from
Bidding Procedure
by
Hilmar Cemetary District
Merced County

August 1978

MGH

