MINUTE ITEM
This Calendar Item No. 58
was approved as Minute Item
No. 58 by the State Lands
Commission by a vote of 3
to 0 at its 2/6/89
meeting.

CALENDAR ITEM

A 3

58

02/06/89
W 40564 PRC 7283
Hamilton

S 1

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

LESSEE: Capitol Oil Corporation
Attn: Mr. William Anderson
1545 River Park Drive, Suite 501
Sacramento, California 95815

AREA, TYPE AND LOCATION OF STATE LAND:
A parcel of State land under the jurisdiction of the Department of Fish and Game containing approximately 128 acres located on the Tisdale By-Pass in Sections 25 & 36, T14N, R1E, MDM and Sections 30 & 31, T14N, R2E, MDM, in Sutter County, California.

LAND USE: Capitol Oil Corporation has acquired oil and gas leases and a drill site on private lands adjacent to 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 Tisdale By-Pass and is covered entirely with water. However, development of the State land can be accomplished by slant drilling from surface drill sites located on adjacent or other nearby lands.

STATUTORY AUTHORITY:
P.R.C. 6851 and P.R.C. 6854 authorize the Commission to lease for oil and gas development land owned by the State, land in which oil and gas deposits have been reserved to the State, and land belonging to the State and dedicated to a public use. Where land has been acquired

for the use of a specific State agency, consent of this State agency shall be obtained for the surface occupation of the State agency's land for drilling locations or producing facilities. However, consent of this State agency is not required if development of the State agency's land is made by slant drilling from surface locations on lands not under the control of the State agency.

P.R.C. 6815 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 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 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 State lands 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 use any area of the leased lands 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.

NEGOTIATED TERMS AND CONDITIONS:

1. Drilling term of three 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 $20 per acre ($2,560) for approximately 128 acres.

3. Royalty of 25 percent (25%) 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 P.R.C. 6851 and P.R.C. 6854, the Department of Fish and Game has been contacted regarding the proposed subsurface oil and gas leasing of the Tisdale By-Pass. In a Memorandum

dated September 2, 1988, from the Director of the Department of Fish and Game (Exhibit "E"), the Commission staff was advised that a subsurface oil and gas lease would not cause concern to the Department.

Pursuant to Sutter County Zoning Code Section 1500-8018(h), the Sutter County Planning Department has issued Zoning Clearance No. 2142 (Exhibit "D") to Capitol Oil Corporation to drill and produce well Capitol Oji Bros. #1 from a surface location on private lands south of and adjacent to the Tisdale By-Pass in Sutter County.

CEQA AND OTHER ENVIRONMENTAL REVIEW:

State CEQA Guidelines Section 15378(a)(3) identifies an activity involving the issuance to a person of a lease as a "project".

The Sutter County Planning Department is the Lead Agency (pursuant to State CEQA Guidelines Section 15366) for 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 Sutter County Zoning Code Section 1500-8018(h) are approved by the Sutter County Planning Department as ministerial projects under the provisions of State CEQA Guidelines Section 15268.

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), 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.

EXHIBITS:

A. Land Description.
B. Site Map.
C. Location Map.
D. Sutter County Zoning Clearance No. 2142.
E. Memo from Department of Fish and Game.

AB 884: 02/28/89.

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. 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 PROVIDE COMPENSATION TO THE STATE FOR DRAINAGE, PERMIT DEVELOPMENT OF STATE OIL AND GAS RESOURCES AND IS IN THE BEST INTERESTS OF THE STATE.

3. AUTHORIZE, PURSUANT TO P.R.C. 6815, THE ISSUANCE TO CAPITOL OIL CORPORATION OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE ON STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 128 ACRES), WITH A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF $20 PER ACRE ($2,560), ROYALTY OF 25 PERCENT ON GAS SUBSTANCES AND OIL, AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF $10,000.

EXHIBIT "A"

LAND DESCRIPTION

W 40564

A parcel of land in Sections 25 and 36, T14N, R1E, MDM, and Sections 30 and 31, T14N, R2E, MDM,in Sutter County California, described as follows:

BEGINNING at the southwestern corner of Lot 25 and the northwestern corner of Lot 26, as shown an the map entitled "Subdivision Map of Tisdale Ranch", filed in Book 3 of Surveys, Pages 2 and 3, Sutter County Records; thence N 0° 14' E 440 feet more or less along the west line of said Lot 25 to its intersection with a line distant southerly 340 feet and parallel with the centerline of the north levee of Tisdale By-Pass; thence easterly along said parallel line S 89° 26' 15" E 7800 feet more or less to the east line of said Section 30; thence south along the east line of said sections 30 and 31 to its intersection with the north line of the Subdivision of lands in Reclamation District No. 1500 as shown on the map entitled "Map of Survey of Portion of Lands in Reclamation District No. 1500" filed in the office of the County Recorder of said County, on December 24, 1935 in Book 6 of Surveys, Pages 1 to 23; thence westerly along said north line to its intersection with the west line of said Lot 26; thence N 0° 14' E 280 feet more or less along said west line to the point of beginning.

END OF DESCRIPTION

PREPARED OCTOBER 17, 1988 BY BIU 1.

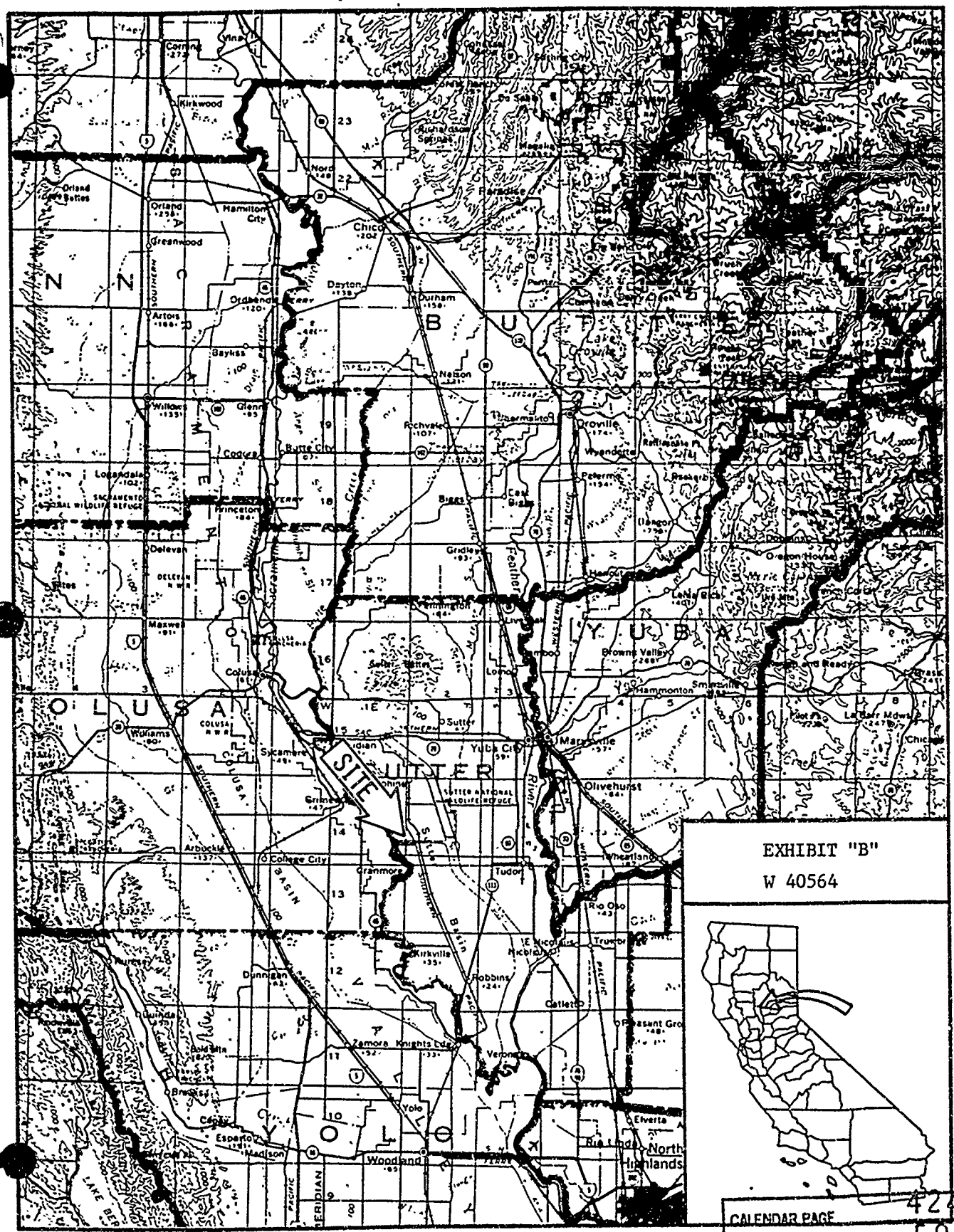

EXHIBIT "B"

W 40564

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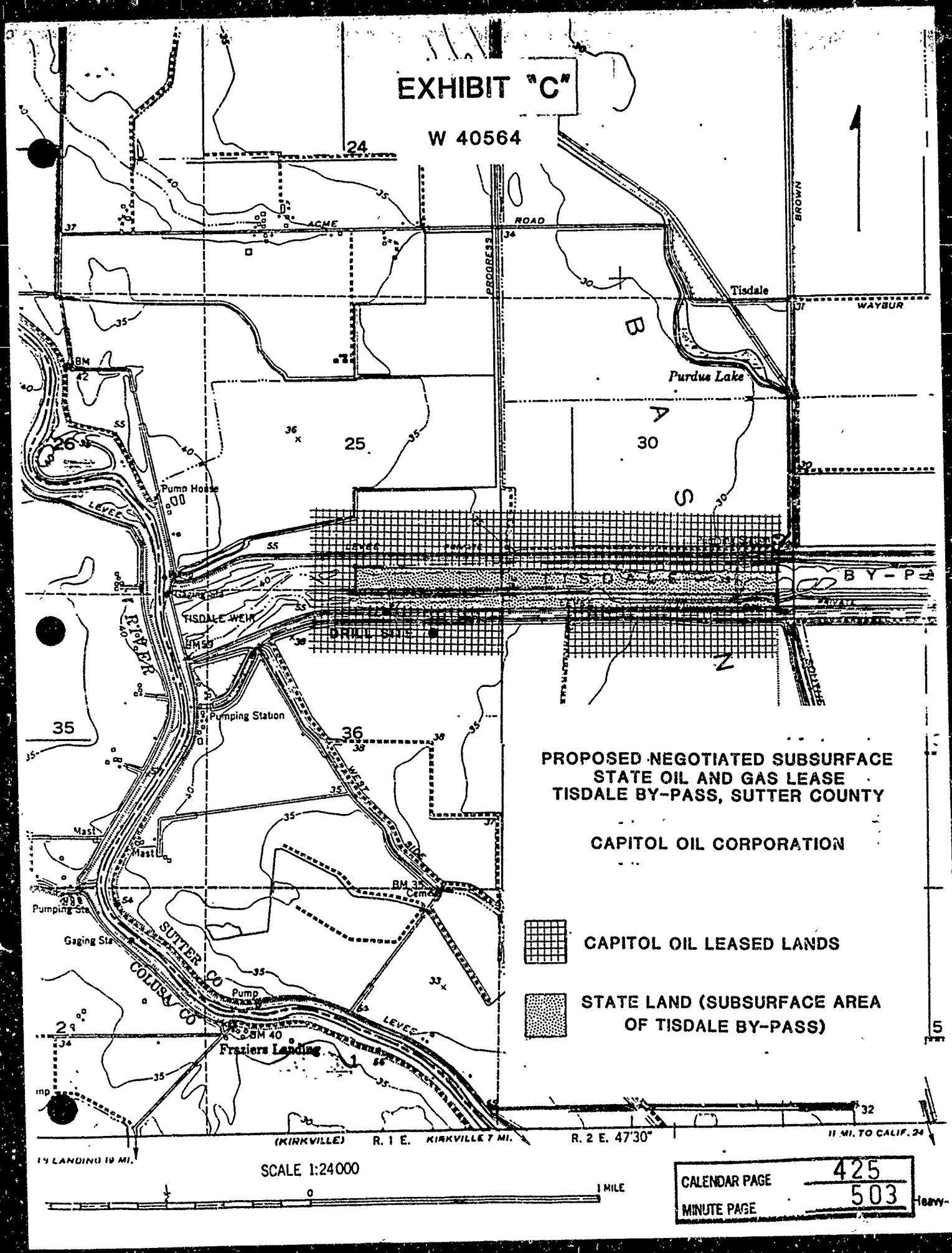

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PLANNING DEPARTMENT
554 Second Street
Yuba City, California

EXHIBIT "D"

W40564

ZONING CLEARANCE

No. 2142

Date OCT-24-1988

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

Name: Capitol Oil Corporation / Oji Bros. Farms

Property Location: On the south side of Tisdale Road approximately 1/2 miles east of Cranmore Road

Assessor's Parcel No.: 21-110-007

Zoning Classification: AG (General Agricultural)

For:

Gas and oil well drilling and production - Capitol Oji Bros. #1

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.

☐ Attachments:
XX

CAPITOL OIL CORPORATION
OCT 26 1988
RECEIVED

Signature

Planning Director
Title

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State of California

EXHIBIT "E"

The Resources Agency

Memorandum

W40564

To : Claire T. Dedrick
Executive Officer
State Lands Commission

Date : September 2, 1988

CTD
JFT
WVM
DJ
SB
LL
JC
LB

From : Department of Fish and Game

Subject: Subsurface Oil and Gas Leases
Department of Fish and Game Land
Tisdale-Bypass Area, Sutter County

This is a follow up to conversations between our personnel regarding leases in the Tisdale Bypass. The proposed subsurface oil and gas leases, as described in your July letter (W40532), would not cause concern to the Department.

If there are questions, please contact James D. Messersmith, Regional Manager at (916) 355-0922.

for Pete Bontadelli
Director

Copy forwarded to:
WMT, DJE, ADW, AEG MGH
Date: 9/12/88 by bj

Copy forwarded to:
MT

RECEIVED
SEP 07 1988
STATE LANDS COMMISSION

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