

MINUTE ITEM
This Calendar Item No. 29
was approved as Minute Item
No. 29 by the State Lands
Commission by a vote of 3
to 0 at its 7/15/91
meeting.

CALENDAR ITEM

A 10, 3

29

S 1, 6

07/15/91
PRC 5890
Hamilton

ACCEPT THE DISSOLUTION OF POOLING AND SURRENDER OF
STATE OIL AND GAS LEASE PRC 5890
(52.5 ACRES UNDER THE SACRAMENTO RIVER),
SACRAMENTO AND YOLO COUNTIES

LESSEE:

Shell Western E&P Inc.
Land Department
P.O. Box 11164
Bakersfield, California 93389-1164

BACKGROUND:

Negotiated subsurface (no surface use) State oil and gas lease PRC 5890 was issued to Shell Oil Company on August 26, 1980 and was effective on May 20, 1981. The lease contains about 52.5 acres of tide and submerged land in the bed of the Sacramento River in Sacramento and Yolo Counties, California (leased lands). Under the terms of the lease, the lessee is required to pay an annual rental of \$20 per acre (\$1,050 per year for 52.5 acres) and pay 30 percent royalty on all gas removed or sold from the leased lands. Shell Western E&P Inc. is the successor in interest to Shell Oil Company and is the current lessee.

On April 27, 1982, the Commission approved Shell's pooling agreement and all of the leased lands were unitized with other public and private lands to form the "Chilton 1-2 River Unit". On May 3, 1982, directional gas well "Chilton" 1-2 was completed beneath the unitized leased lands and the State received royalty from October 1982 to July 1988.

On September 8, 1988, Shell gave the Commission written notification of its intention to surrender the lease, plug and abandon the "Chilton" 1-2 well and dissolve the "Chilton 1-2 River Unit". However, because of a discrepancy concerning the acreage of the lease and Unit, staff could not, at that time, recommend Commission approval of the surrender until the acreage question was resolved. The acreage question has been resolved, and payment of adjusted rental and royalty have been received.

P.R.C 6804.1 and Paragraph 6 of the lease permit the lessee to make at any time a written quitclaim or relinquishment of all rights under the lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof in a compact form. The quitclaim or relinquishment will be effective when it is filed with the State subject to the continued obligation of the lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on the leased lands. Shell was current with lease rental and the unadjusted royalty at the time of its notification to the State on September 8, 1988.

A review of the Commission's files reveals that no default exists on the lease, that the lessee has complied with all applicable laws and lease provisions, that all rentals and royalties have been paid and that all wells drilled on or into the leased lands have been properly plugged and abandoned.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C. 6804.1.
- B. Paragraph 6 of the lease.

AB 864:
3/A.

OTHER PERTINENT INFORMATION:

1. Directional gas well "Chilton" 1-2 was drilled on private property, was bottomed beneath the leased lands and was plugged and abandoned in accordance with Commission and Division of Oil and Gas requirements (see Exhibit "D" - "Report of Well Abandonment").
2. Pursuant to the Commission's 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 because the activity is not a "project" as defined by CEQA and the CEQA Guidelines.

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

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. Location Map.
- D. Report of Well Abandonment.
- E. Dissolution of Pooling dated March 28, 1991.
- F. Surrender of Oil and Gas Lease dated March 28, 1991.

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 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. SECTION 21065 AND CAL. CODE REGS. 15378.
2. ACCEPT FROM SHELL WESTERN E&P INC. THE DOCUMENT TITLED "DISSOLUTION OF POOLING" DATED MARCH 28, 1991 (EXHIBIT "E") WHICH TERMINATES THE STATE'S PARTICIPATION IN THE "CHILTON 1-2 RIVER UNIT". THIS UNIT WAS FORMED PURSUANT TO THE AGREEMENT TITLED "DECLARATION AND NOTICE OF POOLING OF OIL AND GAS LEASES" DATED MARCH 31, 1982, AND WAS MODIFIED PURSUANT THE AGREEMENT TITLED "FIRST MODIFICATION OF DECLARATION AND NOTICE OF POOLING OF OIL AND GAS LEASES" DATED OCTOBER 14, 1983. THE COMMISSION APPROVED BOTH OF THE AGREEMENTS AND THE STATE'S PARTICIPATION IN THE UNIT ON APRIL 27, 1982 AND JANUARY 23, 1984, RESPECTIVELY.
3. ACCEPT FROM SHELL WESTERN E&P INC. THE DOCUMENT TITLED "SURRENDER OF OIL AND GAS LEASE" DATED MARCH 28, 1991 (EXHIBIT "F") WHEREIN SHELL SURRENDERS UNTO THE STATE ALL RIGHT, TITLE AND INTEREST IN AND TO THE LEASED LANDS DESCRIBED IN STATE OIL AND GAS LEASE PRC 5890 DATED MAY 20, 1981 AND DESCRIBED ALSO IN THE ATTACHED EXHIBIT "A".
4. RELEASE SHELL WESTERN E&P INC. FROM ALL OBLIGATIONS UNDER STATE OIL AND GAS LEASE PRC 5890 AND THE "CHILTON 1-2 RIVER UNIT" EFFECTIVE SEPTEMBER 8, 1988, THE DATE SHELL NOTIFIED THE COMMISSION OF ITS INTENTION TO SURRENDER THE LEASE AND DISSOLVE THE UNIT.
5. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"
LAND DESCRIPTION

PRC 5890
(W 40178)

DESCRIPTION OF PARCEL TO BE LEASED

All that certain real property situate in the counties of Sacramento and Yolo, State of California, more particularly described as follows:

That portion of the bed of the Sacramento River lying northerly and westerly of the southerly prolongation of the west line of Section 1, T9N, R3E, M.D.M. and southerly and easterly of the northwesterly line of Lot 28 of the Elkhorn Subdivision as shown on the official plat thereof filed for record in the Office of the Yolo County Recorder on February 6, 1912 in Book 2 of Maps at Page 51.

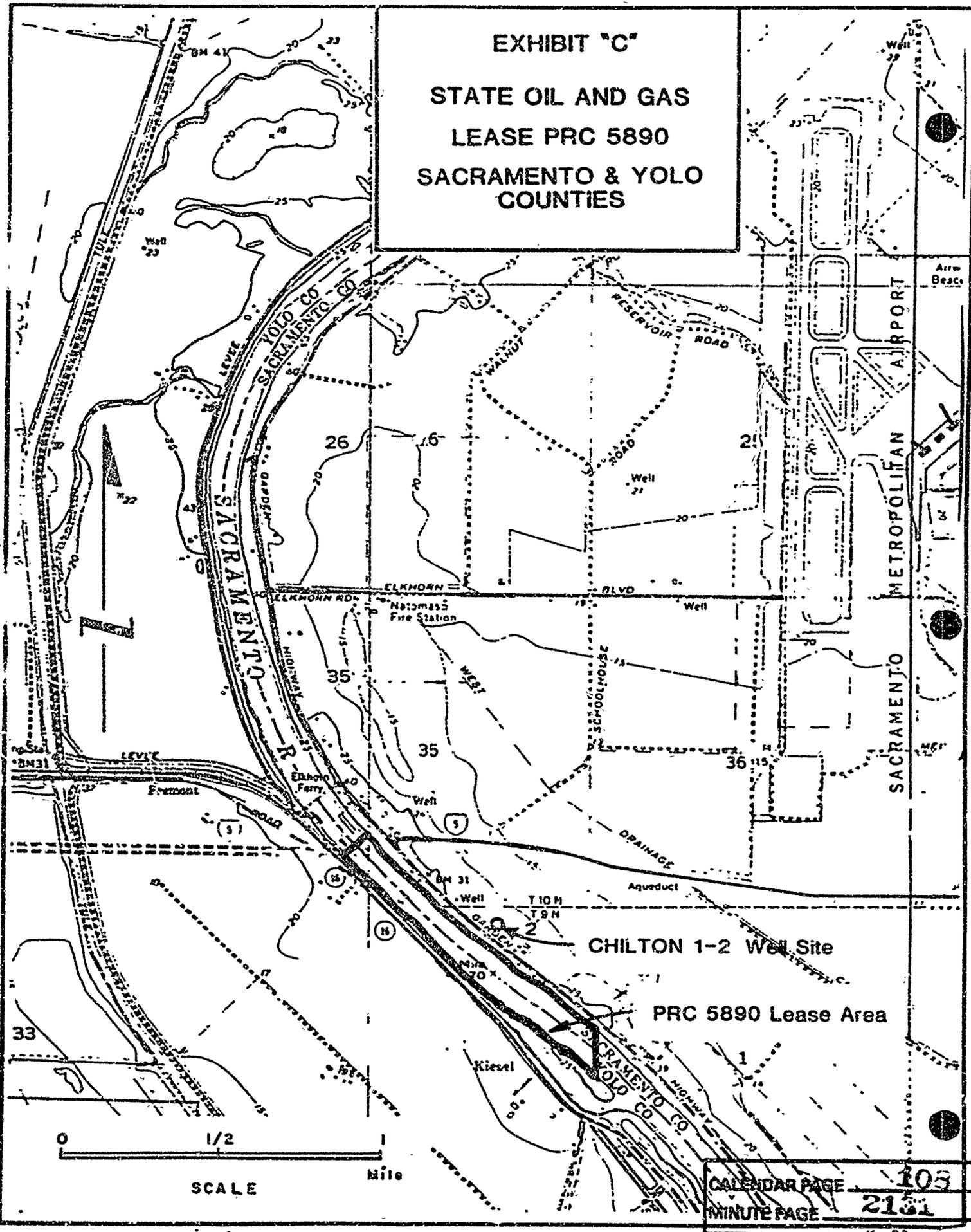
Containing 52.50+ Acres /

EXCEPTING THEREFROM any portions lying landward of the ordinary high water mark of the Sacramento River.

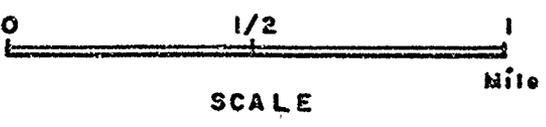
END OF DESCRIPTION

CALENDAR PAGE	106
MINUTE PAGE	2129

EXHIBIT "C"
STATE OIL AND GAS
LEASE PRC 5890
SACRAMENTO & YOLO COUNTIES



CHILTON 1-2 Well Site
PRC 5890 Lease Area



CALENDAR PAGE 105
 MINUTE PAGE 2181

EXHIBIT "E"

PRC 5890

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Shell Western E&P Inc.
P. O. Box 11164
Bakersfield, CA 93389-1164

DISSOLUTION OF POOLING

This Dissolution of Pooling, made this 28th day of March, 1991, by the undersigned SHELL WESTERN E&P INC., a Delaware corporation (SWEPI), successor-in-interest to SHELL OIL COMPANY, a Delaware corporation.

WITNESSETH

THAT, WHEREAS, SWEPI combined certain lands for the development and production of gas and associated hydrocarbons by a Declaration and Notice of Pooling of Oil and Gas Leases, dated March 31, 1982, recorded in Book 1520 at Page 266 of the Official Records of Yolo County, California, and in Book 82-04-20 at Page 1188 of the Official Records of Sacramento County, California, later amended by the First Modification of Declaration and Notice of Pooling of Oil and Gas Leases, dated October 14, 1983, recorded in Book 1610 at Page 369 of the Official Records of Yolo County, California, and in Book 83-10-20 at Page 1168 of the Official Records of Sacramento County, California; both agreements hereinafter collectively referred to as "said Notice";

AND, WHEREAS, SWEPI is no longer conducting the development and production of gas and associated hydrocarbons from the lands covered by said Notice;

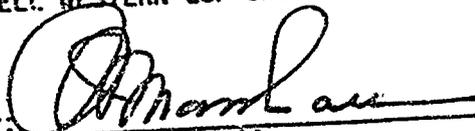
AND, WHEREAS, the STATE OF CALIFORNIA - STATE LANDS COMMISSION ("STATE") is the Lessor of an Oil and Gas Lease, known as PRC 5990, a portion of which is included in the lands covered by said Notice;

AND, WHEREAS, SWEPI and the STATE wish to terminate and dissolve the pooling of Oil and Gas Leases described in said Notice;

NOW, THEREFORE, pursuant to and in exercise of their rights SWEPI and the STATE do hereby dissolve, terminate and extinguish the pooling of Oil and Gas leases described in said Notice.

IN WITNESS WHEREOF, the undersigned have executed this instrument as of the date first above written.

SHELL WESTERN E&P INC.

By: 
T. L. Marshall
Its Attorney-in-Fact

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

Title: _____

AA107906.L13--1

Exhibit "E" - 1

CALENDAR PAGE	110
MINUTE PAGE	2133

STATE OF CALIFORNIA)
COUNTY OF _____) ss

PRC 5890

On this _____ day of _____, A. D., 19____, before me, the undersigned, a Notary Public in and for the State of California, with principal office in the County of _____, personally appeared _____, known to me to be the _____, of the STATE LANDS COMMISSION, STATE OF CALIFORNIA, the Commission that executed the within Instrument, known to me to be the person who executed the within Instrument, on behalf of the Commission therein named, and acknowledged to me that such Commission executed the within Instrument pursuant to a resolution of its Commissioners.

WITNESS my hand and official seal.

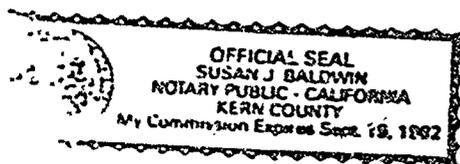
Name (Typed or Printed)

NOTARY PUBLIC IN AND FOR THE STATE OF CALIFORNIA

STATE OF CALIFORNIA)
COUNTY OF KERN) ss

I, Susan J. Baldwin, a Notary Public in and for said County and State, do hereby certify that T. L. Marshall, to me personally known (or proved to me on the basis of satisfactory evidence) and known to me to be the same person who executed the foregoing instrument as Attorney in Fact of SHELL WESTERN E&P INC., a Delaware corporation, appeared before me this day in person and, being first sworn, acknowledged that he is an Attorney in Fact of said corporation, and that said instrument was signed and delivered in behalf of said corporation by authority of its Board of Directors, and further acknowledged said instrument and his execution thereof to be the free and voluntary act and deed of said corporation, and his own free and voluntary act and deed, for the uses, purposes and consideration therein expressed.

Given under my hand and official seal this 2nd day of April, 1991.



Susan J. Baldwin

Susan J. Baldwin

Name (Typed or Printed)
In and for said County and State
Residing at Bakersfield, California
My commission expires Sept. 19, 1992

EXHIBIT "F"

RECORDED AT REQUEST OF
AND WHEN RECORDED RETURN TO:

PRC 5890

Shell Western E&P Inc.
Land Department
P. O. Box 11164
Bakersfield, CA 93389-1164

SURRENDER OF OIL AND GAS LEASE

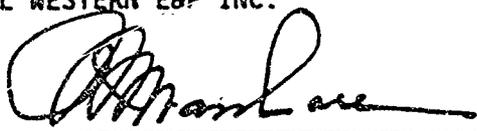
WHEREAS, SHELL WESTERN E&P INC., a Delaware corporation ("SWEPI"), owns and holds the existing rights of the Lessee under that certain Oil and Gas Lease dated May 20, 1981, between the State of California, acting by and through the State Lands Commission ("STATE"), as Lessor, and Shell Oil Company, as Lessee, a copy of which is recorded in Book 81-07-01, Page 569 of the Official Records of Sacramento County, California, and in Book 1483, Page 734 of the Official Records of Yolo County, California, hereinafter referred to as "said Lease";

WHEREAS, SWEPI has elected to surrender all leasehold right, title and interest in said Lease;

NOW, THEREFORE, SWEPI does hereby remise, release and forever quitclaim unto STATE, its successors and assigns, all right, title and interest owned and held by SWEPI in said Lease; SWEPI and STATE agree that said Lease is hereby surrendered and terminated in its entirety; and STATE releases and discharges SWEPI from any and all claims, demands and causes of action against SWEPI for any rents, royalties, or interest under said Lease.

IN WITNESS WHEREOF, this instrument is duly executed this 28th day of March, 1991.

SHELL WESTERN E&P INC.

By: 
T. L. Marshall
Its Attorney-in-Fact

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By: _____

Its: _____

