

MINUTE ITEM

This Calendar Item No. C34  
was approved as Minute Item  
No. 34 by the State Lands  
Commission by a vote of 3  
to 0 at its 12-12-90  
meeting.

CALENDAR ITEM

A 1  
S 4

C 34

PRC 7484 12/12/90  
W 40608  
Hamilton

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)  
STATE OIL AND GAS LEASE, BUTTE AND GLENN COUNTIES

APPLICANT/PROPOSED LESSEE:

Dynamic Exploration Partners, Ltd.  
c/o Dynamic Production, Inc.  
Attn: Al Shacklett  
2010 Glenda Avenue  
Fort Worth, Texas 76117-4388

AREA, TYPE AND LOCATION OF STATE LAND:

Dynamic Exploration Partners, Ltd. (Dynamic)  
has submitted a complete application for a  
negotiated subsurface (no surface use) State  
oil and gas lease on about 246 acres in the  
submerged bed of the Sacramento River in the  
Jacinto and Farwell Ranchos, Butte and Glenn  
counties, California (see Exhibit "A" for State  
land description).

LAND USE:

Because the State land is a waterway, surface  
locations for oil and gas operations (Drill  
sites) are not available. However, oil and gas  
resources that may underlie the State land can  
be developed and protected pursuant to the  
Commission's negotiated subsurface (no surface  
use) State oil and gas lease which would permit  
Commission-approved slant drilling from a  
county-approved drill site and would permit  
inclusion of the leased lands in a  
Commission-approved pooled area or unit.

CALENDAR ITEM NO. C 34 (CONT'D)

Dynamic currently controls, through oil and gas leases and agreements with Arkoma Production of California and Maverick Petroleum, Inc., all of the private property adjacent to the State land and has approval from Glenn County (Lead Agency) to drill for gas near the State land (See Exhibit "D" for permit requirements).

**AUTHORITY:**

P.R.C. 6815(a) authorizes the Commission to negotiate and enter into compensatory drainage agreements or oil and gas leases on State land if any of the following exists: wells drilled on private or public lands are draining or may drain oil and gas from the State land, the Commission determines the State land 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 mineral interest in the land, or the Commission determines the agreement or lease to be in the best interests of the State.

Because the Applicant controls by lease and agreement all of the private property adjacent to the State land described in Exhibit "A" and because the Applicant has county (Lead Agency) approval to drill a well near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been met, that a negotiated subsurface (no surface use) State oil and gas lease with the Applicant will protect oil and gas resources that may underlie the State land and that the State land is unsuitable for competitive bidding because surface drill sites are not available and because wells drilled on the adjacent private property may drain State oil and gas resources.

**NON-NEGOTIABLE LEASE PROVISIONS:**

1. Primary term will be twenty years and for so long thereafter as oil and 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 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 LEASE 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 (\$6,150 for approximately 246 acres).
3. Royalty of 20 percent on gas and oil.
4. Performance bond or other security in the sum of \$10,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Filing fee, processing costs, first year's rental, and duly executed State oil and gas lease (Negotiated-Subsurface-Royalty) have been received and are on file in the Commission's Long Beach office.

AB 884:

05/01/91

OTHER PERTINENT INFORMATION:

1. 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 property within the county, that county will have jurisdiction by law and will be the Lead Agency over the project pursuant to CEQA Guidelines Section 15366.
2. As Lead Agency, the Glenn County Planning Department approves locations for the drilling of gas wells on private property in the County. If certain criteria of the Glenn County Code are met, the County may grant an administrative permit for the drilling of the gas well. Administrative permits are considered exempt and are processed by the County as ministerial projects (P.R.C. 21080(b)(1) and CEQA Guidelines Section 15268).

On July 26, 1990, the Glenn County Planning Department approved Administrative Permit #90-28 to permit Arkoma to drill gas well "Neilsen 22-1" on private property about 800 feet east of the Sacramento River (see Exhibit "D" for permit requirements). An environmental document was not prepared as the proposed project was identified as satisfying the requirements of the County's administrative permit.

3. 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 under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes, in consideration of the action taken by Glenn County under their code, there is no possibility that this project will have a significant effect on the environment.

Authority: 14 Cal. Code Regs. 15061(b)(3).

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. General Location.
- D. Administration Permit #90-28.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THIS ACTIVITY EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL. CODE REGS. 15061(b)(3)).
2. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE IS THE BEST INSTRUMENT TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND (DESCRIBED IN EXHIBIT "A") AND THAT THE STATE LAND IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND BECAUSE WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.
3. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH DYNAMIC EXPLORATION PARTNERS, LTD. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 246 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE (\$6,150 FOR APPROXIMATELY 246 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.
4. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

**EXHIBIT "A"**

**W 40608**

**LAND DESCRIPTION**

That portion of the submerged bed of the Sacramento River in the Jacinto and Farwell Ranchos, Butte and Glenn Counties, California, bounded as follows:

Bounded upstream by Longitude 121° 59' 01" W in the vicinity of the north line and its easterly prolongation of fractional Section 5 of the Subdivision of the Glenn Ranch, according to the Map and Survey thereof made by H. B. Shackelford and filed in the Office of the County recorder of Glenn County, on August 23, 1900, in Book 1 of Maps at page 110; bounded downstream by the easterly prolongation of the south line of fractional section 7 of said subdivision of the Glenn Ranch; and on the sides by the ordinary low water marks of said river.

**END OF DESCRIPTION**

**PREPARED SEPTEMBER 21, 1990 BY LLB.**

CALENDAR PAGE	174
MINUTE PAGE	3548

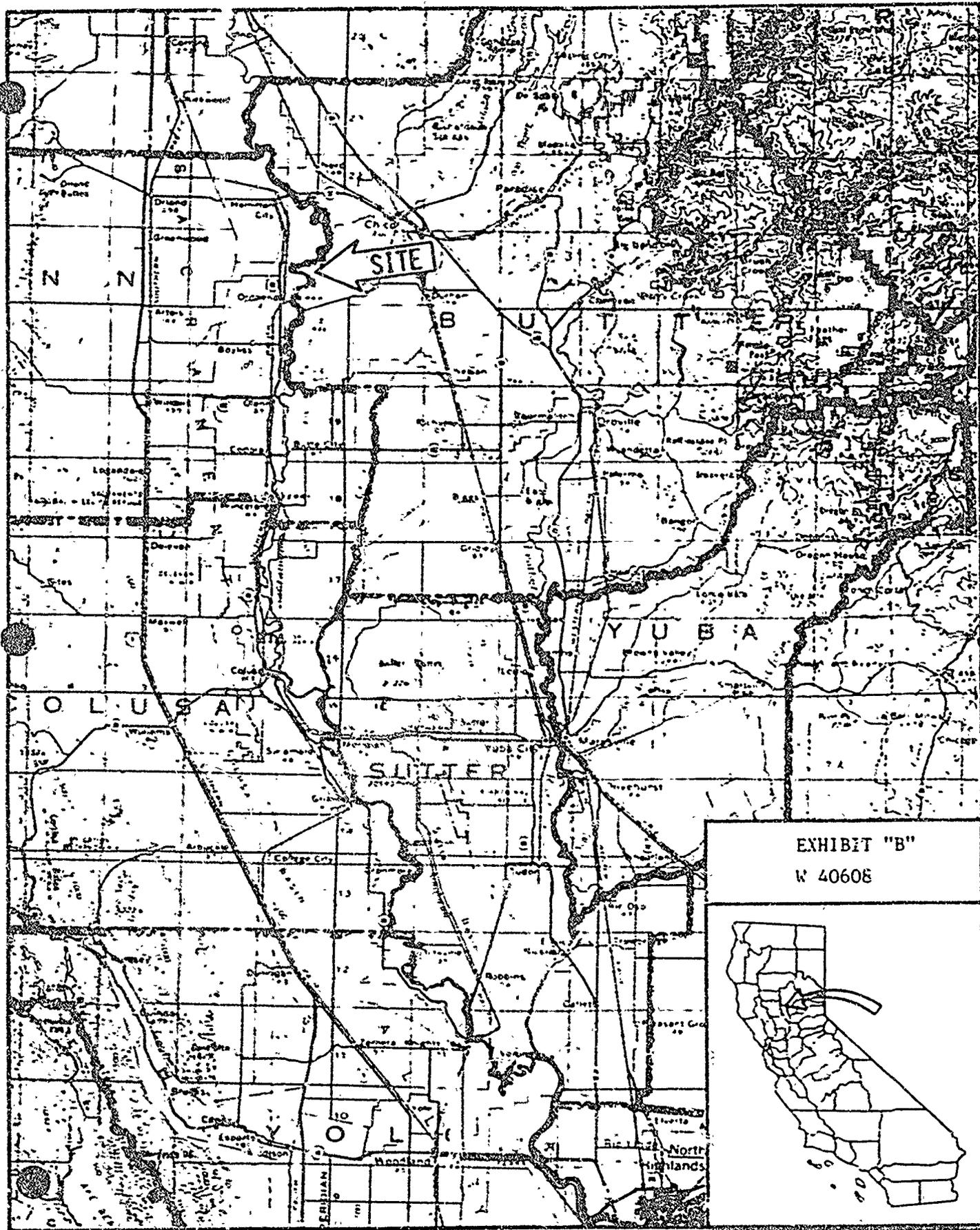


EXHIBIT "B"

W 40608



CALENDAR PAGE

175

MINUTE PAGE

3549

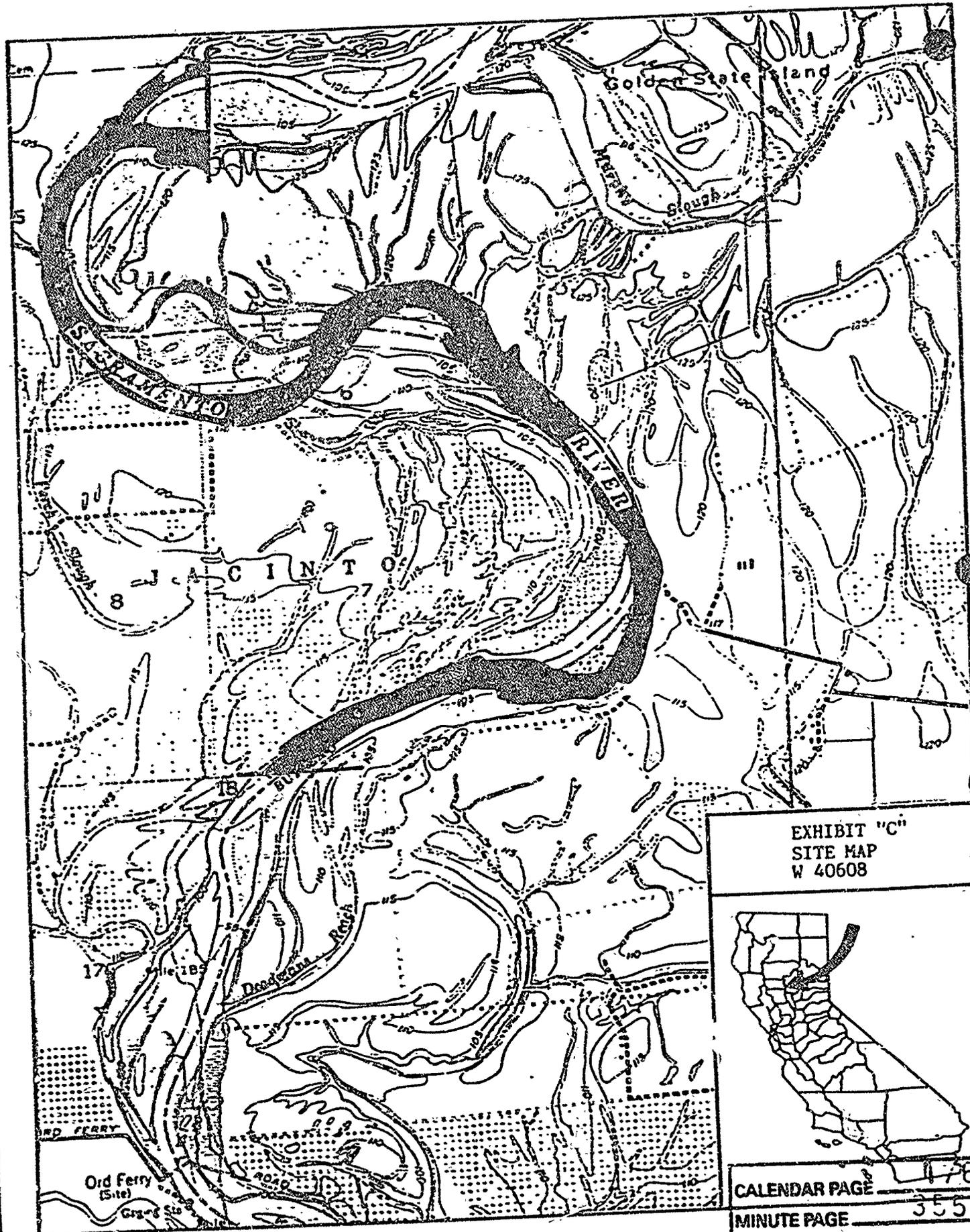


EXHIBIT "C"  
 SITE MAP  
 W 40608



CALENDAR PAGE 476  
 MINUTE PAGE 3550

Notice of Exemption

EXHIBIT "D"

Appendix I

To:  Office of Planning and Research  
1400 Tenth Street, Room 121  
Sacramento, CA 95814

From: (Public Agency) Glenn County  
Planning Department

County Clerk  
County of Glenn

(Address)  
125 South Murdock Avenue  
Willows CA 95988



Project Title: Administrative Permit #90-28 Arkoma Production Company of California

Project Location - Specific: TAPN: 23-030-036 South of County Road "29", east of  
County Road "XX".

Project Location - City: NA Project Location - County: Glenn

Description of Project: Move in and erect a portable drilling rig to drill and  
complete a natural gas well.

Name of Public Agency Approving Project: Glenn County Planning Director

Name of Person or Agency Carrying Out Project: Arkoma Production Company of California  
2240 Douglas Blvd. Ste. 201, Roseville, CA 95661

- Exempt Status: (check one)
- Ministerial (Sec. 21080(b)(1): 15268);
  - Declared Emergency (Sec. 21080(b)(3): 15269(a));
  - Emergency Project (Sec. 21080(b)(4): 15269(b)(c));
  - Categorical Exemption. State type and section number: \_\_\_\_\_
  - Statutory Exemptions. State code number: \_\_\_\_\_

Reasons why project is exempt: Meets all County requirements as listed in Section  
19.14 050 of the Glenn County Code.

Lead Agency  
Contact Person: John Benoit, Director Area Code/Telephone/Extension: 916-934-3338

- If filed by applicant:
1. Attach certified document of exemption finding.
  2. Has a notice of exemption been filed by the public agency approving the project?  Yes  No

Signed by John Benoit, Planning Director

True and correct copy of this notice  
Signed by Lead Agency: John Benoit  
7/26/90  
Accepted by: [Signature]

CALENDAR PAGE 177  
MINUTE PAGE 3551

Chapter 19.14

ADMINISTRATIVE PERMIT

19.14.010 Administrative Permit

The Planning Director may grant an administrative permit for the following uses. All administrative permits are to be processed as set forth in Sections 19.14.020 through 19.14.040.

- A. One residence or mobilehome in excess of those allowed as a permitted use specified in the various zones.
- B. Residential unit used and occupied exclusively by the proprietor or an employee thereof for commercial establishments located in commercial zones.
- C. Residential unit used and occupied exclusively by the proprietor or an employee thereof for industrial establishments located in industrial zones.
- D. Natural gas wells pursuant to Section 19.14.050.
- E. Collector's Permit to be used exclusively by the proprietor or occupant of the property pursuant to Section 19.14.060.

19.14.020 Application and Fee

Application for an administrative permit shall be made to the Planning Department in writing on a form prescribed by the Planning Department. Said application shall be accompanied by the fee set by resolution of the Board of Supervisors.

19.14.030 Review by Planning Director

The Planning Director shall review the application, but in no case shall the review period exceed thirty (30) calendar days from the date of submittal.

19.14.040 Action by Planning Director

The Planning Director shall grant an administrative permit only if he makes those findings specified in Section 19.12.040.

19.14.050 Natural Gas Wells Standard

Administrative permits may be approved and issued for the drilling of natural gas wells provided the following standards are being met:

- A. The proposed location of the gas well is at least 500 feet from the nearest residential dwelling unit;
- B. The proposed location of the gas well is at least 120 feet from a County road right-of-way;
- C. That if the proposed location of the gas well is within a flood hazard area as designated on the Flood Hazard Maps of Glenn County, or within a Designated Floodway or Special Flood Plain Combining zone, the rules, regulations and restrictions of the zones shall be conditions of approval.

- D. The fire protection regulations of the affected fire district shall be complied with;
- E. The drilling mud shall be disposed of at an approved disposal site;
- F. The necessary permits shall be secured from all affected federal, state and local agencies;
- G. That the applicant shall enter into a Road Maintenance Agreement with the Glenn County Road Department.
- H. Conversion of this gas well to an injection well may be permitted with a Conditional Use Permit.

**19.14.060 Appeal**

Appeal procedure shall be processed in the same manner as specified in Chapter 19.20.

**19.14.070 Administrative Collector's Permit Requirements**

An Administrative Permit for the collection of a specified number of antique or hobby accumulation vehicles provided the following standards are met:

- A. An administrative collector's use shall be a residential accessory use in the "RE" zoning district.
- B. All outdoor storage shall be completely screened to a height of six (6) feet by a solid wood or masonry fence when not completely enclosed in a building. All fences (and) or buildings shall be continuously maintained.
- C. There shall be no outdoor storage in any required yard area.
- D. Storage shall only occur in those areas shown on the approved plot plan.
- E. All requirements of the Fire Marshall shall be met. The property shall be kept in a weed free condition.
- F. A conditional use permit shall be required for automobile collectors of 6 or more accumulation vehicles.
- G. A use permit shall be required for collectors of antique or hobby accumulation vehicles on parcels smaller than 2 acres or when the standards of an administrative collector's permit cannot be met.
- H. In all cases, the administrative collector permit shall not be issued or held for the purposes of conducting a business.

Chapter 19.36

**"AE" EXCLUSIVE AGRICULTURAL ZONE**

**19.36.010 Purpose**

This zoning classification is established for the following purposes:

- A. To preserve the maximum amount of the limited supply of agricultural land which is necessary in the conservation of the County's economic resources and vital for a healthy agricultural economy of the County.
- B. To eliminate the encroachment of land uses which are incompatible with the agricultural use of land.
- C. To prevent the unnecessary conversion of agricultural land to urban uses.
- D. To provide areas for both intensive and extensive agricultural activities.

**19.36.020 Sub-Zone and Lot Area**

The minimum area of any lot or parcel of land for each of the "AE" sub-zones shall be as indicated below:

<u>Sub-Zone</u>	<u>Minimum Parcel Size</u>
AE - 20	20 acres
AE - 40	40 acres
AE - 80	80 acres

**19.36.030 Permitted Uses**

The following uses and structures shall be permitted in the "AE" zone:

- A. One single-family residence or mobilehome per each parcel of land (Refer to Mobilehome Standards).
- B. In addition to the residence allowed under paragraph (A) above for each parcel of land, one additional residence or mobilehome for each forty (40) acres in Sub-Zone "AE-20" and eighty (80) acres in Sub-Zone "AE-40".
- C. Growing and harvesting of any agricultural crop or product.
- D. The use of implements of husbandry including aircraft when used in the growing of crops or raising of animals, except as may be regulated by other laws or regulations.
- E. Game preserves and hunting clubs, private or public, but shall not include permanent facilities such as hotels, motels, restaurants, club houses.
- F. Agricultural service establishments primarily engaged in performing agricultural and husbandry services or horticultural services to farmers.

- G. Temporary landing of aircraft engaged in agricultural uses.
- H. Livestock farming, including the raising, feeding, maintaining and breeding of horses, cattle, sheep, goats, and similar livestock.
- I. Silos and dehydrators but not for the general public on a commercial basis.
- J. Accessory buildings such as garages, carports, lath houses, greenhouses, gardening sheds, recreation rooms and similar structures which are customarily used in conjunction with and incidental to a principal use or structure.
- K. Home occupations if a permit is secured pursuant to Chapter 19.64.
- L. Storage of materials used for the construction of a building, including the contractor's temporary office, provided that such use is on the building site or immediately adjacent thereto and provided further that such use shall be permitted only during the construction period and the 30 days thereafter.
- M. Accessory buildings or structures required for the storage of any crops, products, equipment or uses lawfully permitted or produced on the premises.
- N. The keeping of fowl and animals shall conform to all other provisions of law governing same. No pen, coop, stable, barn or corral used for fowl and animals shall be kept or maintained within fifty (50) feet of any dwelling or other building used for human habitation, or within one hundred (100) feet of the front lot line of the lot upon which it is located, or within twenty-five (25) feet of the street side of a corner lot, or within one hundred (100) feet of any parcel of land used for a public park, school or similar institution.
- O. Stands for the purpose of displaying and selling agricultural, floricultural or farming products which are grown or produced on the premises, provided that there shall be not more than one stand per lot or parcel of land. The ground coverage of the stand shall not exceed 300 square feet and it shall be set back from the street or highway right-of-way a distance of at least 20 feet. Such stand must be of good frame construction.
- P. Windmills, tank houses, buildings or shelters for farm equipment and machinery, water wells, water reservoirs and storage tanks.

**19.36.040 Uses Permitted With A Conditional Use Permit**

The following uses and structures may be permitted in the "AE" zone only if a conditional use permit has first been secured:

- A. Commercial storage and handling of agricultural chemicals.
- B. Fertilizer manufacturing.
- C. Farm labor camps and structures for transient labor.
- D. Commercial hog and pig farming.
- E. Animal sales yards.
- F. Commercial stables, riding academies.

CALENDAR PAGE	181
MINUTE PAGE	3555