MINUTE ITEM

This Calendar Item No. 22
was approved as Minute Item
No. 22 by the State Lands
Commission by a vote of 3
to 0 at its 8/28/86
meeting.

CALENDAR ITEM

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08/28/86
W 40493 PRC 7004
Graber
Hamilton

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ISSUANCE OF NEGOTIATED SUBSURFACE OIL AND GAS LEASE

APPLICANT: TXO Production Corporation
Attn: Mr. Greg Guerrazzi
100 Howe Avenue, Suite 200 North
Sacramento, California 95825

AREA, TYPE LAND AND LOCATION:
A 95.7-acre parcel, more or less, of State submerged land, located in the bed of the Sacramento River in T18N R1W, MDM, near the town of Princeton, Glenn County, California.

LAND USE: The surface use of the State parcel is unsuitable for oil and gas operations. However, the subsurface commercial development of oil and gas resources that may underlie the State parcel may be accomplished by directional drilling from adjacent private lands.

P.R.C. Section 6815 authorizes the Commission to negotiate and enter into oil and gas leases on State lands in various situations, including those where wells drilled upon private lands are draining or may drain oil or gas from State-owned lands and where the State lands are determined by the Commission to be unsuitable for competitive bidding because of their inaccessibility from surface drill sites reasonably available or obtainable or where a negotiated lease is in the State's best interests.

TERMS OF THE PROPOSED OIL AND GAS LEASE:

Most of the subject State parcel is surrounded by private lands under lease to TXO Production Corporation. In the event a well is drilled and completed on adjacent private lands (within 1,489 feet for gas and 500 feet for oil) an offset well will be required or the leased lands may be pooled with other lands held by the lessee. TXO intends to drill well Monsen No. 5-1 from a surface location of about 1,500 feet east of the State parcel on these private lands. Staff has examined information supplied by the applicant and concludes that a negotiated subsurface oil and gas lease is the best means of protecting the State from possible drainage from wells drilled on these adjacent lands and to develop any oil and gas resources that may underlie the State parcel. Staff has negotiated a lease with TXO and the parties have agreed to terms, among which are the following:

1. Lessee shall pay in advance a rental of $50 per acre per year ($4,800 per year);

2. Lessee shall pay a flat rate royalty of 25 percent on all oil and gas substances produced from the leased lands and;

3. Three year drilling term.

OTHER PERTINENT INFORMATION:

1. The Glenn County Planning Department has issued two administrative oil and gas drilling permits for the proposed exploratory drilling of wells Monsen No. 5-1 and Ossenbriggen No. 9-2. The permits were issued administratively since the wells satisfied county requirements of being 500 feet from a dwelling, 250 feet from any levee and 120 feet from any county road right-of-way.

2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061) the staff has determined that this activity is exempt from the requirements of CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Staff believes there is no possibility that this project will have a significant effect on the environment.

   Authority: 14 Cal. Adm. Code 15061 (b)(3).

3. The proposed project is situated on lands identified as Class B (P.R.C. 6370.1), limited use and possesses environmental values. However, this project has been determined to be compatible with the provisions of 2 Cal. Adm. Code, Div. 3, Chapter 1, Article II

AB 884: 11/30/86.

EXHIBITS:
A. Land Description.
B. Site Map.
C. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY WILL HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL. ADM. CODE 15061 (b)(3).

2. FIND THAT GRANTING OF THE LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. SECTION 6370.1.

3. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE AND THAT A NEGOTIATED LEASE IS IN THE STATE'S BEST INTEREST.

4. AUTHORIZE THE ISSUANCE TO TXO PRODUCTION CORPORATION OF A NEGOTIATED SUBSURFACE OIL AND GAS LEASE WHICH CONTAINS APPROXIMATELY 95.7 ACRES OF STATE SUBMERGED LAND IN THE BED OF THE SACRAMENTO RIVER NEAR THE TOWN OF PRINCETON IN GLENN COUNTY, CALIFORNIA.

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EXHIBIT "A"

LAND DESCRIPTION W 40493

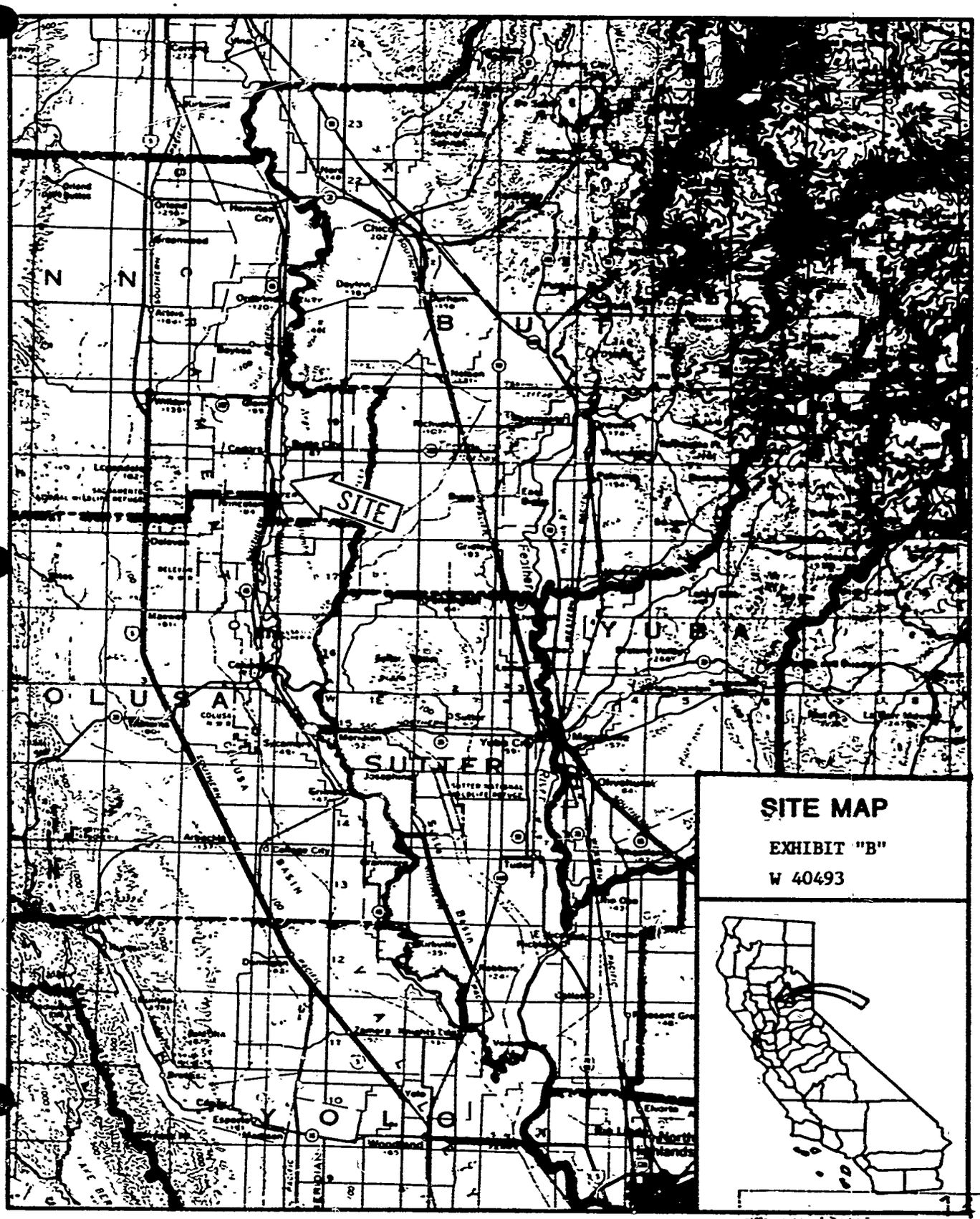
A parcel of submerged land in the bed of the Sacramento River in T18N, R1W, MDM, Glenn County, California, described as follows:

All those lands bounded on the east and west by the ordinary low water marks of the Sacramento River; bounded on the north by the easterly prolongation of the northerly line of Parcel One of the Oil and Gas Lease recorded October 3, 1985 in Book 780 Page 171, Glenn County Official Records; bounded on the south by the most southerly line of said Parcel One.

END OF DESCRIPTION

PREPARED JUNE 24, 1986 BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR

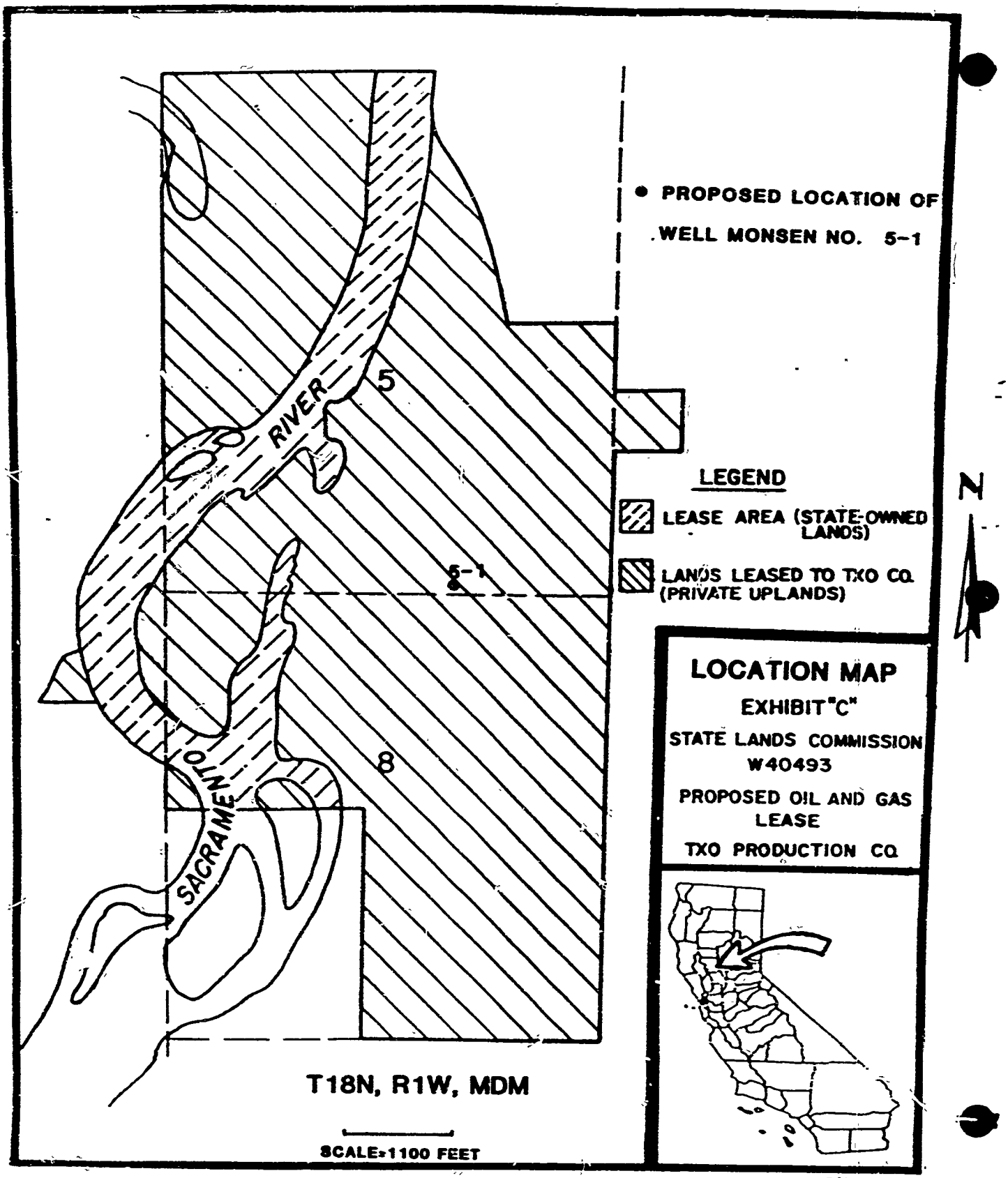
THE ABOVE PARCEL OF SUBMERGED LAND CONTAINS 95.7 ACRES, MORE OR LESS.



SITE MAP

EXHIBIT "B"

W 40493



R.O. 7/86

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