

MINUTE ITEM
This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 3
0 at its 1/8/92
meeting.

CALENDAR ITEM

A 10, 26

27

01/08/92
W 40634 PRC 7609
Gonzalez
Nitsche

S 7, 5

**APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(475 ACRES UNDER THE OLD RIVER)
CONTRA COSTA AND SAN JOAQUIN COUNTIES**

APPLICANT:

Phillips Petroleum Company
P. O. Box 1030
Carpinteria, California 93014

AREA, TYPE LAND, AND LOCATION:

The State land contains about 475 acres of submerged land in the bed of Old River located between Franks Tract State Recreation Area and Mandeville and Quimby islands in Contra Costa and San Joaquin counties, California (see exhibits "A", "B" and "C" for the description and approximate location of the State land). Phillips Petroleum Company, a Delaware 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, Phillips has oil and gas leases on all of the private property adjacent to the State land and has approval from the San Joaquin County Community

Development Department (Lead Agency) to drill for gas and/or oil 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 Phillips controls by lease all of the drill sites adjacent to the State land and has county (Lead Agency) approval to drill for gas and/or oil near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been met; 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.

CALENDAR ITEM NO. 27 (CONT'D)

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. Pursuant to the State Lands Commission's oil and gas drilling and production regulations found in Title II, Article 3:2, California Code of Regulations, all operations on private lands for wells drilled into State leases are subject to these regulations and approval by the State Lands Commission staff.

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 (\$16,625 for 475 acres).
3. Royalty of twenty percent (20%) 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) 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 to be affected by the project and the area in which the major environmental effects will occur is located on private property within the County of San Joaquin. The County has jurisdiction by law over the proposed project.

The San Joaquin County Community Development Department approves development plans to drill for gas and/or oil on private property in the County. Development plans are processed by the County as "ministerial" projects.

On November 14, 1990, the San Joaquin County Community Development Department approved Phillip's Application No. DP-91-28 to drill for gas and/or oil on private property in the County near the State land (see Exhibit "D" for permit requirements). Wells drilled from private property into State leases are subject to State Lands Commission's oil and gas drilling regulations for prevention of pollution and spill control. All operations are subject to approval by the staff.

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 Alterations 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 because the surface of the State land will not be affected by the project.

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. General Location.
- D. Development Plan No. DP-91-28.

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, 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 PHILLIPS PETROLEUM COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 475 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$35 PER ACRE (\$16,625 FOR 475 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 40634

LAND DESCRIPTION

Two parcels of submerged land in the bed of Old River, San Joaquin and Contra Costa Counties, California, bounded as follows:

PARCEL 1

1. Bounded on the west by the left bank of the Old River.
2. Bounded on the north by the easterly projection of a line from Point Number 25 on the left bank of Old River as shown on the map of Subdivision of the lands of Franks Reclamation Company, filed February 6, 1905, in Book B of Maps, Page 40, in the office of the County Recorder of Contra Costa County.
3. Bounded on the east by the right bank of the Old River.
4. Bounded on the south by the northerly projection of a line from Point Number 3 on the left bank of Old River as shown on the map of Quinby Island, Contra Costa County, California, dated 1915, on file in the office of the State Lands Commission, said point also shown on the Parcel map of Quinby Island, recorded on April 9, 1961 in Book 94 of Parcel Maps, Page 5, Contra Costa County.

PARCEL 2

1. Bounded on the west by the left bank of the Old River.
2. Bounded on the north by the northerly projection of a line from Point Number 3 on the left bank of Old River as shown on the map of Quinby Island, Contra Costa County, California, dated 1915, on file in the office of the State Lands Commission, said point also shown on the Parcel map of Quinby Island, recorded on April 9, 1961 in Book 94 of Parcel Maps, Page 5, Contra Costa County.
3. Bounded on the east by the right bank of the Old River.
4. Bounded on the south by the easterly projection of a line from Point Number 53 on the left bank of Old River as shown on the map of Quinby Island, Contra Costa County, California, dated 1915, on file in the office of the State Lands Commission, said point also shown on the Parcel map of Quinby Island, recorded on April 9, 1961 in Book 94 of Parcel Maps, Page 5, Contra Costa County.

END OF DESCRIPTION

PREPARED SEPTEMBER, 1991 BY LLB

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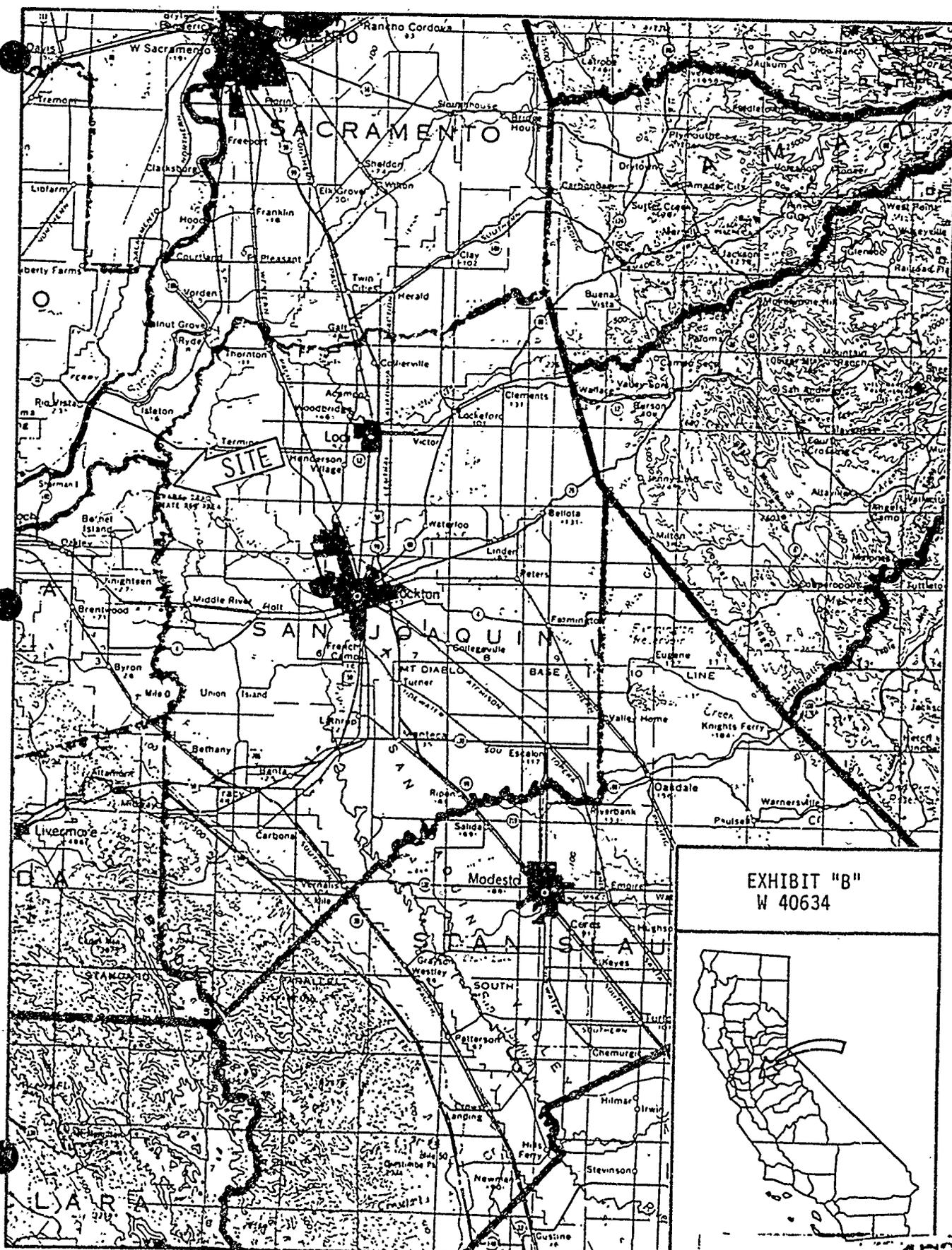


EXHIBIT "B"
W 40634



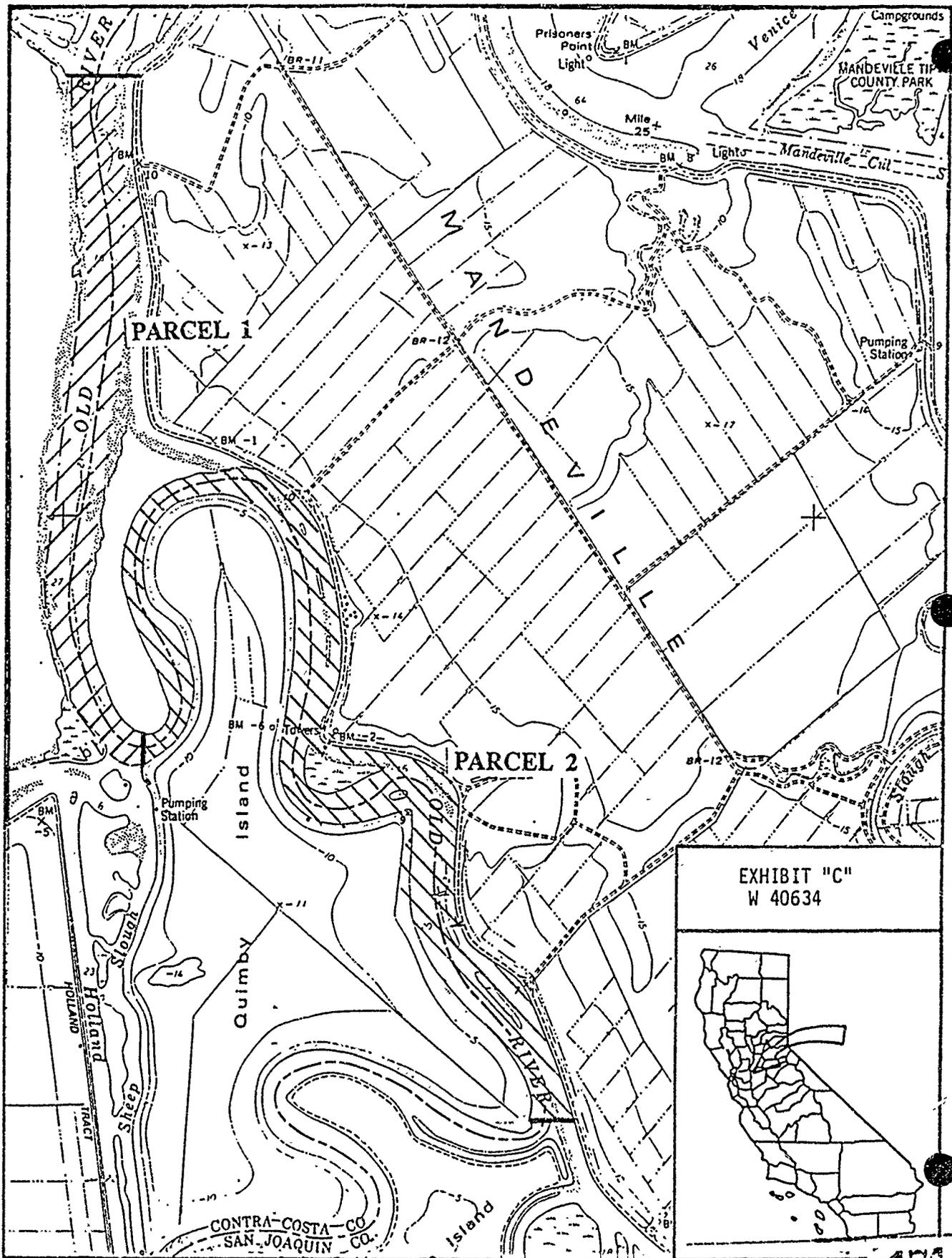


EXHIBIT "C"
W 40634



Letter to Phillips Petroleum Company
January 14, 1991
Page Two

W40634

If you have questions regarding this matter, please contact me.

Sincerely,



LARRY MATTHEWS
Senior Development Technician

LM:gt

Attachments: Amended Conditions of Approval

cc: Environmental Health Division
Department of Public Works
Building Inspection Division
Bureau of Fire Prevention
Air Pollution Control District
CRCC Farms
State of California
Manteca-Lathrop Fire Department

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AMENDED DEVELOPMENT PLAN CONDITIONS
FOR
GAS AND OIL

W40634

AMENDED CONDITIONS OF APPROVAL:

APPLICATION NO: DP-91-28
DATE APPROVED: 11-14-90

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 San Joaquin Environmental Health Division 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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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 Environmental Health Services 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 Environmental Health Division.
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.

MANTECA-LATHROP FIRE DEPARTMENT

1. Project conform with the Uniform Fire Code and standards.
2. Project conform with, if applicable, the National Fire Protection Association Standards.
3. Project conform with, if applicable, the City of Lathrop or S.J. County Fire sprinkler Ordinance.

4. Fire Department Development Fees be paid in accordance with the City of Lathrop, or S. J. County Ordinance and Resolutions adopting the fee schedule.
Industrial/Commercial at \$.21 per sq. ft. Single family, multi-family and mobile homes at \$.19 per sq. ft.
5. Provide on the site water for fire protection as per N.F.P.A.



SAN JOAQUIN COUNTY
COMMUNITY DEVELOPMENT DEPARTMENT

File (Mandeville Island)

1810 E. HAZELTON AVE. STOCKTON, CA 95205
DEVELOPMENT SERVICES PHONE: (209) 468-3120
PLANNING PHONE: (209) 468-3120
BUILDING PHONE: (209) 468-3123
NEIGHBORHOOD PRESERVATION PHONE: (209) 460-3021

W40634

November 14, 1990

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

Gentlemen:

RE: Development Plan No. DP-91-28

On NOVEMBER 14, 1990, the San Joaquin County Community Development Department approved an Application No. DP-91-28 to drill for gas and/or oil on property located 250 feet south and 250 feet west of the northwest corner of Section 7, T.2N., R.4E., Mandeville Island, west of Stockton. The property is owned by CRCC Farms, and the applicant was Phillips Petroleum Company (P.O. Box 1030, Carpinteria, CA 93014).

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: Environmental Health Division
Department of Public Works
Building Inspection Division
Bureau of Fire Prevention
Air Pollution Control District
CRCC Farms
Phillips Petroleum Company

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DEVELOPMENT PLAN CONDITIONS
FOR
GAS AND OIL

W40634

CONDITIONS OF APPROVAL:

APPLICATION NO: DP-91-28

DATE APPROVED: 11-14-91

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 San Joaquin Environmental Health Division 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.

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 Environmental Health Services 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 Environmental Health Division. 
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. 



PHILLIPS PETROLEUM COMPANY

CARPINTERIA, CALIFORNIA 93013
BOX 1030

WEST COAST DISTRICT OFFICE

CARPINTERIA, CALIFORNIA 93013
1180 EUGENIA PLACE, SUITE 104
(805) 566-0200

W40634

October 30, 1990

San Joaquin County Planning Division
1810 East Hazelton Avenue
Stockton, CA 95205

Re: Mandeville Island A#1

Dear Sir or Madam:

Attached please find the following items in support of a Gas and Oil Well Development Plan for the captioned gas well:

Six copies of the Site Plan
Six copies of the Application form
One copy of the Oil and Gas Lease
One copy of the State of California Well Bond
One copy of the Assessors Parcel Map
Filing Fee - \$570.00

Please note that no sumps or permanent structures will be associated with our proposed project. Should this test hole prove successful, we will then make application for the appropriate pipelines and well facilities. Should you have any questions, please contact myself or Kyle Pickford of this office at (805) 566-0200.

Sincerely,

T.W. Kennedy
Field Operations Supt.

TWK/KHP/smr

cc: F.D. Bairrington

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Gas & Oil Well Application Form

Part A

SAN JOAQUIN COUNTY PLANNING DIVISION
1810 EAST HAZELTON AVENUE
STOCKTON, CALIFORNIA 95205
TELEPHONE: (209) 468-3120

W40634

(To Be Filled Out By Applicant)

Owner: <u>CRCC Farms c/o Mr. D. Nomellini</u>	Applicant: <u>Phillips Petroleum Company</u>
Address: <u>P.O. Box 1461</u>	Address: <u>P.O. Box 1030</u>
City: <u>Stockton</u>	City: <u>Carpinteria</u>
State/Zip: <u>CA 95201</u>	State/Zip: <u>CA 93014</u>
Phone: <u>(209) 465-5883</u>	Phone: <u>(805) 566-0200</u>

Proposed Development: Drill, test and produce a natural gas well.
NW/4 NW/4 Sec. 7-2N-4E

Property Address: Mandevilla Island

Assessor Parcel Number(s): 129-04-29

Township: 2N Range: 4E Section: 7

PROPERTY INFORMATION

DESCRIPTION

Describe the property:

Size: 5267 ac.

Shape, terrain, unique features, etc.: Diked island surrounded by portions of the San Joaquin River and Franks Tract.

USE

Existing use (if agriculture, what crop): Agriculture - rice, grapes, equipment yards and structures.

Proposed Use: Well pad will be built on an existing gravelled farm equipment pad. No crops will be displaced. No grading will be required.

VICINITY

Use of surrounding properties:

North: Bare land, rice, grapes, San Joaquin River, Venice Island
 South: Rice, alfalfa, barns, equipment yards, Bacon Island
 East: Agricultural land - VARIOUS CROPS, Medford Island
 West: Franks Tract Recreational area, Quimby Island

SERVICES

List the public services and facilities which will be necessary for the project. Specify what public agency, if any, that will provide each. If private or individual services are proposed, explain:

<u>Service</u>	<u>Are services currently provided? If no, how far will lines need to be extended?</u>		<u>Which City, Special District, etc., will be providing each service or what private services are proposed?</u>
<u>Water</u>	Yes	<input checked="" type="radio"/> Not Needed	
<u>Sewer</u>	Yes	<input checked="" type="radio"/> " "	
<u>Drainage</u>	Yes	<input checked="" type="radio"/> " "	
<u>Electricity</u>	Yes	<input checked="" type="radio"/> " "	
<u>Gas</u>	Yes	<input checked="" type="radio"/> " "	
	Yes	<input type="radio"/> No	

SIGNATURE

I certify under penalty of perjury that I am (check one):

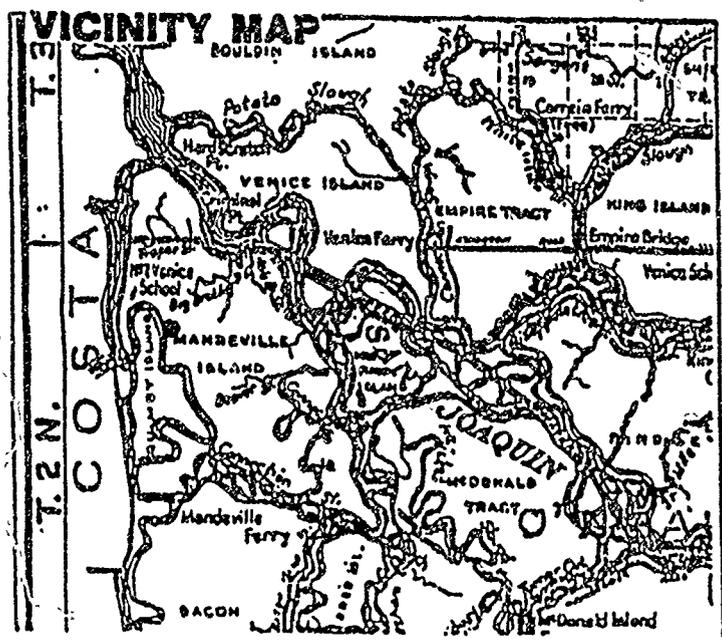
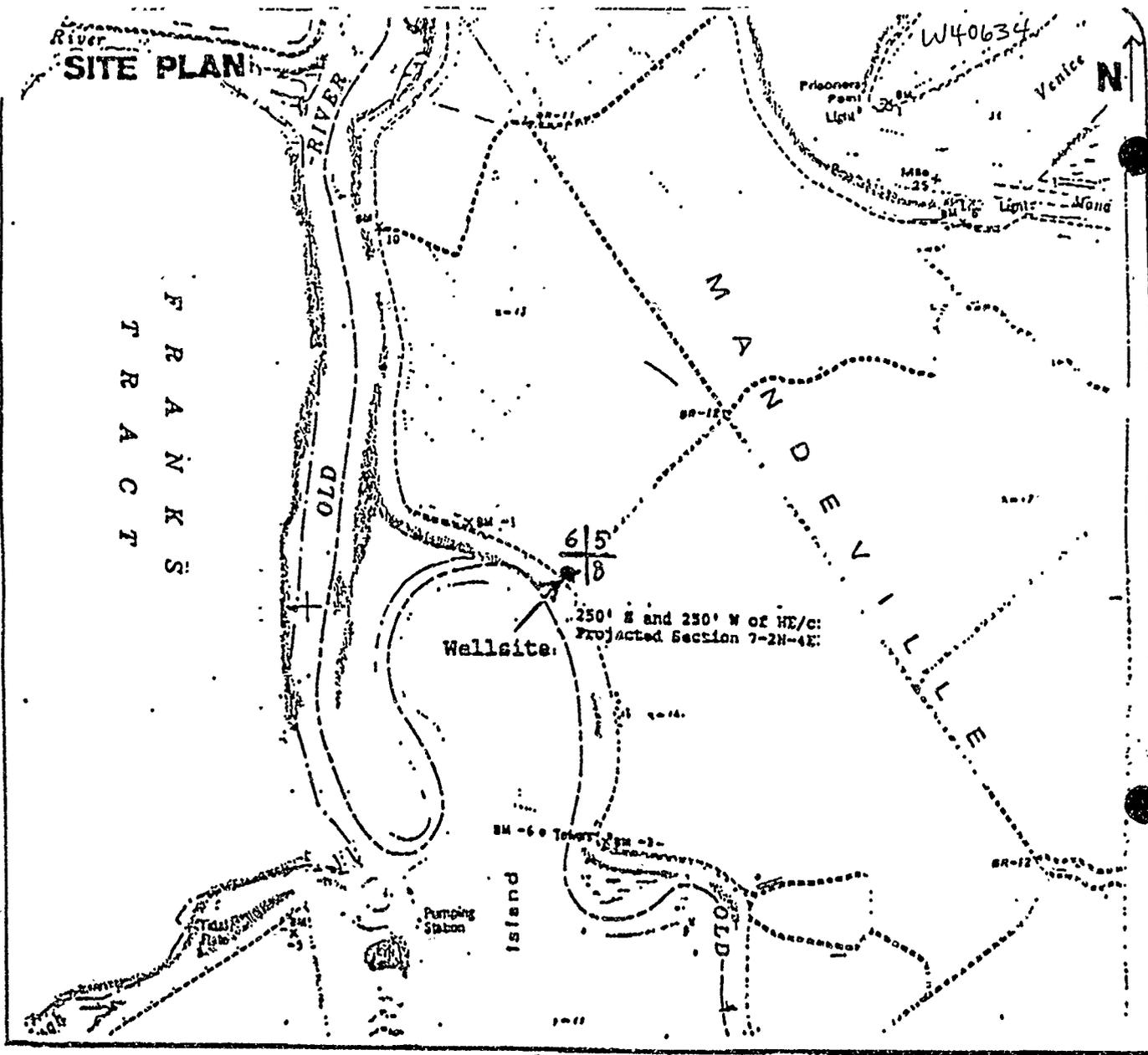
- Legal Owner(s) (All owners must sign as their names appear on the deed.),
- Corporate Officer(s) empowered to sign for the corporation,
- Lessee (a copy of the short form of the lease must accompany the application.

and that the foregoing is true and correct.

T.W. Kennedy
 (Signature)

October 30, 1990
 (Date)

T.W. Kennedy * * *
 Field Operations Superintendent



Owner's Name Phillips Petroleum Company
 Address P.O. Box 1030
 City Carpinteria Phone (805)566-0200
 Property Address Mandeville Island
 Signature T.H. Kennedy
 T.H. Kennedy

NOTES

OFFICIAL USE ONLY
 FILE DP-91-26
 ACCEPTED BY
P. RUST
 DATE 11/14/79

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