

MINUTE ITEM
This Calendar Item No. C58
was approved as Minute Item
No. 58 by the State Lands
Commission by a vote of 3
to 0 at its 9/23/92
meeting.

CALENDAR ITEM

C 58

A 10
S 7

09/23/92
W 40667
Nitsche
PRC 7657

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL & GAS LEASE
(195 ACRES UNDER FALSE RIVER, SERPENT SLOUGH, AND SHORT SLOUGH)
CONTRA COSTA COUNTY

APPLICANT:

Sierra Energy Company
Attn: Mr. David D. Jorz
P.O. Box 20200
Reno, Nevada 89520-0200

AREA, TYPE LAND AND LOCATION:

The State land contains about 195 acres in the bed of False River, Serpent Slough, and Short Slough, situated adjacent to Franks Tract State Recreation Area and Little Franks Tract in Contra Costa County, California (see exhibits "A", and "B" for the description and approximate location of the State land). Sierra Energy Company, a Nevada 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 from drainage 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.

CALENDAR ITEM NO. C 58 (CONT'D)

Sierra Energy Company has oil and gas leases on all of the private property adjacent to the State land and has a permit from the Contra Costa County Community Department (Lead Agency) to drill an oil and gas well on the private property adjacent to the State land (see Exhibit "C" 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 determined 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 Sierra Energy Company controls, by lease, all of the drill sites adjacent to the State land and has county (Lead Agency) approval to drill for oil and gas near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been met; that is, the State land is unsuitable for competitive bid leasing because surface locations for oil and gas operations (drill sites) are not available and 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.

CALENDAR ITEM NO. 058 (CONT'D)

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 (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 \$30 per acre (\$5,850 for 195 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:

1. 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:

02/02/93

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. 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 April 10, 1992, the County Community Development Department approved Application for Oil and Gas Well Permit (File No. WD-2-92) to permit Sierra Energy Company to develop oil and gas wells on private property near the State land (see Exhibit "C" for 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 adopted a categorical exemption (Class 3) for this project.

3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 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 3, New Construction or Conversion of Small Structures, 14 Cal. Code Regs. 15303.

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

CALENDAR ITEM NO. 058 (CONT'D)

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

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Application for Oil and Gas Well Permit (File No. WD-2-92)

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 3, NEW CONSTRUCTION OR CONVERSION OF SMALL STRUCTURES, 14 CAL. CODE REGS. 15303.
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 IS, 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 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 SIERRA ENERGY COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 195 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$30 PER ACRE (\$5,850 FOR 195 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 40607

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of False River and in the bed of Serpent Slough, and in the bed of Short Slough, Contra Costa County, California, more particularly described as follows:

BEGINNING at the intersection of the Ordinary High Water Mark on the north bank of False River with the common boundary between the lands described in that certain Grant Deed to Michael Skarry, et ux, recorded on February 12, 1987 in Book 13446 at page 266, and the lands described in that certain Quit Claim Deed to Peter L. Townsend, et ux, recorded on February 3, 1977 in Book 8189 at page 500; thence southerly along the southerly prolongation of the aforesaid common boundary to the intersection with the Ordinary High Water Mark on the south bank of False River; thence easterly along said Ordinary High Water Mark of said south bank of False River to a point at the northeasterly terminus of the common boundary between the lands granted to the State of California and described in Document No. 3482-522, recorded on October 27, 1959, and the lands granted to the State of California and described in Document No. 3900-486 recorded on June 30, 1961 Contra Costa records; thence from said point crossing False River, N 35° E, to the Ordinary High Water Mark on the north bank of said river; thence westerly along said Ordinary High Water Mark of said north bank to the point of beginning.

TOGETHER WITH all those tide and submerged lands lying between the Ordinary High Water Marks in the historical bed of Serpent Slough.

TOGETHER WITH all those tide and submerged lands lying between the Ordinary High Water Marks in the historical bed of Short Slough.

END OF DESCRIPTION

PREPARED JUNE, 1992 BY LLB.

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Community Development Department
 County Administration Building, North Wing
 P.O. Box 951
 Martinez, California 94553-0095

APR 15 1992
 SIERRA ENERGY CO.

Contra Costa County

Harvey E. Bragdon
 Director of Community Development

EXHIBIT "C"

W40667



Phone:

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.		File No. <u>WD-2-92</u>
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.		
APPLICANT Name <u>Sierra Energy Co., c/o Pathway East.</u> Address <u>3840 Grant Ave.</u> City, State <u>Carmichael, CA 95608</u> Phone <u>916-944-3884</u>		OWNER Name <u>Bedford Properties, Inc.</u> Address <u>3470 Mt. Diablo Blvd #A100</u> City, State <u>Lafayette, CA 94549</u> Phone _____
PROJECT INFORMATION Name of Well(s) <u>Webb Tract No. 1</u> Assessor's Parcel Number <u>026 - 060 - 008</u> Total Parcel Area: <u>690.66</u> Acres Section <u>4</u> Township <u>2N</u> Range <u>3E</u> MDB&M <u>130</u> This project involves: <input type="checkbox"/> development of a new well site. <input type="checkbox"/> modifications to an existing well. Use this space if necessary to further describe the project. <u>No drill a natural gas well.</u>		OTHER SUBMITTAL ITEMS TO ACCOMPANY APPLICATION <input type="checkbox"/> VICINITY MAP <input 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 type="checkbox"/> EXPLORATION AND PRODUCTION PAD LAYOUTS identifying all wellhead equipment. <input 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 type="checkbox"/> SEE 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.) Owner's Signature <u>see attached lease</u> <input type="checkbox"/> In lieu of owner's signature, a copy of the lease agreement is attached.
APPLICANT MUST READ AND SIGN. STANDARD CONDITIONS OF APPROVAL FOR OIL AND GAS WELL PERMITS 1. The proposed uses shall be established in accord with the plans submitted with the application as approved by the Contra Costa County Zoning Administrator. 2. Drilling operations shall conform to the regulations of the California Division of Oil and Gas designed to prevent damage to natural resources. 3. 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. 4. Any proposed sumps shall be lined so as to prevent percolation of fluids into the sub-strata. 5. Derricks shall be removed when wells are brought into production. 6. 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. 7. 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. 8. The drilling operation shall be confined to as small an area as practical. 9. 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.		FOR OFFICE USE ONLY DATE FILED <u>4-10-92</u> Application Accepted by <u>[Signature]</u> Receipt No. _____ <input checked="" type="checkbox"/> 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. <input type="checkbox"/> 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 as: <input checked="" type="checkbox"/> CATEGORICAL EXEMPTION (Class 3) <input type="checkbox"/> NEGATIVE DECLARATION A copy of this permit must be retained on site during drilling and production operations.
Applicant's Signature _____ Date <u>4-10-92</u> WD 9/86		<input type="checkbox"/> 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: <input type="checkbox"/> zoned for urban development or other non-exempt district. <u>A-2</u> (zoning district) See attached zoning map. <input type="checkbox"/> designated for urban uses on the County General Plan. <u>DELIC RECREATION</u> <u>General Plan</u> (Adopted) <u>Jan-1991</u> See attached General Plan map. <input type="checkbox"/> within 1000 feet of an urban land use designation. <u>General Plan</u> (Adopted) <u>Jan 1991</u> See attached General Plan map. <input type="checkbox"/> 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.
Staff Person (Print) _____ Signed _____ Date <u>4-10-92</u> Community Development Department County of Contra Costa		Staff Person (Print) _____ Signed _____ CALENDAR PAGE Community Development Department County of Contra Costa

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 3227

ATTACHMENT TO OIL AND GAME WELL PERMIT # WD 2-92
(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.