

MINUTE ITEM  
This Calendar Item No. 50  
was approved as Minute Item  
No. 50 by the State Lands  
Commission by a vote of 2  
to 0 at its 12/13/88  
meeting.

CALENDAR ITEM

50

12/13/88  
W 40557 PRC 7268  
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ISSUANCE OF A NEGOTIATED SUBSURFACE  
STATE OIL AND GAS LEASE,  
SOLANO COUNTY

APPLICANT: Amerada Hess Corporation  
Attn: Mr Peter E. Bacon  
1201 Louisiana, Suite 700  
Houston, Texas 77002

AREA, TYPE AND LOCATION OF STATE LAND:  
Approximately 85 acres of State tide and  
submerged land in the bed of Cache Slough,  
Solano County, California, lying within  
projected Section 24, T5N, R2E, MDM.

LAND USE: Surface locations for oil and gas operations  
are not available or obtainable on the State  
land. However, development of oil and gas  
resources that may underlie the State land may  
be accomplished by slant drilling from  
locations on adjacent or other nearby lands.

STATUTORY AUTHORITY:  
P.R.C. 6815 authorizes the Commission to  
negotiate and enter into oil and gas leases on  
State lands if any of the following exists:  
wells drilled upon private or public lands are  
draining or may drain oil or gas from State  
lands, the State lands are determined by the  
Commission to be unsuitable for competitive  
bidding because of such factors as their small  
size or irregular configuration, the State owns  
a fractional interest in the lands, or the  
Commission determines a negotiated oil and gas  
lease to be in the best interests of the State.

The applicant currently has acquired oil and  
gas leases on the lands adjacent to the State

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land (see Exhibit "D"). Based upon a review of the information supplied by the applicant and prior drilling activity and leasing data in the Commission's files, staff has concluded that a negotiated subsurface State oil and gas lease will protect the State from drainage and develop the oil and gas resources that may underlie State land.

NON-NEGOTIABLE LEASE TERMS AND CONDITIONS:

1. Primary term of twenty years and for so long thereafter as oil or gas is produced in paying quantities from the leased lands, or so long as the lessee is diligently conducting producing, drilling, deepening, repairing, redrilling or other necessary lease or well maintenance operations in the leased lands.
2. No right to use any portion of the surface of the leased lands or any portion of the subsurface area within 500 feet of the surface of the leased lands for oil and gas drilling locations, producing facilities or any related operations.
3. All development of the leased lands shall be from locations on adjacent or other nearby lands.
4. All drilling into or through the leased lands shall be accomplished by slant drilling from locations on adjacent or other nearby lands and shall be on a course and to an objective approved in writing by the Commission prior to the commencement of slant drilling.
5. Compliance with all applicable laws, rules and regulations of Federal, State and local governments and receipt of all necessary permits or approvals prior to drilling into or through the leased lands.

NEGOTIATED LEASED TERMS AND CONDITIONS:

1. Drilling term of three years. However, if all or part of the leased lands are included

CALENDAR ITEM NO. 50 (CONT'D)

in a Commission-approved pooled area or unit, then drilling operations on and production from lands pooled or unitized with the leased lands shall be deemed to be drilling operations on and production from the leased lands that are included in the pooled area or unit. If drilling and production occur on lands not under lease by Amerada which may drain the lease land, the lessee is required to drill offset wells.

2. Annual rental of \$25 per acre or fraction of an acre for a total of \$2,125 for approximately 85 acres.
3. Royalty percentage on gas substances and oil fixed at 30 percent.
4. Performance bond in the sum of \$15,000.

**PREREQUISITE CONSIDERATIONS:**

Filing fee, processing costs, first year's rental, performance bond and duly executed negotiated subsurface State oil and gas lease have been received.

**CEQA AND OTHER ENVIRONMENTAL REVIEW:**

The State CEQA Guidelines (14 Cal. Code Regs. 15378(a)(3)) identifies an activity involving the issuance to a person of a lease as a "project". However, if the site of the project or area in which the major environmental effects will occur is located within a county, that county may have jurisdiction by law over the project pursuant to Section 15366 of the Guidelines.

**APPROVALS REQUIRED:**

On September 20, 1988, the applicant received from Solano County Department of Environmental Management, Permit No. WD-88-21 to drill an oil and gas well on private lands in the County. As lead agency under the CEQA, Solano County has determined this project to be categorically exempt from the requirements of CEQA as a Class 3 exemption, new construction or conversion of small structures. (14 Cal. Code Regs. 15303)

CALENDAR ITEM NO. 50 (CONT'D)

Because the negotiated subsurface State oil and gas lease requires all drilling into or through the State land to be by slant drilling from locations on adjacent or other nearby lands, as in this case, staff has determined that Solano County is the lead agency under the CEQA for issuing permits for the subsurface development of the State land and is recommending that the Commission concur with Solano County and find this activity exempt from requirements of the CEQA pursuant to 14 Cal. Code Regs. 15061.

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. Solano County Department of Environmental Management Permit No. WD-88-21.
- D. Lease Area.

AB 884: 12/15/88.

IT IS RECOMMENDED THAT THE COMMISSION:

1. CONCUR WITH THE DETERMINATION OF SOLANO COUNTY, AS LEAD AGENCY UNDER THE CEQA, THAT THIS PROJECT IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA AS A CATEGORICAL EXEMPT PROJECT, CLASS 3 EXEMPTION, NEW CONSTRUCTION OR CONVERSION OF SMALL STRUCTURES (14 CAL. CODE REGS. 15303).
2. DETERMINE THE STATE LANDS TO BE UNSUITABLE FOR COMPETITIVE BIDDING AND DETERMINE THAT A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE IS IN THE BEST INTEREST OF THE STATE.
3. AUTHORIZE, PURSUANT TO P.R.C. 6815, THE ISSUANCE TO AMERADA HESS CORPORATION OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE THAT CONTAINS APPROXIMATELY 85 ACRES OF STATE TIDE AND SUBMERGED LAND IN THE BED OF CACHE SLOUGH, SOLANO COUNTY, CALIFORNIA, AND THE FOLLOWING NEGOTIATED TERMS AND CONDITIONS: DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE FOR A TOTAL OF \$2,125 FOR APPROXIMATELY 85 ACRES, ROYALTY PERCENTAGE ON GAS SUBSTANCES AND OIL FIXED AT 30 PERCENT AND PERFORMANCE BOND IN THE SUM OF \$15,000.

EXHIBIT "A"

LAND DESCRIPTION

W 40557

All that California State tide and submerged land in the bed of Cache Slough, Solano County, California, lying within projected Section 24, T5N, R2E, MDM.

END OF DESCRIPTION

PREPARED MAY 10, 1988 BY BIU 1.

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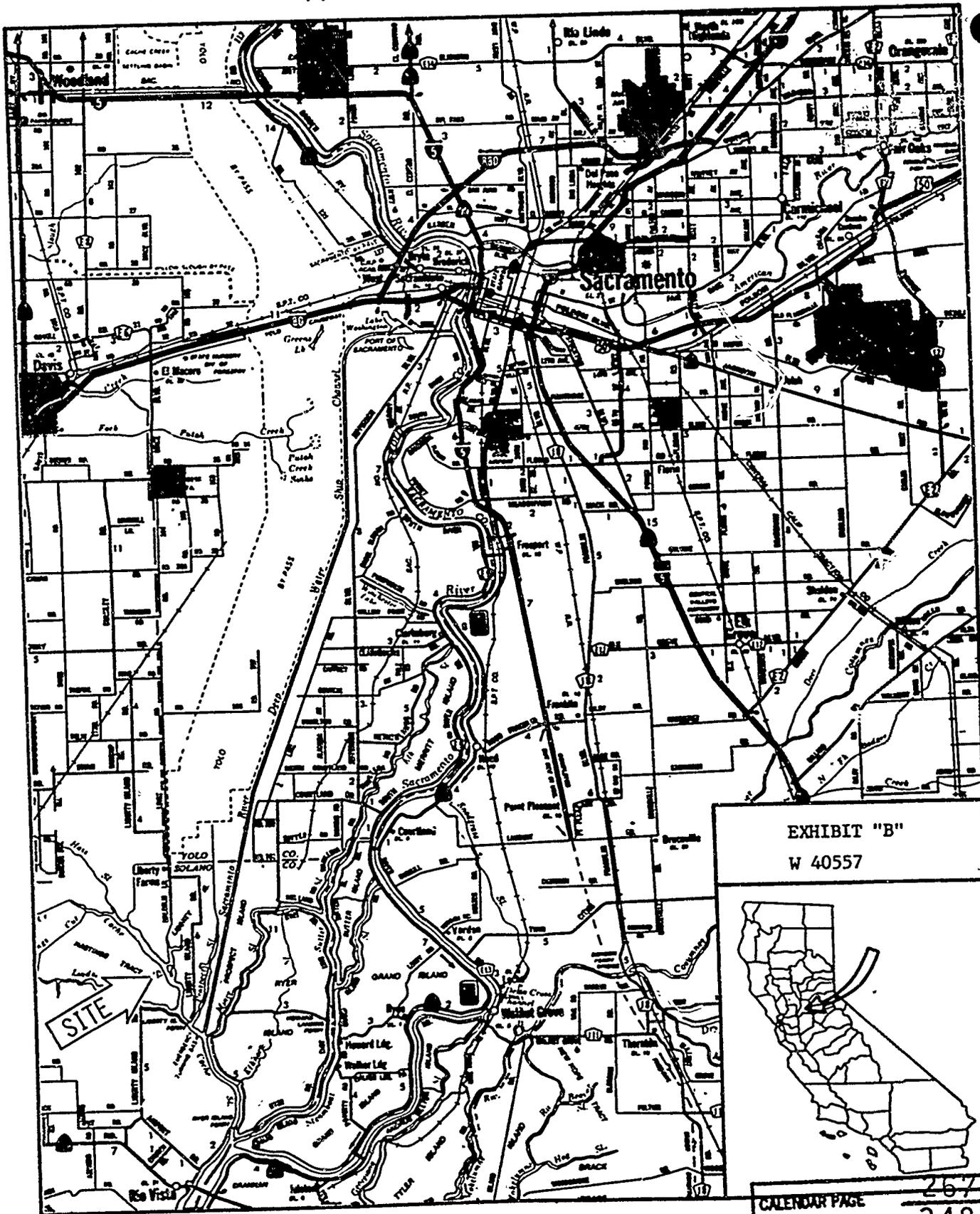


EXHIBIT "B"  
W 40557



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Department of  
**Environmental Management**

COURTHOUSE • FAIRFIELD, CALIFORNIA • 94533 • 17071429-6881

EXHIBIT "C"

STANDARD CONDITIONS OF APPROVAL FOR OIL AND GAS WELL PERMITS:

1. That the use be established in accord with the plans submitted with the application, as approved by the Solano County Zoning Administrator.
2. All requirements of the encroachment permit and bond or other security, satisfactory to the Director of Public Works as security for payment of repairs to County roads and highways damaged by well-drilling activities, including transportation of equipment to and from the site shall be met.
3. Drilling operations will conform to the regulations of the California Division of Oil and Gas designed to prevent damage to natural resources.
4. After drilling is complete, all drilling muds, salt water, wastewater and other fluids will be removed from the site and disposed of in a manner that does not adversely affect other areas.
5. Measures will be taken to prevent any significant pollution of ground-water surface water or water courses.
6. Surfaces will be removed when wells are brought into production.
7. If wells are abandoned, they shall be sealed in accordance with Division of Oil and Gas regulations, and the drilling or production facilities will be removed.
8. Necessary measures will be taken to prevent dust, noise, light glare, odor, and other objectionable elements from adversely affecting the surrounding area beyond acceptable limits.
9. Should the exploration operation prove successful, the development of facilities for transporting gas may require a new permit and further environmental review.
10. The drilling operation will be confined to as small an area as practical and will not cause irreversible damage to unique vegetation or fish and wildlife habitats.

I hereby certify that I have the authority to make the foregoing application. I have read this application and that all information is true and correct to the best of my knowledge that all drilling activities undertaken will be carried out in compliance with the regulations of Solano County Ordinance No. 1131, and agree to conform fully to this Oil and Gas Well Drilling Permit and all of the above conditions.

Signature *Shirley L. Lewis*  
Date 8/31/88

ADDITIONAL CONDITIONS OF APPROVAL FOR NO. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I hereby acknowledge and agree to conform fully to the above additional conditions of approval.

Signature \_\_\_\_\_  
Date \_\_\_\_\_

APPLICATION FOR OIL AND GAS WELL DRILLING PERMIT

Applicant/Agent Amerada Hess Corporation  
Mailing Address P. O. Box 128, Rio Vista, CA 94571  
Telephone (707) 374-6461  
Name and address of property owner Knob Hill Mines Inc., 1143 Crane St. Ste. 200, Menlo Park, CA 94021  
Name of Well No. 1 Hastings Farms  
Project Location 2316' North along section line and 958' West from Southeast corner Section 24 Township 5N Range 2E  
Assessors Parcel No. 42 - 160 - 16 Ac. 502.7

Additional information required:

- Environmental Evaluation Questionnaire.
- Assessor's Parcel map, showing well location.
- Site Plan, drawn to scale showing well location.
- Vicinity Map, showing topography and access from nearest County Road to site (USGS or equivalent preferred).

For Office Use Only

<b>Application Information</b>	
Permit Application No. <u>WD-88-21</u>	Date filed <u>9/2/88</u> Received by <u>KL</u>
Filing Fee <u>200</u> Receipt No. <u>495561</u>	Zoning District <u>A 80</u>
<b>Environmental Review</b>	
<input checked="" type="checkbox"/> This project has been determined to be categorically exempt from CEQA as a Class III exemption. (Section 5203)	
<input type="checkbox"/> A Negative Declaration has been prepared for this project with the review period having ended on _____	
<input type="checkbox"/> Other: _____	
Environmental Review by <u>KL</u>	
<b>Public Works Approval</b>	
Encroachment Permit No. <u>P-88-91</u>	Date approved <u>9/19/88</u> by <u>AP</u>
Other requirements <u>detached route, blaster truck</u>	

(Copy of permit must be retained on site during drilling operations.)

Granting of this permit does not release the permittee from complying with all other county, state or federal laws. Failure to comply with all the aforementioned provisions and conditions will be cause for the revocation of this Oil and Gas Well Drilling Permit by the County. Failure, neglect or refusal to exercise this permit within a period of one (1) year from the date of granting thereof, shall automatically cause the same to become and remain null and void.

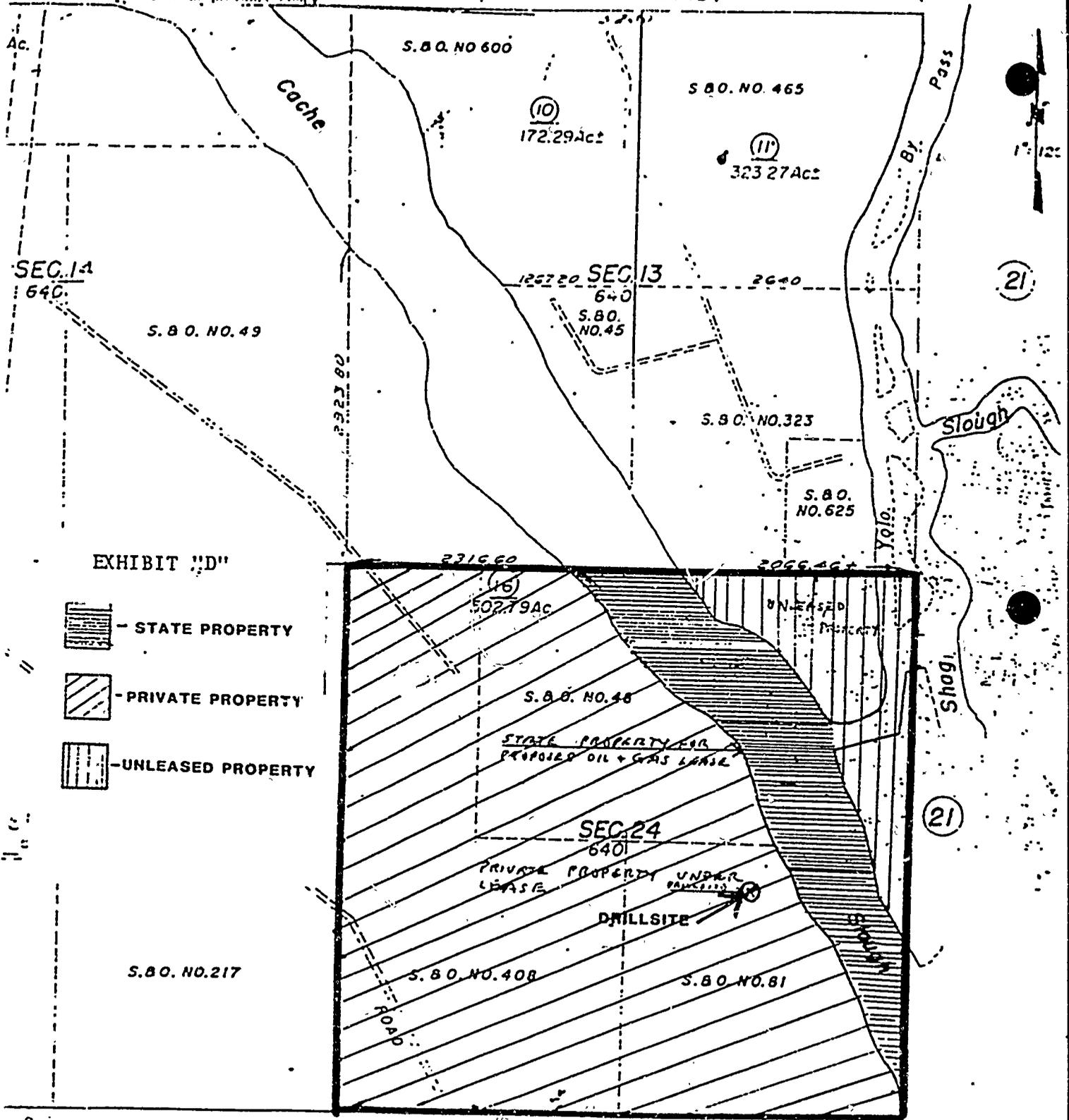
Approved by *Robert J. Rowley*, Zoning Administrator DATE 9/2/88

B.M.

Short-Term Rate Applies: Yes  No   
Date of previous Policy

Tax Area Code  
63015, 84005

42-16



Assessor's Map Bk. 42-Pg.16  
County of Solano, Calif.

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MAY 1975