

MINUTE ITEM

This Calendar Item No. 51
was approved as Minute Item
No. 51 by the State Lands
Commission by a vote of 3
to 0 at its 7/10/89
meeting.

CALENDAR ITEM

51

07/10/89
W 40581 PRC 7319
Hamilton

A 26

S 5

**ISSUANCE OF A NEGOTIATED SUBSURFACE
STATE OIL AND GAS LEASE,
SAN JOAQUIN COUNTY**

APPLICANT/PROPOSED LESSEE:

Santa Fe Energy Company
Attn: Roger Narinian
4900 California Avenue
Tower A, Suite 400
Bakersfield, California 93309

AREA, TYPE LAND AND LOCATION:

Santa Fe Energy Company has applied for a negotiated subsurface State oil and gas lease on the State land described in Exhibit "A". The State land proposed for lease contains eight parcels (totaling approximately 317 acres) of tide, submerged and proprietary lands in the bed and vicinity of the San Joaquin River in San Joaquin County, California.

PROPOSED LAND USE:

Locations on the State land for oil or gas operations are not available because the surface of most of the State land is under water with the remaining area seasonally covered with water. However, oil or gas resources that may underlie the State land can be developed by slant drilling from surface drill sites located on the adjacent lands or by inclusion in a Commission-approved pooled area or unit.

Santa Fe Energy Company has oil and gas leases and a farmout agreement on all lands adjacent to the State land (Exhibit "C") and has received approval (Exhibit "D") from the

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San Joaquin County Department of Planning and Building Inspection (Lead Agency) to drill for gas and/or oil on the property adjacent to the State land.

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 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 locations on the State land are not available for oil or gas operations, and because Santa Fe Energy Company controls the property adjacent, to the State land and has received permission from San Joaquin County (Lead Agency) to drill for oil or gas on the adjacent property, staff has concluded that the criteria of P.R.C. 6815(a) have been met; that is, the State land is unsuitable for competitive bidding because surface drill sites on the State land are not available or obtainable, that wells drilled upon the adjacent lands may drain State oil or gas from the State land and that a negotiated subsurface State oil and gas lease will provide protection against drainage of State resources.

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.

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NON-NEGOTIABLE PROVISIONS:

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 leased lands to a depth of 500 feet for drilling locations, producing facilities or related oil and gas operations.
3. All development of the leased lands shall be accomplished from surface locations on adjacent lands.
4. All drilling into the leased lands shall be by slant drilling from surface locations on the adjacent lands and shall be on a course and to an objective approved in writing by the Commission prior to the commencement of 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 the leased lands.

NEGOTIATED PROVISIONS:

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 \$25 per acre (\$7,925 for approximately 317 acres).

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3. Royalty of 20% on gas substances and oil.
4. Performance bond or other security in the sum of \$10,000.

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 CEQA Guidelines Section 15366.

As Lead Agency under the CEQA, the San Joaquin County Department of Planning and Building Inspection approves applications to drill for gas and/or oil on property located in the County. Development plans are processed as ministerial projects by San Joaquin County.

APPROVALS REQUIRED AND OBTAINED:

The San Joaquin County Department of Planning and Building Inspection has approved Application No. DP-89-38 (Exhibit "D") to drill for gas and/or oil on property adjacent to the State land.

OTHER PERTINENT INFORMATION:

Pursuant to the Commission delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 4, Minor Alterations to Land, 14 Cal. Code Regs. 15304.

Authority: P.R.C. 21084 and 14 Cal. Code Regs. 15300.

This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370, et. seq. Based upon

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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. General Location of State Land.
 - D. San Joaquin County Development Plan No. DP-89-38.

AB 884: 09/20/89.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 4, MINOR ALTERATIONS TO LAND, 14 CAL. CODE REGS. 15304.
2. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET; THAT IS, THE STATE LAND DESCRIBED IN EXHIBIT "A" IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ON THE STATE LAND ARE NOT AVAILABLE, THAT WELLS DRILLED UPON ADJACENT LANDS MAY DRAIN OIL OR GAS FROM THE STATE LAND AND THAT A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE OF THE STATE LAND WILL PROVIDE PROTECTION AGAINST DRAINAGE OF STATE RESOURCES.
3. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE WITH SANTA FE ENERGY COMPANY THAT CONTAINS THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 317 ACRES) AND THE FOLLOWING PROVISIONS: DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE (\$7,925 FOR APPROXIMATELY 317 ACRES), ROYALTY OF 20 PERCENT ON GAS SUBSTANCES AND OIL AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.
4. AUTHORIZE THE EXECUTION OF THE DOCUMENT(S) NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

LAND DESCRIPTION

W 40581

Eight parcels of State owned tide, submerged and proprietary lands in Sections 12 and 13, T2N, R4E, MDM, and Sections 7,17,18,19, and 20, T2N, R5E, MDM, San Joaquin County, California, described as follows:

PARCEL 1

All that land lying in the bed of the San Joaquin River in its last natural location, bounded upstream by the north/south quarter section line of Section 20, T2N, R5E, MDM; bounded downstream by the Range Line between T2N, R4E, MDM and T2N, R5E, MDM at the northernmost crossing of said river; and bounded on each side by the last natural mean high tide lines of said river.

PARCEL 2

All that land described as Parcel 54, as recorded on July 9, 1928 in Volume 251, page 27, Official Records of said County lying west of the north/south quarter section line of Section 20, T2N, R5E, MDM.

PARCELS 3, 4, 5, and 6

All those lands described as Parcel 57, 63, 65, and 69, as recorded on July 31, 1929 in Volume 290, page 31, Official Records of said County.

PARCEL 7

All that land described as Parcel 72, as recorded on July 7, 1928 in Volume 251, page 21, Official Records of said County.

PARCEL 8

All that land acquired as AD-25 by the State Lands Commission, recorded December 17, 1979, in Document No. 77094445 Official Records of said County.

END OF DESCRIPTION

PREPARED MAY 23, 1989 BY BIU 1.

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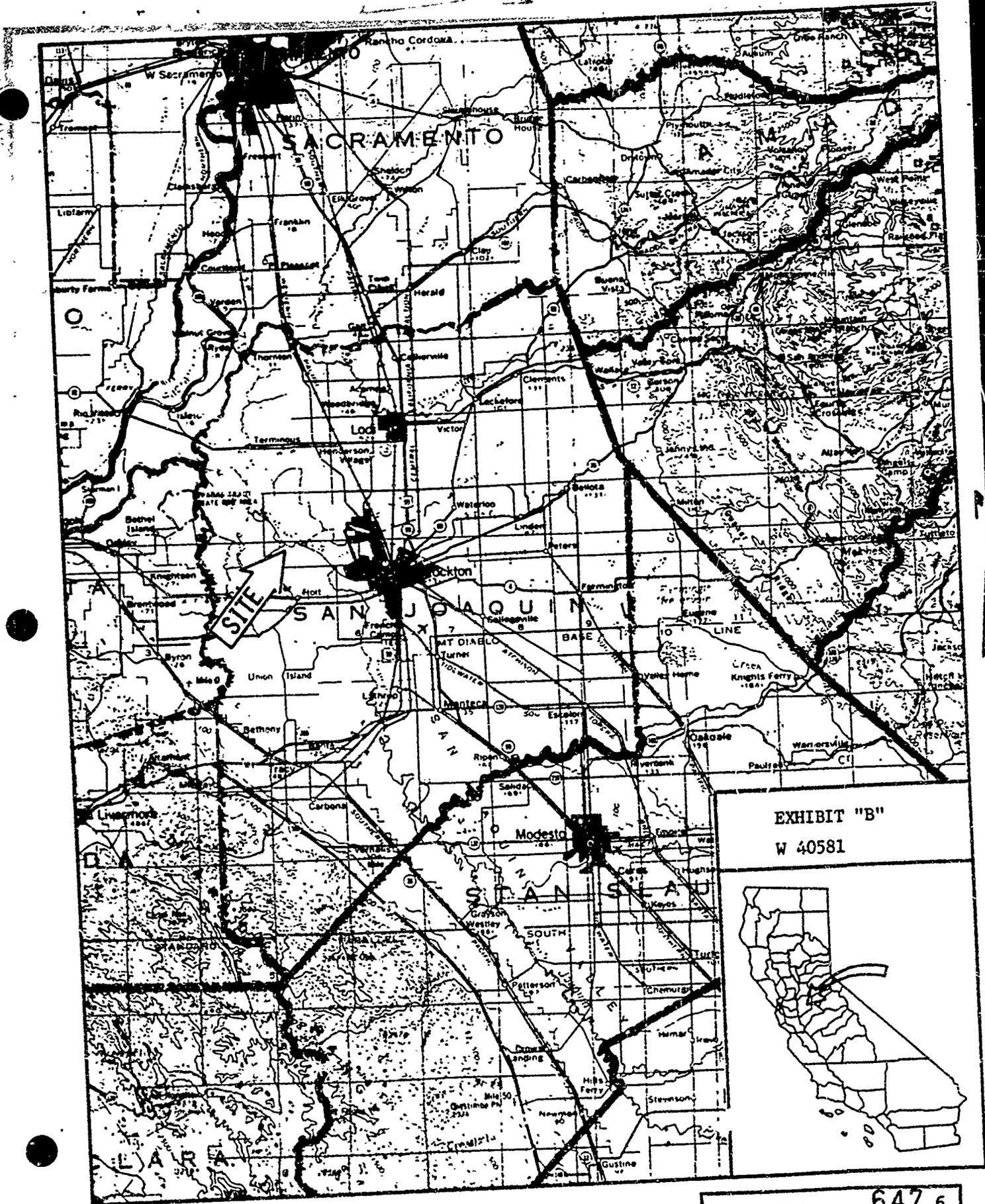


EXHIBIT "B"
W 40581

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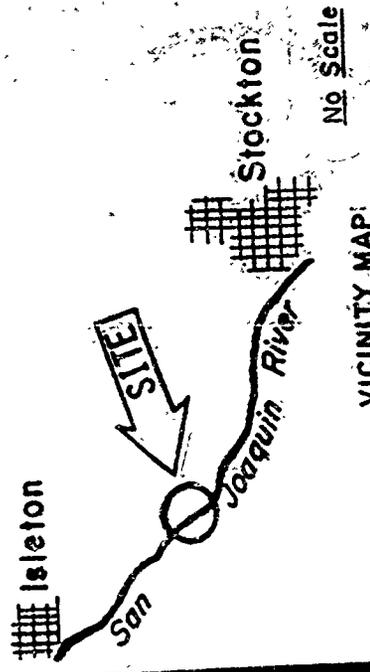
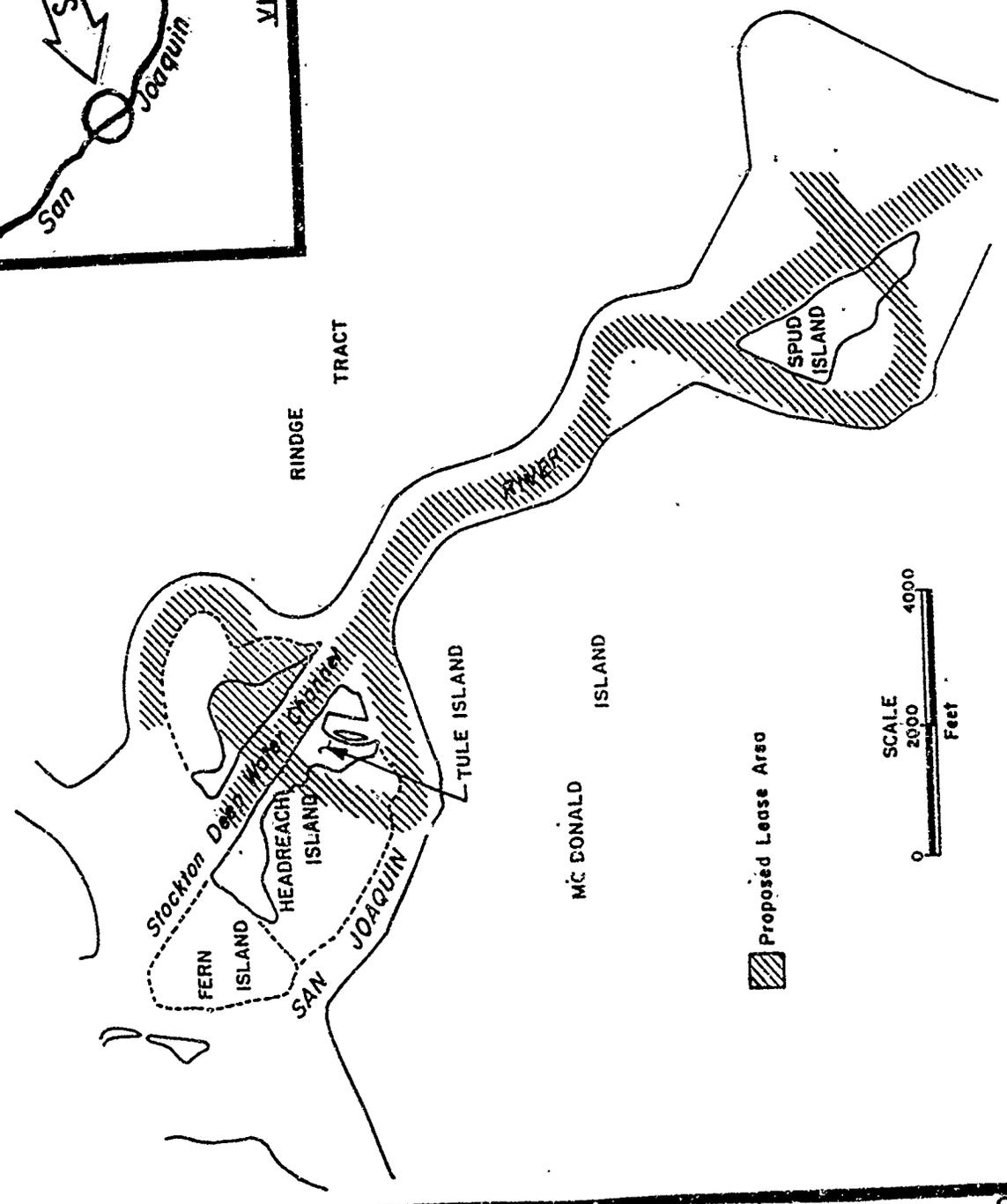


EXHIBIT "C"
 PROPOSED NEGOTIATED
 SUBSURFACE
 OIL & GAS LEASE
 W40581
 SAN JOAQUIN COUNTY



R.O. 6/89



Proposed Lease Area



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**SAN JOAQUIN COUNTY
DEPARTMENT OF PLANNING AND BUILDING INSPECTION**

EXHIBIT "D"

1810 E. HAZELTON AVE., STOCKTON, CA 95205
PLANNING PHONE: 209/468-3120
BUILDING PHONE: 209/468-3123
NEIGHBORHOOD PRESERVATION PHONE: 209/468-3021

May 8, 1989

CHET DAVISSON
Director
JERRY HERZICK
Deputy Director
RENÉ JACKSON
Deputy Director
TOM WALKER
Deputy Director

State of California
State Division of Oil and Gas
1416 Ninth Street, Room 1316
Sacramento, CA 95814

Gentlemen:

RE: Development Plan No. DP-89-38

On May 8, 1989, the San Joaquin County Department of Planning and Building Inspection approved an Application No. DP-89-38 to drill for gas and/or oil on property located 2000 feet east and 2500 feet south from the northwest corner of Section 7, Township 2 north, Range 5 East Ridge Tract, northwest of Stockton (13500 W. Ridge Road, Stockton CA 95209). The property is owned by Luckey Properties, P.O. Box 7428 Stockton, CA 95207, and the applicant was Arkoma Production Company of California, 2240 Douglas Blvd., Ste.-201, Roseville, CA 95661

Development plans are processed as ministerial projects by San Joaquin County.

If you have any questions, please do not hesitate to contact this office.

Sincerely,

DOM DE LA TORRE
Senior Planner

DLT:ka

Attachments: Conditions of Approval & Map

cc: Local Health District
Department of Public Works
Building Inspection Division
Bureau of Fire Prevention
Air Pollution Control District

D-1

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DEVELOPMENT PLAN CONDITIONS
FOR
GAS AND OIL

MOZKAND T...
DATE - 1989

CONDITIONS OF APPROVAL:

APPLICATION NO: DP-89-38

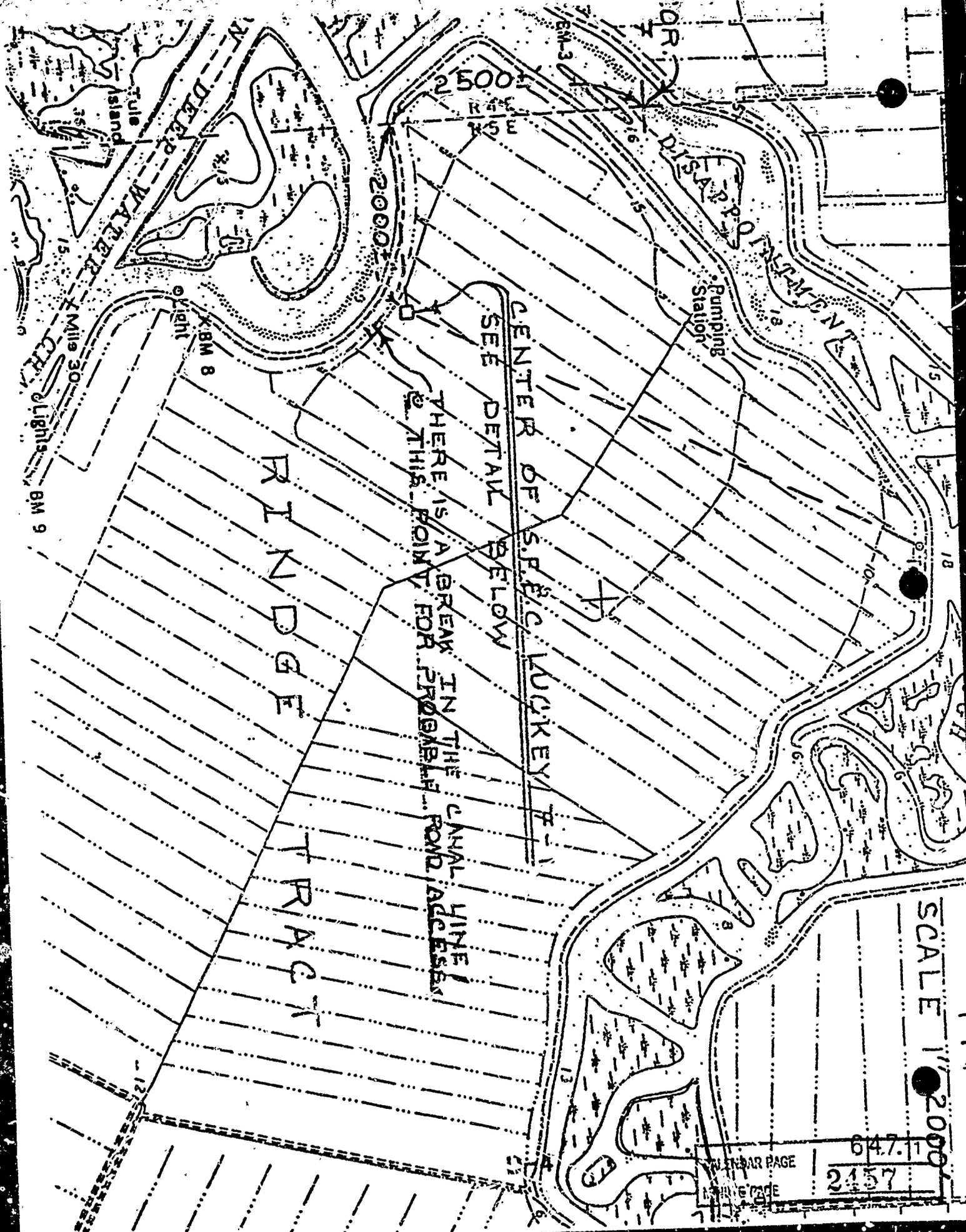
DATE APPROVED: MAY 8, 1989

1. There must be proof that the applicant has posted the surety bond as required by the State of California Division of Oil and Gas.
2. An application for a drilling permit for test holes shall be submitted to the Local Health District before drilling commences. The application shall contain a map showing test hole location, depth, and method of test hole destruction.
3. The site plan shall show all structures, equipment, sumps, and access roads.
4. The project shall conform to the approved site plan.
5. The permit shall become void should the use of the property become a nuisance as defined by Section 9-3113 of the Planning Title.
6. Unattended slumps shall be enclosed by a six-foot (6') high chain link fence.
7. Secure encroachment permits for any access points to the public right-of-way from the Department of Public Works.
8. The permit shall expire eighteen (18) months after the date of approval unless all permits necessary to complete the project have been secured and actual drilling shall be diligently pursued to completion, or the permit shall be come void. Any cessation for one-hundred-eighty (180) days or more shall void this permit.
9. This permit may be transferred provided:
 - a. The transferee provides the Planning Division with proof of a surety bond, as required by the California Division of Oil and Gas, two weeks prior to the transfer.
 - b. The transferee complies with all conditions of the approved permit.

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DEVELOPMENT PLAN CONDITIONS
FOR GAS AND OIL WELL
PAGE 2

10. Provide sanitary facilities for all employees, as required by the California Occupational Safety and Health Administration.
11. Provide a potable water supply approved by the San Joaquin County Local Health District for all employees.
12. All unused or abandoned holes shall be filled with bentonite or other approved grout material as specified in San Joaquin County Ordinance 1862, and the surface is to be left in its original condition.
13. All gas or oil drilling operations shall be performed in accordance with the rules and regulations set forth by the California Division of Oil and Gas.
14. Adequate fire fighting equipment shall be maintained on the premises in conformity with all State and local regulations.
15. Mud and wastes from the drilling and production shall be disposed of at a site approved by the San Joaquin County Local Health District.
16. Any derricks shall be removed within ninety (90) days of completion or abandonment of the well unless a greater time is approved by the Planning Director in writing, based on a showing of good cause.
17. The surety bond shall remain in force until drilling is completed and the site is restored. On completion or abandonment of the well, all sumps shall be filled to natural grade and site restored to its original condition.
18. Secure a permit from the San Joaquin County Bureau of Fire Prevention before drilling commences.
19. Secure an Authority to Construct from the San Joaquin County Air Pollution Control District or a variance from the San Joaquin County Air Pollution Control District Hearing Board.



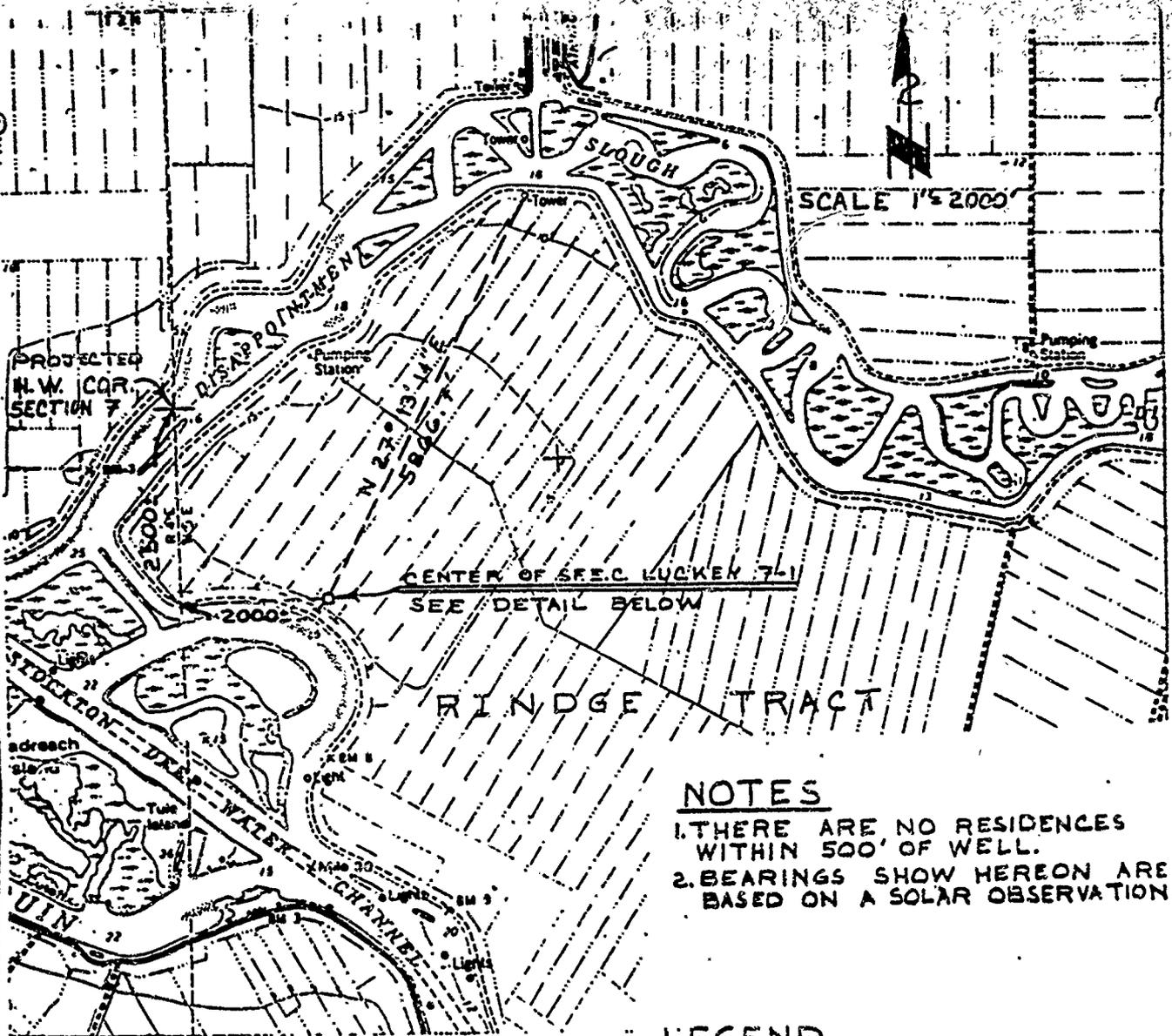
SEE DETAIL BELOW
 CENTER OF S.P.C. LUCKEY #1

THERE IS A BREAK IN THE CANAL LINE
 AT THIS POINT FOR PROBABLY ROAD ACCESS

PRINDGE TRACT

SCALE 1" = 2000'

PLANAR PAGE	647.11
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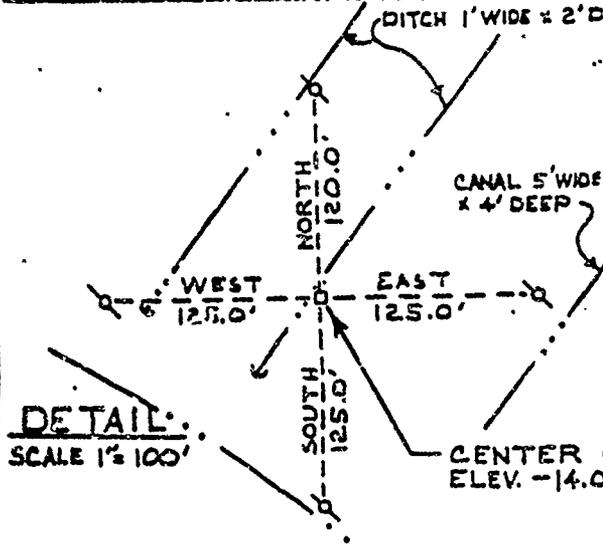


NOTES

- 1. THERE ARE NO RESIDENCES WITHIN 500' OF WELL.
- 2. BEARINGS SHOW HEREON ARE BASED ON A SOLAR OBSERVATION.

LEGEND

- O: DENOTES SET 2" x 2" HUB
- Q: DENOTES SET 5/8" REBAR



SURVEY OF
ARKOMA-S.F.E.C. LUCKEY 7-1
A GAS WELL LOCATION
RINDGE TRACT, T.2N., R.5E., M.D.M.
SAN JOAQUIN COUNTY, CALIFORNIA

CENTER OF WELL
 ELEV. -14.0' U.S.G.S. DATUM

DEVELOPMENT PLAN NO. DP-89-38



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TIMOTHY S. TRAIN
LAND SURVEYOR
 2604 21st STREET
 SACRAMENTO, CA. 95818

Dr. RTH Date 4/19/88
 Ch. _____ Date _____
 Field Bk. 233 pg 18
 W.Q. No. 8904-08