

MINUTE ITEM C22

W 40649

Hamilton

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(232 ACRES UNDER FALSE RIVER),
CONTRA COSTA COUNTY

Calendar Item C22,, attached, was pulled from the agenda prior to the meeting.

Attachment: Calendar Item C22

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CALENDAR ITEM

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11/05/91

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W 40649

Hamilton

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(232 ACRES UNDER FALSE RIVER),
CONTRA COSTA COUNTY

APPLICANT:

Texas Crude Exploration, Inc.
801 Travis, Suite 2100
Houston, Texas 77002

AREA, TYPE AND LOCATION:

The State land contains about 232 acres in the bed of False River situated between Franks Tract State Recreation Area and Webb Tract in Contra Costa County, California (see exhibits "A", "B" and "C" for the description and approximate location of the State land). Texas Crude Exploration, Inc., a Texas corporation, has completed the application requirements for a negotiated subsurface (no surface use) State oil and gas lease on this State land.

LAND USE:

Because the State land is a waterway, Staff has determined that surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land would be protected and could be developed pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease. Under the terms of the lease, the Commission would approve all slant drilling into the State land from county-approved drill sites and any pooling or unitization of the State land.

Except for a few submerged parcels located within Franks Tract State Recreation Area, Texas Crude has oil and gas leases on all of the private property adjacent to the State

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land and has a permit from the Contra Costa County Community Development Department (Lead Agency) to drill for oil and gas well on private property adjacent to 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 its small size or irregular configuration or its 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 State land is a waterway and because Texas Crude controls by lease all of the drill sites adjacent to the State land and has county (Lead Agency) approval to drill for gas and oil near the State land, Staff has concluded that the criteria of P.R.C. 6815(a) have been met in that the State land is unsuitable for competitive bid leasing because surface locations for oil and gas operations (drill sites) are not available and that a negotiated subsurface (no surface use) oil and gas lease will provide protection from wells drilled on private property which may drain oil and gas from the State land.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty (20) 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.

CALENDAR ITEM NO. 22 (CONT'D)

4. All drilling into the leased lands shall be by slant drilling from surface locations on adjacent lands, 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 (3) years. However, if all or part of the leased lands is included in a Commission-approved pooled area or unit, then drilling operations on and production from the pool or unit will be deemed to be drilling operations on and production from the pooled or unitized leased lands.
2. Annual rental of \$35 per acre (\$8,120 for 232 acres).
3. Royalty of twenty percent (20%) on gas and oil.
4. Performance bond or other security in the sum of \$10,000.

PREREQUISITE CONSIDERATIONS:

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

AB 884:
03/01/92

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". The site of the project or area in which the major environmental effects will occur is located on private property within the county of Contra Costa. The County has, therefore, functioned as Lead Agency for the proposed project.

CALENDAR ITEM NO. C 2 2 (CONT'D)

The Contra Costa County Community Development Department is the Lead Agency for approving applications for oil and gas well permits in the County. Development of oil and gas wells within the unincorporated area of the County is governed by Chapter 88-14 of the Ordinance Code. Before any new oil and gas activity is established, Chapter 88-14 requires the granting of a land use permit.

On September 4, 1991, the County Community Development Department approved Application for Oil and Gas Well Permit (File No. WD-5-91) to permit Texas Crude Exploration, Inc. to develop oil and gas wells on private property near the State land (see Exhibit "D" for the permit requirements). The project is a permitted activity and is governed by Section 88-14.602 of the County Ordinance Code. The project site is certified as being located in a permitted area. For the purposes of complying with the California Environmental Quality Act, the County has issued a categorical exemption (Class 3) for this project.

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 as a categorically exempt project. The project is exempt under Class 4, Minor Alteration to Land, 14 Cal. Code Regs. 15304.

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

3. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370 et seq. but will not affect those significant lands, or their environmentally significant values, because the surface of the State land is not included within the project site.

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. General Location.
- D. Application for Oil and Gas Well Permit (File No. WD-5-91).

CALENDAR ITEM NO. C 2 2 (CONT'D)

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. FIND THAT SIGNIFICANT ENVIRONMENTAL VALUES ORIGINALLY IDENTIFIED PURSUANT TO P.R.C. 6370, ET SEQ., ARE NOT WITHIN THE PROJECT SITE AND WILL NOT BE AFFECTED BY THE PROPOSED PROJECT.
3. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET IN THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE IS THE BEST INSTRUMENT TO PROTECT AND DEVELOP 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.
4. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH TEXAS CRUDE EXPLORATION, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (ABOUT 232 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$35 PER ACRE (\$8,120 FOR 232 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.
5. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

W 40649

LAND DESCRIPTION

That portion of the bed of False River situated north of Frank's Tract, Contra Costa County, California, more particularly described as follows:

Bounded on the north by the right bank of the False River.

Bounded on the east by the southerly prolongation of a line having a bearing of S 4° 59' W as shown in the Record of Survey recorded July 21, 1955 in Volume 16 at Page 50, Contra Costa County Records.

Bounded on the south by the left bank of the False River.

Bounded on the west by the southerly prolongation of the west line of Parcel A as shown on Parcel Map No. 173-71 Filed September 27, 1973 in Book 30 of Parcel Maps, Page 13, Contra Costa County Records.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water marks of the False River.

END OF DESCRIPTION

PREPARED SEPTEMBER, 1991 BY LLB

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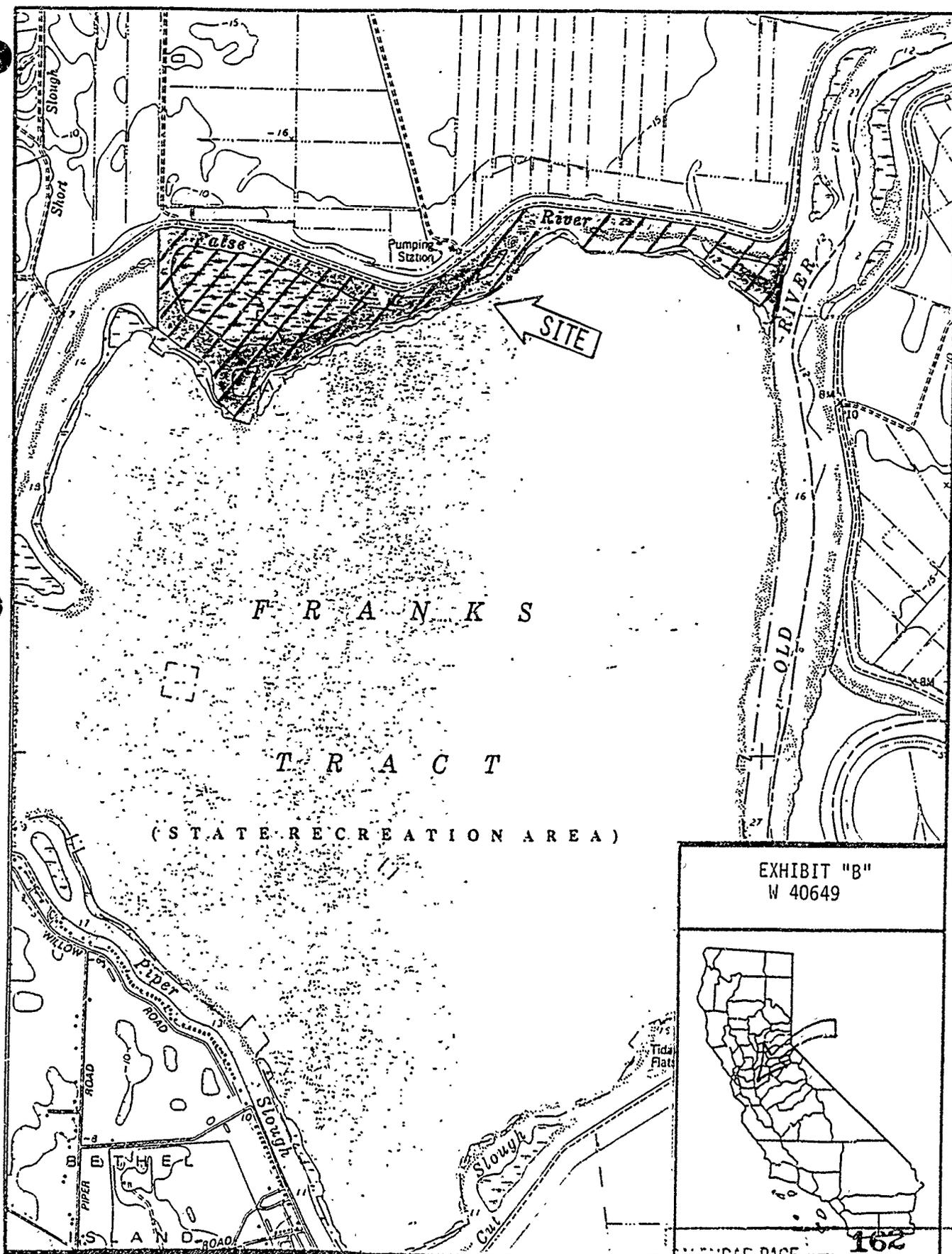


EXHIBIT "B"
W 40649



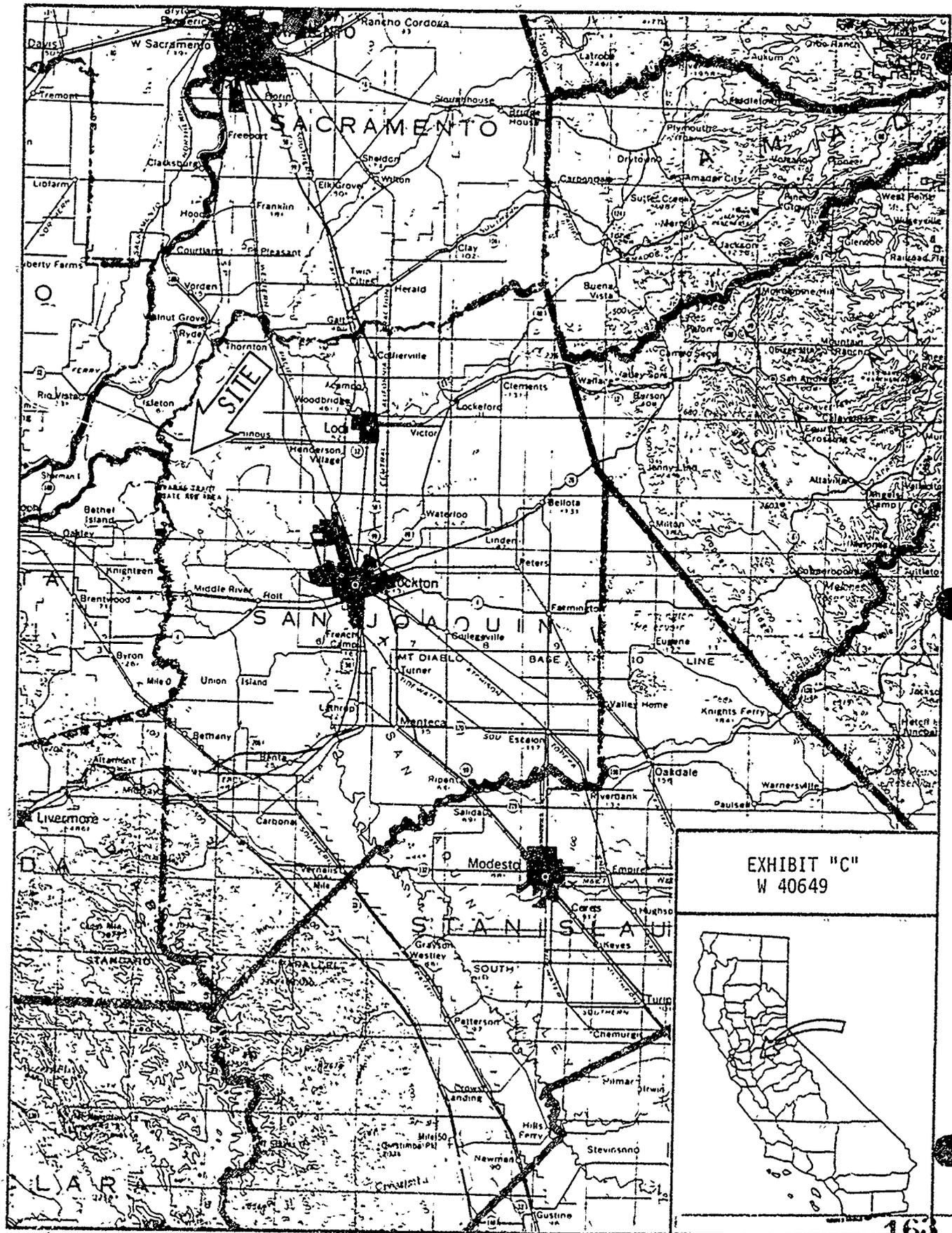


EXHIBIT "C"
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SCALE BAR PAGE
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Community Development Department
 County Administration Building, North Wing
 P.O. Box 951
 Martinez, California 94553 0095
 Phone: (415) 646-1600

Contra Costa County



Harvey E. Bragdon TB
 Director of Community Development

EXHIBIT "D"

W40649

Application for Oil and Gas Well Permit

Development of Oil and Gas Wells within the unincorporated area of the County is governed by Chapter 88-14 of the Ordinance Code, unless the project is located on land that is zoned Planned Unit Development (P-1) in which case such activity is subject to the review requirements of that district.

Before any new oil and gas activity is established, Chapter 88-14 requires the granting of a land use permit unless the subject parcel is certified by the County as lying within an area qualifying for administrative approval.

File No.

WD-5-91

<p align="center">APPLICANT</p> <p>Name <u>Texas Crude Exploration, Inc.</u> Address <u>c/o Petroleum Properties Corporation</u> <u>P.O. Box 1060</u> City, State <u>Dixon, CA</u> Phone <u>(916) 678-1693</u></p>		<p align="center">OWNER</p> <p>Name <u>Bedford Properties, Inc.</u> Address <u>3470 Mt. Diablo Blvd., #A100</u> City, State <u>Lafayette, CA 94549</u> Phone <u>(415) 283-8262</u></p>	
<p>PROJECT INFORMATION</p> <p>Name of Well(s) <u>Texas Crude/Bedford Properties 36-1</u> Assessor's Parcel Number <u>26 - 060 - 17</u> Total Parcel Area <u>144.44</u> Acres Section <u>36</u> Township <u>3N</u> Range <u>3E</u> MDB&M</p> <p>This project involves: <input checked="" type="checkbox"/> development of a new well site. <input type="checkbox"/> modification to an existing well. Use this space if necessary to further describe the project.</p>		<p>OTHER SUBMITTAL ITEMS TO ACCOMPANY APPLICATION</p> <p><input checked="" type="checkbox"/> VICINITY MAP <input checked="" type="checkbox"/> SITE PLAN, of the entire parcel drawn to scale showing the location of existing improvements, the proposed well site and the access road. <input checked="" type="checkbox"/> EXPLORATION AND PRODUCTION PAD LAYOUTS identifying all wellhead equipment <input checked="" type="checkbox"/> A STATEMENT describing the location of any nearby residences or other sensitive activities near the well site(s) and detailing the measures to be taken to protect these activities from excess noise, dust, light, glare, odor and other objectionable elements associated with the proposed project. <input checked="" type="checkbox"/> \$100 FILING FEE (if the project is determined to be subject to the land use permit requirement, this fee can neither be refunded nor credited to the land use permit application fee)</p> <p>Owner's Signature <u>Donald A. Lorenz</u> Vice Pres. <input type="checkbox"/> In lieu of owner's signature, a copy of the lease agreement is attached.</p>	

APPLICANT MUST READ AND SIGN.

STANDARD CONDITIONS OF APPROVAL FOR OIL AND GAS WELL PERMITS

- The proposed uses shall be established in accord with the plans submitted with the application as approved by the Contra Costa County Zoning Administrator.
- Drilling operations shall conform to the regulations of the California Division of Oil and Gas designed to prevent damage to natural resources.
- After drilling is complete, all drilling muds, soil wastes, waste water and other waste fluids shall be removed from the site and disposed of in compliance with State and County regulations. Sumps may remain with the approval of the Zoning Administrator if they are essential to the operation of a producing well.
- Any proposed sumps shall be sited so as to prevent percolation of fluids into the strata.
- Derricks shall be removed when wells are brought into production.
- If wells are abandoned, they shall be sealed in accordance with Division of Oil and Gas regulations, and the drilling or production facilities shall be removed. The site shall be restored to the conditions that existed prior to the commencement of drilling activity.
- No toxic substances shall be used in violation of the requirements of either the California Department of Health Services or the Division of Oil and Gas.
- The drilling operation shall be confined to as small an area as practical.
- The applicant shall comply with the requirements of the local fire protection district.

I hereby certify that I have the authority to make the foregoing application. I have read this application and that all information is true and correct to the best of my knowledge, that all drilling activities undertaken will be carried out in compliance with the regulations of Chapter 88-14 of the Contra Costa County Zoning Code, and that I agree to conform fully to this Oil and Gas Well Permit and all of the above conditions.

Applicant's Signature Barry M. Boone
 Agent for Texas Crude Exploration, Inc.
 Date June 5, 1991

FOR OFFICE USE ONLY

DATE FILED 6-28-91

Application Accepted by [Signature]

Receipt No. C 778056

THE PROJECT IS A PERMITTED ACTIVITY.
 The project is governed by Section 88-14.602 of the County Ordinance Code. The project site is certified as being located in a permitted area.

THE PROJECT SHALL COMPLY WITH THE ADDITIONAL CONDITIONS LISTED ON THE ATTACHMENT.
 Granting of this permit does not release the permittee from complying with all other county, state or federal laws.
 Failure, neglect or refusal to exercise this permit within a period of one (1) year from the date of granting thereof, shall automatically cause the same to become and remain null and void. After the one year permit period has expired, none of the equipment listed below may be installed until a new permit application is filed and issued.

- compressor unit
- oil storage tank
- water condensation tank

For purposes of compliance with the California Environmental Quality Act, the County has issued this project a

CATEGORICAL EXEMPTION (Class 3)
 NEGATIVE DECLARATION

A copy of this permit must be retained on site during drilling and production operations.

Tony Bruno
 Staff Person (Print)
 Signed [Signature] Date 9-4-91
 Community Development Department
 County of Contra Costa

Tony Bruno
 Staff Person (Print)
 Signed [Signature] Date 9-4-91
 Community Development Department
 County of Contra Costa

LAND USE PERMIT APPROVAL IS REQUIRED.
 The above described project is not exempt from the land use permit requirement for one or more of the following reasons.
 The project site is:
 zoned for urban development or other non-exempt district.
 (zoning district) See attached zoning map
 designated for urban uses on the County General Plan.
 (land use designation) _____
 (General Plan) _____ (Adopted) _____
 See attached General Plan map.
 within 1000 feet of an urban land use designation.
 (General Plan) _____ (Adopted) _____
 See attached General Plan map
 within 1000 feet of a City Boundary.
 See attached base map.

Before the proposed activity may be undertaken, a land use permit must be granted. Please complete the attached application and prepare the indicated documents including notification materials. We ask you to hand deliver these items together with the indicated filing fee to this department for processing.

WD 995

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ATTACHMENT TO OIL AND GAME WELL PERMIT # WD 5-91
(Additional Conditions of Approval)

1. The applicant is allowed one well with the permit.
2. All noise abatement requirements shall be fully satisfied.
3. The applicant shall notify all adjacent neighbors and the department prior to drilling.
4. All clean-up standards shall be satisfied.