

MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No. 25 by the State Lands
Commission by a vote of 3
to 0 at its 7-16-87
meeting.

CALENDAR ITEM

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07/16/87
W 40529 PRC 7114
Hamilton

ISSUANCE OF NEGOTIATED
SUBSURFACE OIL AND GAS LEASE

APPLICANT: Mr. Corbin J. Robertson
c/o Quintana Petroleum Corporation
1050 - 17th Street, Suite 400
Denver, CO 80265

AGENT AND OPERATOR:
Quintana Petroleum Corporation
Attention: Mr. Bob Gerber
1050 - 17th Street, Suite 400
Denver, CO 80265

AREA, TYPE LAND AND LOCATION:
Approximately 171-acre parcel of tide and
submerged land in the natural bed of Middle
River, San Joaquin County, California.

LAND USE: The State parcel is tide and submerged land.
Subsurface development of oil and gas resources
that may underlie the State parcel may be
accomplished by directional drilling from
adjacent or other nearby private lands.

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

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TERMS OF PROPOSED OIL AND GAS LEASE:

The subject State parcel is surrounded by private lands under lease or farm-out agreement to Mr. Corbin J. Robertson. As agent and operator of his leaseholdings, Quintana Petroleum Corporation has received a permit from San Joaquin County to drill well "Mildred Island No. 1-27" from a surface location on these private lands. This well will be drilled through the State parcel and bottomed on other private lands. Staff has examined information supplied by the Applicant as well as other data in the Commission's files and concludes that a negotiated subsurface oil and gas lease is the best instrument to protect the State from possible drainage from wells drilled on these adjacent private lands and to develop any oil and gas resources that may underlie the State parcel. Staff has negotiated a lease with Quintana and Mr. Robertson and the parties have agreed to terms, among which are the following:

1. Lessee shall pay in advance a rental of \$65 per acre per year (\$11,115 per year); and
2. Lessee shall pay a flat rate royalty of 25% on all gas and oil produced from the State lands.

AB 884:

01/01/87.

OTHER PERTINENT INFORMATION:

1. The San Joaquin County Department of Planning and Building Inspection has approved an application No. DP-87-83 to drill for gas and/or oil on private property located within San Joaquin County. Development plans are processed as ministerial projects by San Joaquin County.
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

CALENDAR ITEM NO. 25 (CONT'D)

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), limited use, possessing 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.

EXHIBITS: A. Land Description.
 B. Site 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 PUBLIC RESOURCES CODE 6370.
3. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE AND THAT IT IS IN THE BEST INTERESTS OF THE STATE TO ENTER INTO A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE.
4. AUTHORIZE THE ISSUANCE TO CORBIN J. ROBERTSON OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE OF A 171-ACRE PARCEL OF TIDE AND SUBMERGED LAND IN THE BED OF MIDDLE RIVER IN SAN JOAQUIN COUNTY, CALIFORNIA. LESSEE SHALL PAY IN ADVANCE AN ANNUAL RENTAL OF \$65 PER ACRE OR \$11,115 PER YEAR FOR 171 ACRES, AND A FLAT RATE ROYALTY OF 25 PERCENT ON ALL GAS AND OIL PRODUCED FROM THE STATE LEASED LANDS.

EXHIBIT "A"

LAND DESCRIPTION

40529

A parcel of tide and submerged land in the natural bed of Middle River in San Joaquin County, California, said parcel is described as follows:

That portion of the natural bed of the Middle River lying within projected Sections 22, 27, 28, 33 and 34, T2N, R4E, MDM, bounded on the north by the south line of the bed of Connection Slough; on the south by the south line of said projected Section 33; on the east by the west line of Mildred Island as described in the deed to Coleman Foley, recorded March 11, 1966, in Book 3022, at page 476, Official Records of San Joaquin County; and on the west by the east line of the lands of Reclamation District No. 2028 as described in the Judgment Quieting Title, recorded June 14, 1968, in Book 3216, at page 501, Official Records of said San Joaquin County.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water marks of Middle River.

END OF DESCRIPTION

REVIEWED JUNE 22, 1987 BY BOUNDARY SERVICES UNIT, M. L. SHAFER,
SUPERVISOR.

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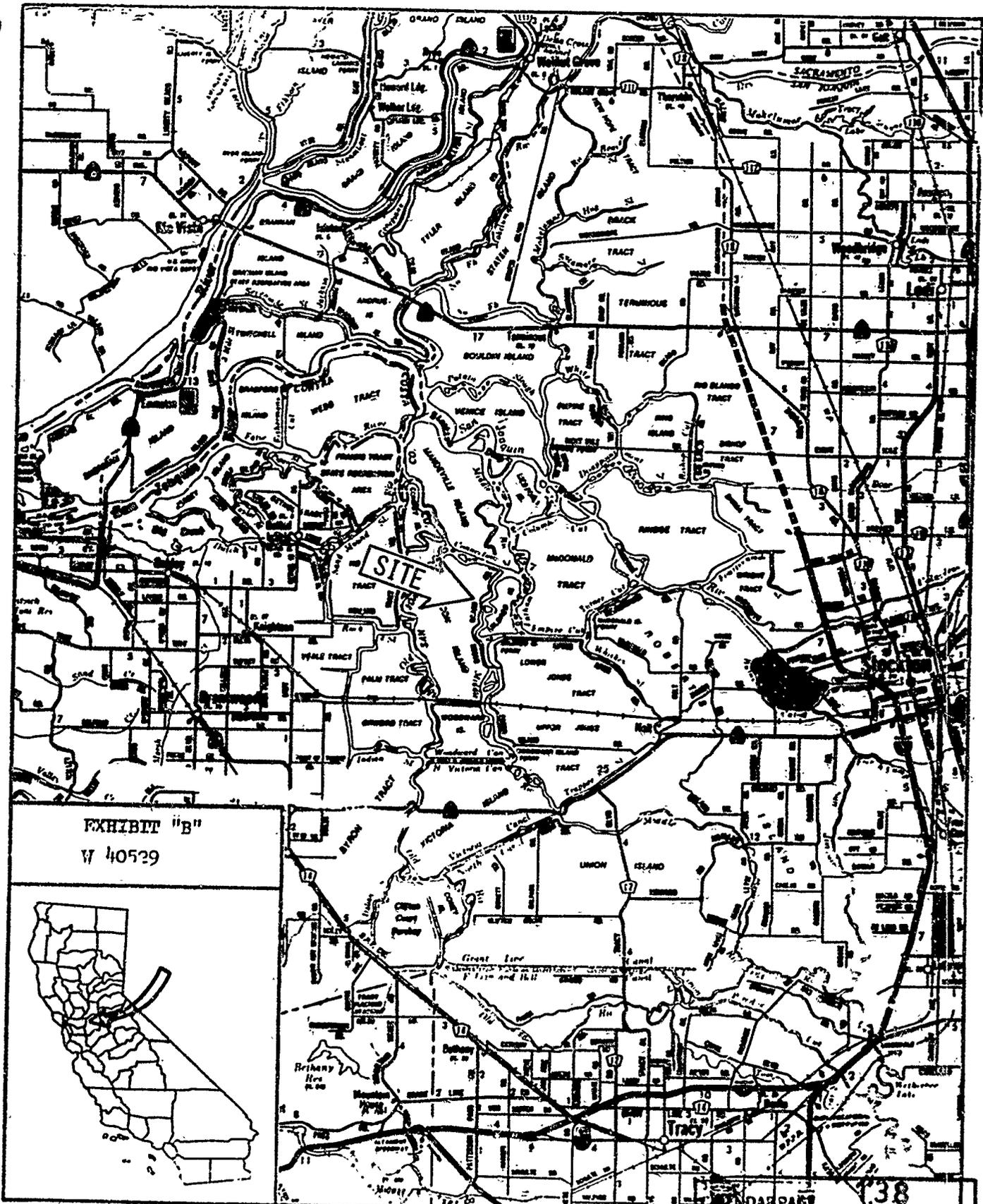


EXHIBIT "B"
W 40529

