

# COUNCIL COMMUNICATION

TO: THE CITY COUNCIL	DATE	NO.
FROM: THE CITY MANAGER'S OFFICE	January 8, 1986	
SUBJECT: OIL AND GAS LEASE		

RECOMMENDED ACTION: That the City Council adopt Resolution No. \_\_\_\_\_, declaring its intention to call for bids for a certain oil and gas lease and making findings in connection therewith.

BACKGROUND INFORMATION: The City has been contacted by a representative of a Bakersfield-based land services firm expressing an interest in obtaining an oil and gas lease on a portion of the City-owned property at the White Slough Water Pollution Control Plant. I advised this representative that the proper procedure is for the City to advertise for bids for such a lease in accordance with the provisions of the Public Resources Code. Attached (Exhibit A) is a copy of the appropriate resolution.

State law provides that in such bidding the City may establish a variable bidding factor. The other factors, however many, must be fixed by the City and advertised as such. It is recommended that the variable bidding factor be the percentage of the royalty to be paid to the City. The standard royalty provided for in virtually all such leases is 16.67%, unless requested otherwise by the property owner. I have experienced this royalty figure being bid as high as 25% when designated as the variable bidding factor. Should production in any amount become a reality, the City could benefit handsomely from the higher royalty figure. It is recommended that all bids received be opened at the regular City Council meeting of March 19, 1986.

The staff will be pleased to answer any questions Councilmembers may have.

Respectfully submitted,

  
Thomas A. Peterson  
City Manager

TAP/lh

1/15 JH

RESOLUTION NO. 86-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LODI,  
CALIFORNIA, DECLARING ITS INTENTION TO CALL FOR BIDS  
FOR A CERTAIN OIL AND GAS LEASE AND MAKING FINDINGS  
IN CONNECTION THEREWITH

The City Council of the City of Lodi, California, does resolve as follows:

SECTION 1. Pursuant to Sections 7058 and 7058.5 of the Public Resources Code of the State of California, the City Council declares that it intends to call for bids for a lease agreement for the production of oil, gas and other hydrocarbons.

SECTION 2. Said lease shall cover all land lying more than 500 feet below the surface of that certain land upon which a bid is submitted. The City will be receiving bids on two (2) alternate locations both situated in the County of San Joaquin, State of California, and more particularly described as follows:

Alternate 1

Portions of Sections 23, 24, 25 and 26, Township 3 North, Range 5 East, Mount Diablo Base and Meridian, also being described as Assessor's Parcels 055-120-1, 055-120-7, 055-130-4, 055-130-13, 055-130-14, 055-130-15, 055-150-11, 055-150-12, 055-150-14, 055-150-15, and 055-150-17. The property is also commonly known as the (City of Lodi) White Slough Water Pollution Control Facility. This property is highlighted on the attached Exhibit A and totals approximately 763 acres.

Alternate 2

Portions of Sections 23 and 26, Township 3 North, Range 5 East, Mount Diablo Base and Meridian, also being described as the Westerly portion of the City of Lodi White Slough Water Pollution Control Facility property. This portion of City property is highlighted on the attached Exhibit B and totals approximately 392 acres.

SECTION 3. The minimum annual rental shall be \$30.00 per acre.

SECTION 4. The minimum cash bonus shall be \$10,000.

SECTION 5. The term of the lease shall be for three (3) years and for such longer period (not to exceed 35 years) during which oil, gas, and other hydrocarbon substances shall be produced from said leased land, or lands with which the leased land may be pooled.

SECTION 6. The form of the lease shall be a standard oil and gas lease form such as is used by Shell Oil, Standard Oil, Phillips Petroleum, or any other major oil company.

SECTION 7. - The variable bidding factor from which bids shall be received shall be the percentage of royalty on all oil, gas, minerals, or other hydrocarbons that may be produced from said land.

SECTION 8. The bidder shall submit a sealed proposal to enter into said lease agreement and the same shall be received at the office of the City Clerk of the City of Lodi located in the City Hall on or before 5:00 p.m. Wednesday, March 19, 1986 and said bids shall be opened and publicly declared by the Council at its regular meeting in the City Hall, Lodi, California to be held at 7:30 p.m. on said date. Said bids shall contain a cashier's or certified check covering the full amount of the cash bonus consideration including the first year's rental and shall indicate the willingness of the leasee to enter into a lease containing at least the minimum proposals set forth herein.

SECTION 9. The City Clerk shall publish this resolution once a week for four successive weeks in the Lodi News Sentinel, a newspaper of general circulation published and printed in the city and county where the property is situated.

I hereby certify that the foregoing resolution was passed and adopted by the City Council of the City of Lodi in a Regular Meeting held Wednesday, January 15, 1986 by the following vote:

AYES: Council Members - Olson, Reid, Snider and  
Hinchman (Mayor)

NOES: Council Members - None

ABSENT: Council Members - Pinkerton

ABSTAIN: Council Members - None

ATTEST:

*Alice M. Reimche*  
ALICE M. REIMCHE  
City Clerk

EXHIBIT "B"

Portions of Sections 23 and 26, Township 3 North, Range 5 East, Mount Diablo Base and Meridian, also being described as the Westerly portion of the City of Lodi White Slough Water Pollution Control Facility property. This portion of City property is highlighted below and totals approximately 392 acres.

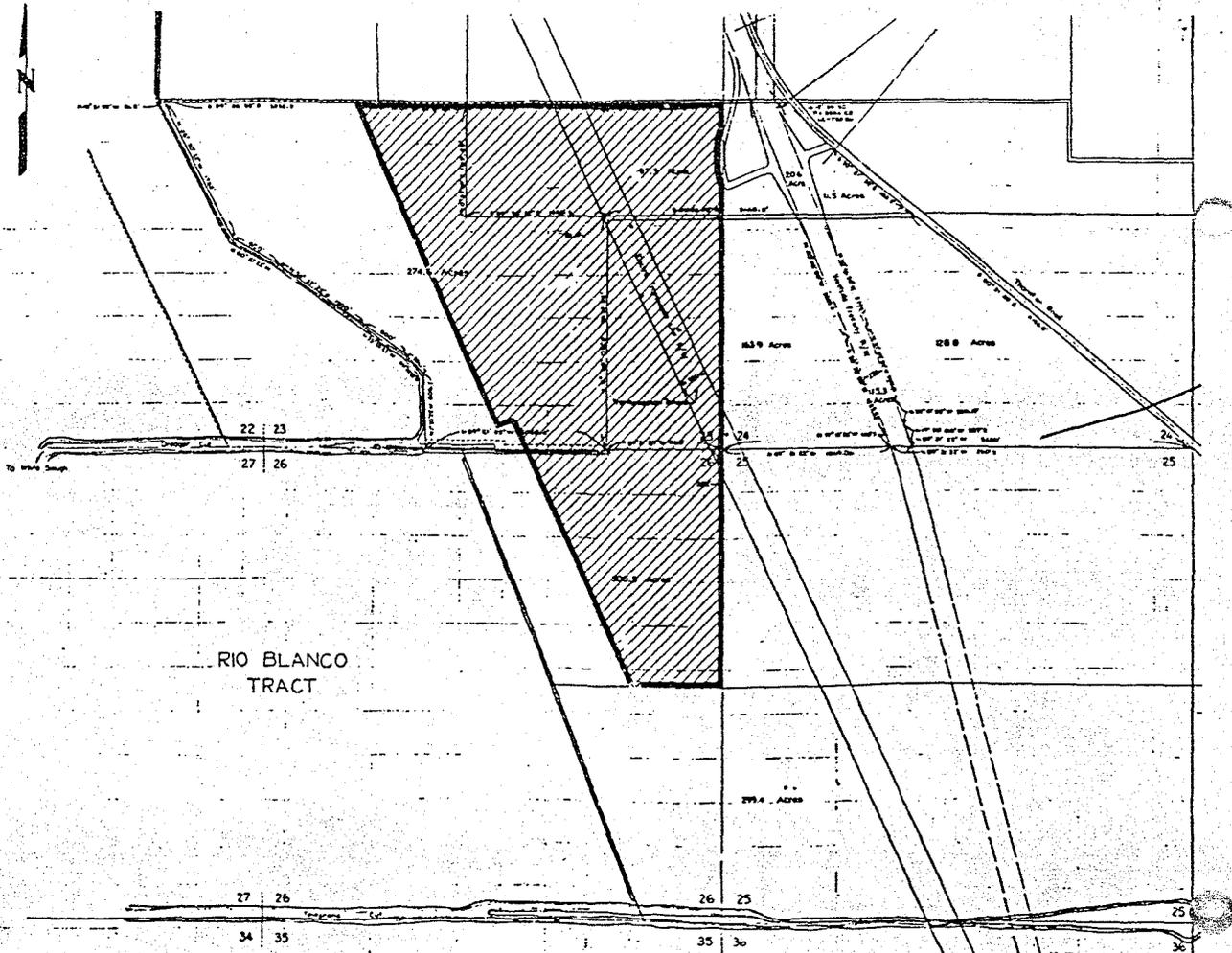


EXHIBIT 'A'

Portions of Sections 23, 24, 25 and 26, Township 3 North, Range 5 East, Mount Diablo Base and Meridian, also being described as Assessor's Parcels 055-120-1, 055-120-7, 055-130-4, 055-130-13, 055-130-14, 055-130-15, 055-150-11, 055-150-12, 055-150-14, 055-150-15, and 055-150-17. The property is also commonly known as the (City of Lodi) White Slough Water Pollution Control Facility. This property is highlighted below and totals approximately 763 acres.

