

MINUTE ITEM 59

W 40665

Art Nitsche

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(372 ACRES UNDER SAN JOAQUIN RIVER)
FRESNO, MADERA, AND MERCED COUNTIES

Calendar Item C59, attached, was pulled from the agenda prior to the meeting.

Attachment: Calendar Item C59

A 30

S 13

CALENDAR ITEM

C 59

A 30

S 13

09/23/92

W 40665

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APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(372 ACRES UNDER SAN JOAQUIN RIVER)
FRESNO, MADERA, AND MERCED COUNTIES

APPLICANT:

Union Oil Company of California
Attn: Richard C. Peace
2700 "F" Street
Bakersfield, California 93001

AREA, TYPE LAND AND LOCATION:

The State land contains about 372 acres in the bed of the San Joaquin River situated in Fresno, Madera, and Merced counties, California (see exhibits "A" and "B" for the description and approximate location of the State land). Union Oil Company of California (Unocal) 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.

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Unocal has oil and gas leases on all of the private property adjacent to the State land and has a permit from the Madera County Planning Commission (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 Unocal 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.
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.

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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 \$50 per acre (\$18,600 for 372 acres).
3. Royalty of twenty-five percent (25%) on gas and oil.
4. Performance bond or other security in the sum of \$20,000.

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:

12/18/92

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". 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 Madera County Planning Commission approves locations for the drilling of gas wells on private property in the County. When the criteria of the Madera County Code are met, the County may grant a zoning permit for the drilling of the gas well. Zoning permits are exempt from the CEQA process by the County as ministerial projects, P.R.C. 21090(b)(1) and CEQA Guidelines Section 15268.

The Madera County Planning Commission approved Zoning Permit Application ZP 92-29 on May 1, 1992 to permit Unocal to drill gas well "Stone #3" on private property near the State land (see Exhibit "C" for permit requirements). An environmental document was not prepared as the proposed project was identified as satisfying the requirements of the County's zoning permit.

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

Authority: 14 Cal. Code Regs. 15051(b)(3).

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Approved Zoning Permit (File No. ZP 92-29)

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 THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT [14 CAL. CODE REGS. 15061(b)(3)].

CALENDAR ITEM NO. 059 (CONT'D)

2. 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.
3. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH UNION OIL COMPANY OF CALIFORNIA. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (ABOUT 372 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$50 PER ACRE (\$18,600 FOR 372 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$20,000.
4. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

W 40665

LAND DESCRIPTION

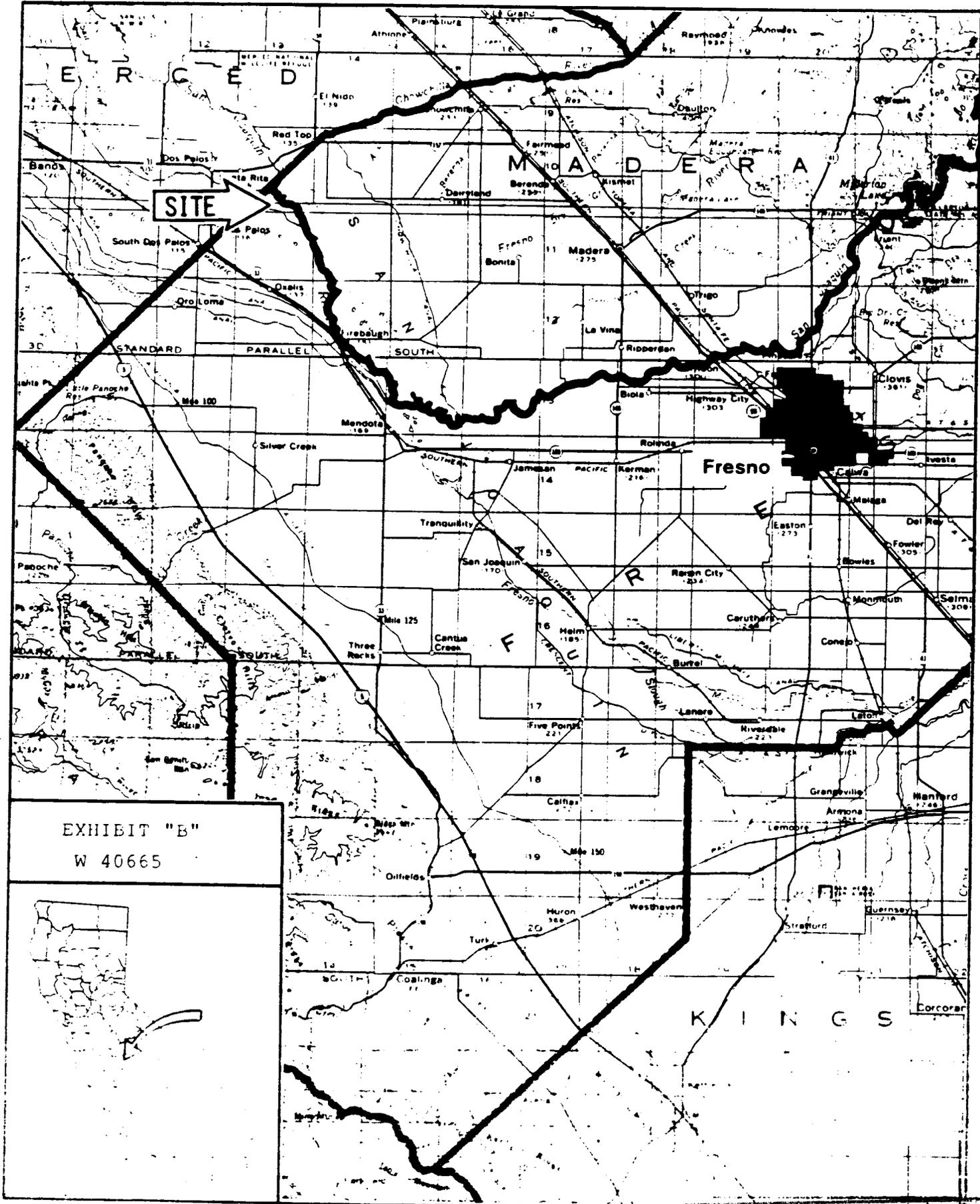
A parcel of submerged land lying in the sovereign bed of the San Joaquin River, Fresno and Madera Counties, California, situate in T10S, R13E, MDM, and T11S, R13E, MDM, more directly described as follows:

BEGINNING at the intersection of the easterly line of Section 13, T11S, R13E, MDM, with the ordinary low water mark of the westerly or left bank of said San Joaquin River; thence from said point of beginning in a general northwesterly direction, downstream, to the intersection with the boundary of Merced County; thence northeasterly along said county boundary to the intersection with the ordinary low water mark of the easterly or right bank of said San Joaquin River; thence in a general southeasterly direction, upstream to the intersection with the northerly projection of the aforesaid easterly line of Section 13; thence southerly along said northerly projection to the point of beginning.

END OF DESCRIPTION

REVISED JUNE, 1992 BY LLB.

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SITE

EXHIBIT "B"

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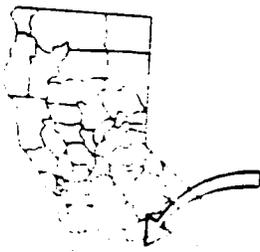


EXHIBIT "C"

APPLICATION & PERMIT

MADERA COUNTY
PLANNING COMMISSION
135 West Yosemite Avenue
Madera, California 93637-3593
(209) 675-7821

- GENERAL PLAN AMENDMENT
- REZONING
- CONDITIONAL USE PERMIT
- ZONING PERMIT
- VARIANCE SETBACK
- ENVIRONMENTAL REVIEW
- SITE PLAN REVIEW

Number	<u>EP 92-29</u>
Date	<u>March 18, 1992</u>
Fee	<u>\$125</u> Penalty _____
Receipt No.	<u>23685</u>
Date of Action	<u>4-23-92</u>
Staff	<input checked="" type="checkbox"/> P/C _____ B/S _____
Approved	_____ Denied _____
M. O. No.	_____
Date of Appeal	_____
Approved	_____ Denied _____

PLEASE PRINT

Applicant Union Oil Company
 Address 2700 "F" Street
 City Bakersfield State CA Zip 93301
 Phone (805) 861-5404

Property Owner Hugo Harman,
 Address 18456 Road No. 1
 City Chowchilla State CA Zip 93610
 Phone (209) 723-7670

SITE PLAN: Show property boundaries, all structures (existing and proposed, including wells and septic systems), access to the property, etc.

See attached.

THIS APPLICATION IS FOR THE FOLLOWING

Sec. 36 Twp. 10 S. Rng. 13 E.
 Tax Parcel No. 020-181-03
 Subdivision Name Chowchilla Ranch #5
 Lot No. Block 30

Intended Use Oil and gas drilling
operations for the Stone #3 Well.

The foregoing information is true and correct to the best of my knowledge and belief. The applicant and property owner hereby acknowledge the requirements as set forth in the Madera County Zoning Ordinance and agree to comply with all County and State Laws. (BOTH MUST SIGN).

SIGNATURE OF APPLICANT X Paul C. K... SIGNATURE OF PROPERTY OWNER X Hugo Harman

DO NOT WRITE BELOW THIS LINE

CONDITIONS: see attached conditions

PIA	<u>17</u>
AREA	<u>160</u> acres
ZONE	<u>ARE-40</u>
ZONE REQUESTED	_____
GP	_____
GP REQUESTED	_____
BUILDING PERMIT #	_____
DATE	_____

TIME LIMIT: Valid until _____, 19 _____

Permits and Variances become void if not used within one year of the date of approval.

AUTHORIZED SIGNATURE [Signature]

Distribution after finalization: White: File; Green: Applicant; Blue: Assessor; Pink: Health; Yellow: Building

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