MINUTE ITEM
This Calendar Item No. 55
was approved as Minute Item
No. 55 by the State Lands
Commission by a vote of 3
to 0 at its 2/6/89
meeting.

CALENDAR ITEM

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02/06/89
W 40574 PRC 7282
Hamilton

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ISSUANCE OF A NEGOTIATED SUBSURFACE
STATE OIL AND GAS LEASE,
YOLO AND SUTTER COUNTIES

LESSEE: Black Mountain Oil Company
Attn: Mr. Louis J. Tartaglia
1787 Mesa Verde Avenue, Suite 201
Ventura, California 93003

AREA, TYPE AND LOCATION OF STATE LAND:
A parcel (containing approximately 110 acres) of State land in the bed of the Sacramento River, Yolo and Sutter counties.

LAND USE: Black Mountain Oil Company has acquired oil and oil leases and a farmout agreement on all of the private lands adjacent to the State land. Drill sites on the State land are not available or obtainable because the surface of the State land is the bed of the Sacramento River and is covered entirely with water. However, the State land can be developed by slant drilling from surface drill sites located on adjacent or other nearby lands, or by inclusion in a Commission-approved pooled area or unit.

STATUTORY AUTHORITY:
P.R.C. 6815(a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following circumstances exists: wells drilled upon private or public lands are draining or may drain oil or gas from the State lands, the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular configuration or their inaccessibility from





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surface drill sites reasonably available or obtainable, 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.

Because drill sites on the State land are not available and the adjacent lands are all under lease to the proposed lessee, staff has concluded that the conditions of P.R.C. 6815(a) have been met and that a negotiated subsurface State oil and gas lease on the State land described in Exhibit "A" will provide protection against drainage of State resources.

NON-NEGOTIABLE 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 drill any well on the surface of the leased lands or to use any area of the leased lands within 500 feet below the surface for oil and gas drilling locations, producing facilities or related operations.

3. All development of the leased lands shall be accomplished from surface locations on adjacent or other nearby lands.

4. All drilling into the leased lands shall be by slant drilling from surface 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 slant drilling into or through the leased lands.





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NEGOTIATED TERMS AND CONDITIONS:

1. Drilling term of three (3) years. However, if all or part of the leased lands are included 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 Commission-approved pooled area or unit.

2. Annual rental of $25 per acre for approximately 110 acres ($2,750).

3. Royalty of 20% on gas substances and oil.

4. Performance bond or other security in the sum of $10,000.

PREREQUISITE CONSIDERATIONS:

Filing fee, processing costs, first year's rental, performance bond or other security and duly executed negotiated subsurface State oil and gas lease have been received and are on file in the Commission's Long Beach office.

APPROVALS REQUIRED:

Pursuant to Section 1500-8018(h) of the Sutter County Zoning Code, the Sutter County Planning Department has issued Zoning Clearance No. 2150 (Exhibit "C") to Black Mountain Oil Company to drill and produce well "Knights Landing #2-30" from a surface location on private lands east of and adjacent to the Sacramento River in Sutter County.

CEQA AND OTHER ENVIRONMENTAL REVIEW:

CEQA Guidelines Section 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 on private lands within the county, that county will have jurisdiction by law over the project pursuant to State CEQA Guidelines Section 15366.

Pursuant to Section 15366 of the CEQA Guidelines, the Sutter County Planning Department is the Lead Agency under CEQA for





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approving gas and/or oil well drilling and development projects on private lands in Sutter County. Gas and oil well zoning clearances processed pursuant to Section 1500-8018(h) of the Sutter County Zoning Code are approved by the Sutter County Planning Department as ministerial projects and are thereby exempt from the requirements of the CEQA pursuant to CEQA Guidelines Section 15268.

Pursuant to the Commission's delegation of authority and the CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity (issuance of a negotiated subsurface State oil and gas lease on the State land described in Exhibit "A") is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBITS:
A. Land Description.
B. Site Map.
C. Sutter County Zoning Clearance No. 2150.
D. Subsurface Map.

AB 884: 06/30/89.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY (ISSUANCE OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE ON THE STATE LAND DESCRIBED IN EXHIBIT "A") IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.

2. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED FOR THE LAND PURSUANT TO P.R.C. 6370, ET SEQ.

3. DETERMINE, PURSUANT TO P.R.C. 6815, THAT WELLS DRILLED UPON PRIVATE LANDS MAY DRAIN OIL AND GAS FROM THE STATE LAND DESCRIBED IN EXHIBIT "A", THAT THE STATE LAND DESCRIBED IN EXHIBIT "A" IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF ITS INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE AND THAT A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE ON THE STATE LAND DESCRIBED IN EXHIBIT "A" WILL PROTECT THE STATE AGAINST DRAINAGE OF STATE OIL AND GAS RESOURCES AND IS IN THE BEST INTERESTS OF THE STATE.

4. AUTHORIZE, PURSUANT TO P.R.C. 6815, THE ISSUANCE TO BLACK MOUNTAIN OIL COMPANY OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE ON THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 110 ACRES), WITH A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF $25 PER ACRE ($2,750) ROYALTY OF 20 PERCENT ON GAS SUBSTANCES AND OIL, AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF $10,000.

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# EXHIBIT "A"

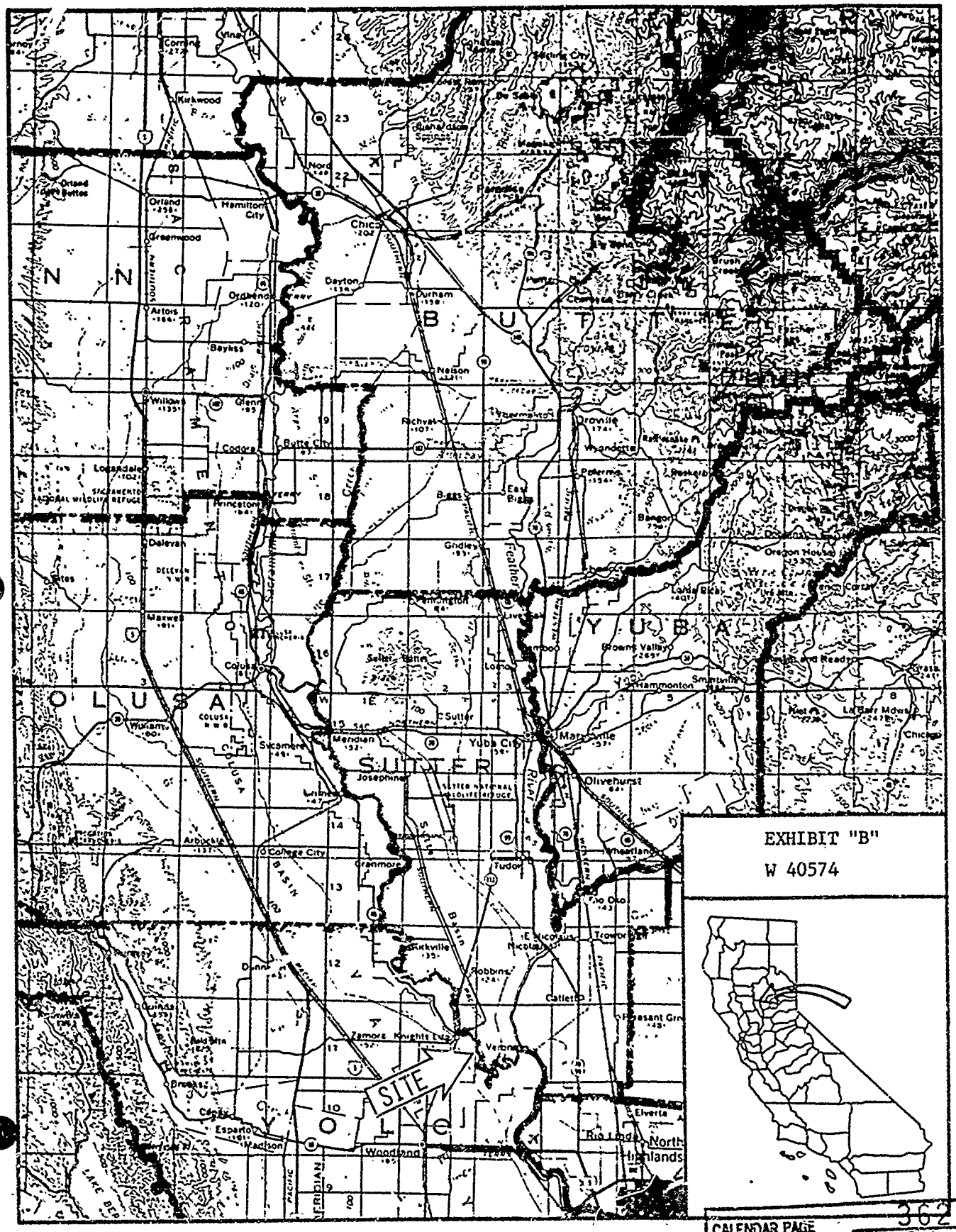
## LAND DESCRIPTION

A parcel of land in the bed of the Sacramento River in Sections 13, 14, 24, and 25, T11N, R2E, MDM and Sections 18, 19, and 30, T11N, R3E, MDM, said parcels being in Yolo and Sutter Counties and described as follows:

Bounded on the northeast and southwest by the ordinary low water marks of said river; on the northwest by the southeasterly right of way of the Southern Pacific Railroad through Knights Landing; and on the southeast by the northeasterly extension of the southeasterly line of Swamp and Overflowed Lands Survey no. 1092 in said Yolo County.

**END OF DESCRIPTION**

**PREPARED DECEMBER 8, 1988 BY BIU 1.**




CALENDAR PAGE 362
MINUTE PAGE 438

County of Sutter/City of Yuba City
PLANNING DEPARTMENT
554 Second Street
Yuba City, California

# EXHIBIT "C"

## ZONING CLEARANCE

No. 2150

Date: NOV-23-1988

This is to certify that the following has received zoning clearance from this office:

Name: Black Mountain Oil Company / Eufemia Yturralde (owner)

Property Location: Intersection of River Road at Sacramento River

Assessor's Parcel No.: 34-220-028

Zoning Classification: AG (General Agricultural)

For: Gas and oil well drilling and production -- Knights Landing #2-30

Conditions:
The project shall be conducted in compliance with the conditions as outlined and acknowledged on the application for gas and oil well drilling and production as attached.

[X] Attachments:

Signature

Planning Director
Title

CALENDAR PAGE 363
MINUTE PAGE 439