

Staff Report 38 (Informational)

LESSEE:

Todd Jamison Ballantyne

AREA, LAND TYPE, AND LOCATION:

Approximately 23.36 acres of State-owned sovereign land in the beds and vicinity of Butte Slough and Butte Creek in Sutter County (see Exhibits A and B, attached).

BACKGROUND:

On April 22, 2021, the Lessee submitted a full quitclaim deed (Exhibit C, attached) pursuant to Public Resources Code section 6804.1¹ which relinquishes the lessee's full interest in State oil and gas lease No. 6786. So long as the lessees' obligations have been fulfilled and there are no outstanding defaults or breaches of the lease prior to the quitclaim. This document is dated April 20, 2021, and quitclaims to the State all the Lessee's right, title, and interest in and to the leased lands. Staff has reviewed the files and there were no outstanding defaults or breaches of the lease pending the quitclaim.

On January 31, 1985, a negotiated subsurface (i.e., non-surface use) oil and gas lease, No. 6786, was issued to OXY Petroleum, Inc., a subsidiary of OXY USA, Inc. ([Item 31, January 31, 1985](#)). The lands involved in this lease were unitized with other privately held lands as part of a larger development program that was never fully realized.

On June 11, 1990, OXY USA, Inc., assigned its interest in the lease to the current Lessee ([Item 48, June 11, 1990](#)).

¹ Public Resources Code section 6804.1 – "...[s]uch quitclaim shall be effective as of the date of the filing, subject to the continued obligation of the lessee and his surety to make payment of all rentals and royalties theretofore accrued and to place all wells on the lands..., in condition for suspension or abandonment in accordance with applicable lease terms and regulations; thereupon the lessee shall be released from all obligations thereafter accruing under said lease...."

Public Resources Code section 6804.1 and lease paragraph 27 permit the Lessee to make, at any time, a written quitclaim of all rights under the lease. The quitclaim is effective when it is filed with the State subject to the continued obligation of the Lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on or into the leased lands.

A review of the Commission's files and recent photographs, taken in 2021 and currently on file in Commission's Long Beach office, reveal that no wells have been drilled on or into the leased lands, and no infrastructure was placed on the leased lands. The Commission has been receiving royalty on production from two unitized wells located on adjacent private land. The wells will continue to produce even with the submission of this quitclaim deed. However, the bottom hole locations, for both wells, are located more than 100 feet from the State parcel, as required by California Public Resources Code section 3600. Because California is a "rule of capture" state, and oil and gas are fugitive minerals, ownership is established once the minerals have been captured. This means that the former Lessee has a right to produce from its parcel, even if gas migrates from the shared reservoir that also underlies the State parcel (*Bernstein v. Bush* (1947) 29 Cal.2d 773). Staff's analysis concludes that continued production by the Lessee on the adjacent private land, using the two unitized wells after the quitclaim, does not violate any provision of state law or Commission regulation.

The lease royalty averaged approximately \$300 per year. The Lessee paid royalties through a unitization agreement, whereby the Commission was credited with a percentage of production occurring over a larger area based on the ratio of the lease acreage over the total area acreage. With the quitclaim deed, the leased lands will no longer be part of the unit, and the Commission will not receive any additional royalty payments.

There is no lease infrastructure within the leased lands, and all rents and royalties have been paid to date. Consistent with Public Resources Code section 6804.1, staff acknowledge receipt of the quitclaim as of April 22, 2021, and confirm that no lease obligations remain outstanding.

EXHIBITS:

- A. Land Description
- B. Location Map
- C. Quitclaim Deed

EXHIBIT A

Land Description

Lease 6786

All those California State lands in Sections 25 and 36, T16N, R1W, MDM, and in Section 31, T16N, R1E, MDM, Sutter County, California, described as follows:

All those submerged lands in the beds of Butte Slough and Butte Creek in said Sections 25, 36, and 31 TOGETHER WITH that portion of the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 36 lying southerly of said Butte Slough.

END OF DESCRIPTION

PREPARED JANUARY 27, 1984 , BY BOUNDARY AND TITLE UNIT, LEROY WEED,
SUPERVISOR

The State lands described above contain 23.36 acres, more or less.

EXHIBIT B LOCATION MAP

Lease 6786

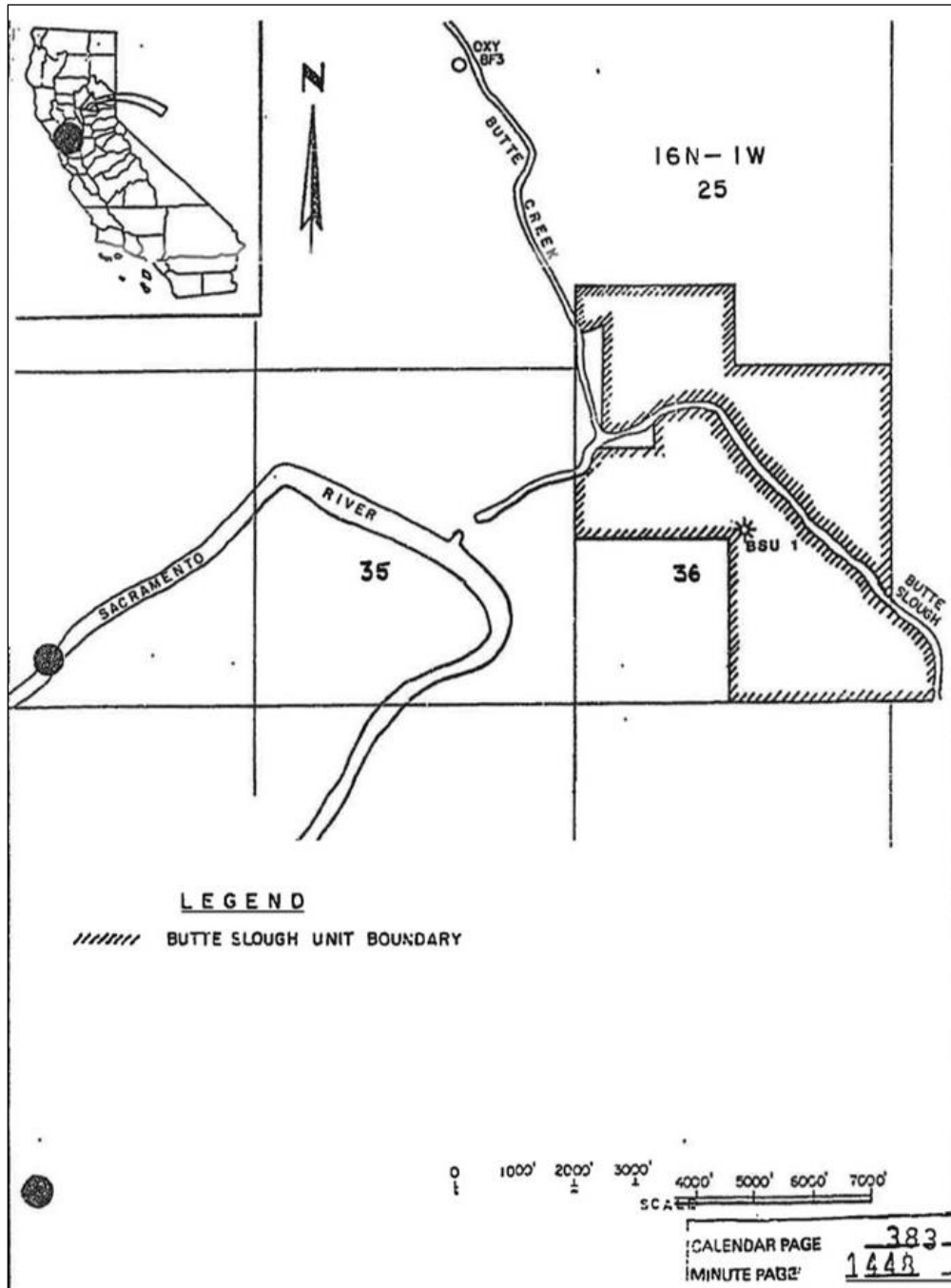


EXHIBIT C
QUITCLAIM DEED
Lease 6786

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202
Attn: Title Unit

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation
pursuant to Government Code Section 27383

No Tax Due

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**LEASE QUITCLAIM DEED
FOR STATE OIL AND GAS LEASE**

State Oil and Gas Lease No. **6786** (Lease), covering certain State lands located in Sutter County, State of California, was issued by the State of California, acting through the California State Lands Commission (State), on **January 31, 1985** and was recorded in the Official Records of **Sutter County** Book 1131, Page 250 as **Oxy Petroleum, Inc.** on **March 27, 1985**.

Todd Jamison Ballantyne (Lessee) is the present holder of the Lease.

Pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under the Lease or of any portion of the Lease comprising a 10-acre parcel or multiple thereof in compact form, or of any separate or distinct zone or geological horizon thereof underlying such 10-acre parcel or multiple thereof.

Acting in accordance with such terms, the **Lessee** does hereby release, remise and forever quitclaim unto the **State of California** all of its right, title and interest in and to the State lands held by virtue of the Lease, which lands are described in the attached Exhibit A.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this 20th day of April, 2021

LESSEE: **TODD JAMISON BALLANTYNE**

By: 
Jim Paszek, Senior Vice President, First Western Bank & Trust

Personal Representative for Todd Jamison Ballantyne
and
Successor Co-Trustee, TJ Ballantyne Living Trust Dated April 12, 2010

Acknowledgment

NORTH DAKOTA NOTARY ACKNOWLEDGMENT

THE STATE OF NORTH DAKOTA

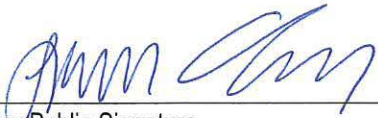
COUNTY OF WARD

On this 20th day of April, in the year 2021, before me personally appeared

Jim Paszek

known to me to be the person who is described in and who executed the within instrument, and acknowledged to me

that he executed the same.



Notary Public Signature

Print: Lauren Tiffany

Title or Office: Notary

My commission expires: Jan. 9, 2024

Seal:

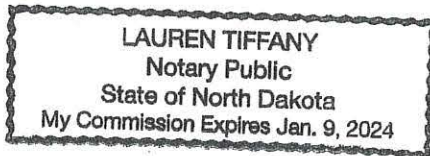


EXHIBIT "A"

LAND DESCRIPTION

W 40395

All those California State lands in Sections 25 and 36, T16N, R1W, MDM, and in Section 31, T16N, R1E, MDM, Sutter County, California, described as follows:

All those submerged lands in the beds of Butte Slough and Butte Creek in said Sections 25, 36, and 31 TOGETHER WITH that portion of the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 36 lying southerly of said Butte Slough.

END OF DESCRIPTION

PREPARED JANUARY 27, 1984, BY BOUNDARY AND TITLE UNIT, LEROY WEED, SUPERVISOR.

The State lands described above contain 23.36 acres, more or less.



OXY
BF3
BUTTE CREEK

EXHIBIT 'A'

16N-1W
25

SACRAMENTO RIVER
35

BUTTE SLOUGH
36
BSU

LEGEND

////// BUTTE SLOUGH UNIT BOUNDARY



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