

MINUTE ITEM.

This Calendar Item No. 37
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 2
to 0 at its 2/25/82
meeting.

CALENDAR ITEM

37

2/25/82
W 40225
Graber
PRC 6124

AWARD OF A NEGOTIATED OIL AND GAS LEASE
BENEATH THE BED OF THE SACRAMENTO RIVER, FREEPORT BEND,
SACRAMENTO AND YOLO COUNTIES

APPLICANT: C. F. Braun and Company
3131 Turtle Creek Blvd., Suite 100
Dallas, Texas 75219

LOCATION: 216.88 acre of tide and submerged land,
Sacramento River at Freeport Bend, between
River Mile 45.5 and 48.5.

AB 884: 3/11/82.

PERTINENT INFORMATION:

1. P.R.C. Section 6815 provides that the Commission may negotiate and enter into leases for the development of State lands through drilling from adjoining lands in three situations: first, where it appears that wells drilled upon private or public lands are draining or may drain oil or gas from lands owned by the State; second, where the competitive bid provisions of P.R.C. Section 6827 are impracticable by reason of the small size or irregular configuration of the property; and third, because of the property's inaccessibility from surface drill sites reasonably available or obtainable.

The staff believes that a negotiated lease is appropriate here because of the property's potential for drainage from adjacent private lands and its inaccessibility from surface drill sites reasonably available or obtainable.

The State parcel is surrounded by lands under lease to the applicant (see Exhibit "A"). Surface drillsites on the State parcel would be inaccessible because

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the land is beneath the Sacramento River. Under the proposed negotiated lease, the applicant plans to drill directionally from a drillsite west of the river into or through the State parcel.

2. Under the proposed oil and gas lease, C. F. Braun agrees to pay to the State rental of \$20 per acre per year, 16 2/3 percent royalty on all oil and gas produced from the leased lands, and 30 percent of the net profits from the lease operations. C. F. Braun and Company also agrees to pay the State five percent of the value of all oil or gas produced by wells drilled through the parcel into adjacent lands which have not been included in a pooling or unitization agreement approved by the State.

The area is considered a natural gas prospect with little likelihood of encountering oil. The lease shall provide for a primary drilling term of two years.

3. In accordance with P.R.C. Section 6873.2, a "Notice of Public Hearing", with respect to the policies of the State Lands Commission, relating to the leasing of State-owned tide and submerged lands in the Sacramento River at Freeport Bend between River Mile 45.5 and 48.5, Sacramento and Yolo counties, for oil and gas extraction, was published on December 23 and 30, 1980. The hearing was held on March 5, 1981, Consumer Affairs Building, 100 "N" Street, Room 102, Sacramento, California. No comments were received at the hearing.
4. In accordance with P.R.C. Section 6818, the Director of Parks and Recreation was notified of the proposed lease and has determined that the project will not interfere with recreational use of the littoral lands.

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5. The proposed lease was reviewed by Staff Counsel, who have advised that the proposed negotiated lease will comply with the requirements of P.R.C. Section 6815 and other applicable provisions of law and the rules and regulations of the Commission.
6. The proposed lease was reviewed by the Office of the Attorney General in accordance with P.R.C. Section 6818, which has advised that the proposed lease complies with applicable provisions of law and the rules and regulations of the Commission.

ENVIRONMENTAL IMPACT:

The State Lands Commission's staff, in accordance with Article 10, Section 2906(b) of the Cal. Adm. Code, has conducted an initial study and has concluded that the project will not have a significant effect on the environment. Therefore, in compliance with subsection (c) of Section 2906, a negative declaration was prepared and filed with the State Clearinghouse.

This project is situated beneath the Sacramento River, at a location which has been identified as possessing significant environmental values pursuant to P.R.C. 6370.1, and is classified in use category Class "B", which authorizes Limited Use. Inasmuch as this lease involves a subsurface extractive activity from adjacent property, the significant environmental values at this location will not be affected.

EXHIBITS:

- A. Location Map.
- B. Land Description.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS PROJECT BUT THAT A NEGATIVE DECLARATION HAS BEEN PREPARED BY COMMISSION STAFF.
2. CERTIFY THAT THE NEGATIVE DECLARATION (EIR ND 238) HAS BEEN COMPLETED IN COMPLIANCE WITH CEQA, AS AMENDED,

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AND THE STATE GUIDELINES, AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. FIND THAT GRANTING OF T.E LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. SECTION 6370.1.
5. FIND, THAT IN ACCORDANCE WITH P.R.C. SECTION 6815, THAT AS TO THE 216.88 ACRES OF TIDE AND SUBMERGED LANDS, SACRAMENTO AND YOLO COUNTIES, THE PROVISIONS OF SECTION 6827 ARE IMPRACTICAL BY REASON OF ITS INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE.
6. AUTHORIZE THE ISSUANCE OF A SUBSURFACE OIL AND GAS LEASE ON 216.88 ACRES OF TIDE AND SUBMERGED LANDS, DESCRIBED IN EXHIBIT "B" ATTACHED PURSUANT TO DIV. 6, OF THE P.R.C.; TO C. F. BRAUN AND COMPANY, A DELAWARE CORPORATION; FOR CONSIDERATION OF AN ANNUAL RENTAL OF \$20 PER ACRE, 16 2/3 PERCENT ROYALTY AND 30 PERCENT OF NET PROFITS ON ALL OIL AND GAS PRODUCED FROM STATE LANDS, AND FIVE PERCENT OF THE VALUE OF ALL OIL AND GAS PRODUCED BY WELLS DRILLED THROUGH STATE LANDS INTO ADJACENT PRIVATE LANDS WHICH HAVE NOT BEEN INCLUDED IN A POOLING OR UNITIZATION AGREEMENT APPROVED BY THE STATE.

SACRAMENTO

SACRAMENTO

MILE 48.5

PROPOSED DRILL SITE

PROPOSED LEASE AREA



LEASED TO C F BRAUN

EXHIBIT "A"
 PROJECT LOCATION MAP
 W 40225
 OIL & GAS LEASE
 YOLO AND SACRAMENTO COUNTIES

0 1/2 1
 Approximate Scale in Miles

JTF

MILE 45.5

Berges Clay Street Airport

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EXHIBIT "B"

LAND DESCRIPTION

W 40225

A parcel of tide and submerged land in the Sacramento River in Yolo and Sacramento Counties, California, lying within portions of Sections 10, 11, 12, 13, 14, 23 and 24, T7N, R4E, MDM, described as follows:

All those tide and submerged lands between the ordinary high water marks on the right and left banks of the Sacramento River extending from river mile 45.5 northerly and westerly for a distance of three miles and terminating at river mile 48.5. (As said river miles are shown on the U.S. Geological Survey "Clarksburg, California" quadrangle dated 1967, photo-revised 1980.)

END OF DESCRIPTION

REVISED FEBRUARY 2, 1982 BY TECHNICAL SERVICES UNIT, ROY MINNICK, SUPERVISOR.

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