MINUTE ITEM
This Calendar Item No. C43
was approved as Minute Item
No. 43 by the State Lands
Commission by a vote of 3
to 0 at its 12/17/92
meeting

CALENDAR ITEM

C43

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12/17/92
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APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(40 ACRES IN THE BED OF LUCO SLOUGH)
SOLANO COUNTY

APPLICANT:

The Termo Company
Attn: Carolyn Foster
P. O. Box 2767
Long Beach, California 90801

AREA, TYPE LAND AND LOCATION:

The State land includes about 40 acres in the bed of Luco Slough, Solano County, California (see exhibits "A" and "B" for the description and approximate location of the State land). The Termo Company 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, 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 directional drilling into the State land from county-approved drill sites and any pooling or unitization of the State land.

The Termo Company has oil and gas leases on all of the private property adjacent to the State land and has a permit from the San Francisco Bay Conservation and Development Commission (BCDC) (Lead Agency) to drill an oil and gas well on the private property adjacent to the State land.

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 The Termo Company controls, by lease, all of the drill sites adjacent to the State land and has County and BCDC (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/or 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 approved surface locations on adjacent lands.

4. All drilling into the leased lands shall be by directional drilling from surface locations on adjacent lands and shall be on a course and to an objective approved in writing by the State 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 $25 per acre ($1,000 for 40 acres).

3. Royalty of twenty-five percent (25%) on gas and oil.

4. Performance bond or other security in the sum of $5,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

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

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 2, Div. 3; Title 14, Div. 6.

AB 884:

06/05/93.

OTHER PERTINENT INFORMATION:

1. On September 26, 1989, the San Francisco Bay Conservation and Development Commission granted Permit #M89-70 under its certified program (14 Cal. Code Regs. 15251(h).

EXHIBITS:

A. BCDC Permit #M89-70(M)
B. Location Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT AN ENVIRONMENTAL ANALYSIS DOCUMENT (BAY CONSERVATION AND DEVELOPMENT COMMISSION PERMIT #M-89-70) WAS CERTIFIED FOR THIS PROJECT BY THE BAY CONSERVATION AND DEVELOPMENT COMMISSION UNDER ITS CERTIFIED PROGRAM (14 CAL. CODE REGS. 15251(h).

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 THE TERMO COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 40 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF $25 PER ACRE ($1,000 FOR 40 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF $5,000.

4. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION
THIRTY VAN NESS AVENUE, SUITE 2011
SAN FRANCISCO, CA 94102 6080
PHONE (415) 557 3686

Permittee' Copy

MARSH DEVELOPMENT PERMIT NO. M89-70(M)

September 26, 1989

Exc. 24

Sagely Oil and Gas and
Aristata Explorations, Inc.
1 Sierra Gate Plaza, Suite 355-B
Roseville, California 95661

ATTENTION: James Jensen

EXHIBIT A

W 40679

Gentlemen:

I. Authorization

A. Subject to the conditions stated below, the permittees, the Sagely Oil and Gas and Aristata Explorations, Inc., are hereby authorized to do the following:

Location: Within the primary management area of the Suisun Marsh, southwest of Bradmoor Island, west of Nurse Slough, and north of Cross Slough, Solano County.

Description: Drill an exploratory gas well by installing a 97-foot-high drill rig and associated exploratory drilling equipment and tanks within a 16,000-square-foot area on a 20,495-square-foot existing pad. No new fill is proposed.

B. This authority is generally pursuant to and limited by your application dated August 8, 1989, including all accompanying and subsequently submitted information and exhibits, and all conditions of this marsh development permit.

C. Work authorized herein must commence prior to October 1, 1989, or this marsh development permit will lapse and become null and void. Such work must also be diligently pursued to completion and must be completed within two weeks of commencement or by October 15, 1989, whichever is earlier, unless an extension of time is granted by amendment of the marsh development permit.

II. Special Conditions

The authorization made herein shall be subject to the following special conditions, in addition to the standard conditions in Part IV:

A. Use of Existing Site. The exploratory drilling operations shall be confined to the existing drill site, which shall not be enlarged.

B. Drilling Methods

1. Conformity with Regulations. All drilling operations shall conform to the regulations of the California Division of Oil and Gas with regard to design, so that damage to natural resources is prevented.

2. Clean-Up. All drilling muds, wastewater, and other fluids shall be removed entirely from the primary management area of the Suisun Marsh and disposed of in a manner and in a location that does not adversely affect the Marsh.

3. Scheduling of Work. No work authorized pursuant to this marsh development permit may occur later than October 15, 1989.

4. Abandonment. If gas wells are abandoned, they shall be sealed in accordance with the California Division of Oil and Gas regulations and all drilling facilities shall be removed and the surface area revegetated with native vegetation within one growing season after abandonment.

5. Permanent Facilities and Fill. If the drilling proves successful, additional authorization will be required for the installation of any permanent gas production facilities, such as the placement of holding tanks, the erection of pads or any other fill to be placed in the primary management area. No fill was requested in managed wetlands in the application, and no fill in managed wetlands is authorized by this marsh development permit.

6. Marsh Restoration. Any marsh area disturbed during drilling operations shall be reseeded with appropriate California native plant seed if the disturbed area has not revegetated within one growing season after removal of the drilling equipment.

III. Findings and Declarations

On behalf of the Commission, I find and declare that:

A. The project authorized by this marsh development permit involves temporary exploratory drilling for natural gas from an existing drill pad and will cause minimal disruption to the resource values of the Suisun Marsh. The project, therefore, involves the placement of small amounts of inert inorganic fill and the extraction of small amounts of materials within the Suisun Marsh that does not have a significant adverse effect on present or possible future maximum feasible public access to the Bay consistent with the project, on present or possible future use for a designated priority water-related use, and on the environment, as defined in Regulation Sections 10601(e)(1) and 10601(b)(1), and thus is a "minor repair or improvement" for which the Executive Director may issue a marsh development permit, pursuant to Government Code Section 66632(f) and Regulation Section 10622(a).

B. The project authorized by this marsh development permit is consistent with the McAteer-Petris Act, the San Francisco Bay Plan, and the Suisun Marsh Protection Plan in that it will not adversely affect the Bay and Marsh nor public access to and enjoyment of the Bay and Marsh.

C. The project authorized by this marsh development permit is within the primary management area, as defined in Section 29102 of the Suisun Marsh Preservation Act of 1977, Chapter 2, Division 19, of the Public Resources Code Sections 29002 and 29004 and the Solano County Component of the Local Protection Program with particular reference to the Findings and Policies on Natural Gas Resources on pages 19 and 22 of the Plan. Furthermore, the Commission specifically finds that the proposed project would not be injurious to the health, safety, or welfare of the general public.

D. The Commission further finds, declares, and certifies that the activity or activities authorized herein are consistent with the Commission's Amended Management Program for San Francisco Bay, as approved by the Department of Commerce under the Federal Coastal Zone Management Act of 1972, as amended.

D. Solano County, as the lead agency pursuant to the California Environmental Quality Act, issued a negative declaration for this project on July 27, 1989.

E. Pursuant to Regulation Section 10620, this project was listed with the Commission on September 21, 1989.

IV. Standard Conditions

A. All required permissions from governmental bodies must be obtained before the commencement of work; these bodies include, but are not limited to, the U. S. Army Corps of Engineers, the State Lands Commission, the Regional Water Quality Control Board, and the city and/or county in which the work is to be performed, whenever any of these may be required. This marsh development permit does not relieve the permittees of any obligations imposed by State or Federal law, either statutory or otherwise.

B. The attached Notice of Completion and Declaration of Compliance form shall be returned to the Commission within 30 days following completion of the work.

C. Work must be performed in the precise manner and at the precise locations indicated in your application, as such may have been modified by the terms of the marsh development permit and any plans approved in writing by or on behalf of the Commission.

D. Work must be performed in a manner so as to minimize muddying of waters, and if diking is involved, dikes shall be waterproof. If any seepage returns to the Bay, the permittees will be subject to the regulations of the Regional Water Quality Control Board in that region.

E. The rights derived from this marsh development permit are assignable as provided herein. An assignment shall not be effective until the assignee shall have executed and the Commission shall have received an acknowledgment that the assignee has read and understood the application for this marsh development permit and the marsh development permit itself and agrees to be bound by the terms and conditions of the marsh development permit, and the assignee is accepted by the Executive Director as being reasonably capable of complying with the terms of the marsh development permit.

F. Unless otherwise provided in this marsh development permit, all the terms and conditions of this marsh development permit shall remain effective for so long as the marsh development permit remains in effect or for so long as any use or construction authorized by this marsh development permit exists, whichever is longer.

G. Unless otherwise provided in this marsh development permit, the terms and conditions of this marsh development permit shall bind all future owners and future possessors of any legal interest in the land and shall run with the land.

H. Unless otherwise provided in this marsh development permit, any work authorized herein shall be completed within the time limits specified in this marsh development permit, or, if no time limits are specified in the

marsh development permit, within three years. If the work is not completed by the date specified in the marsh development permit, or, if no date is specified, within three years from the date of the marsh development permit, the marsh development permit shall become null and void. If a marsh development permit becomes null and void for a failure to comply with these time limitations, any fill placed in reliance on this marsh development permit shall be removed by the permittees or their assignee upon receiving written notification by or on behalf of the Commission to remove the fill.

I. Except as otherwise noted, violation of any of the terms of this marsh development permit shall be grounds for revocation. The Commission may revoke any marsh development permit for such violation after a public hearing held on reasonable notice to the permittees or their assignee if the marsh development permit has been effectively assigned. If the marsh development permit is revoked, the Commission may determine, if it deems appropriate, that all or part of any fill or structure placed pursuant to this marsh development permit shall be removed by the permittees or their assignee if the marsh development permit has been assigned.

J. This marsh development permit shall not take effect unless the permittees execute the original of this marsh development permit and return it to the Commission within ten days after the date of the issuance of the marsh development permit. No work shall be done until the acknowledgment is duly executed and returned to the Commission.

K. Any area subject to the jurisdiction of the San Francisco Bay Conservation and Development Commission under either the McAteer-Petris Act or the Suisun Marsh Preservation Act at the time the marsh development permit is granted or thereafter shall remain subject to that jurisdiction notwithstanding the placement of any fill or the implementation of any substantial change in use authorized by this marsh development permit.

L. Any area not subject to the jurisdiction of the San Francisco Bay Conservation and Development Commission that becomes, as a result of any work or project authorized in this marsh development permit, subject to tidal action shall become subject to the Commission's "bay" jurisdiction up to the line of highest tidal action.

M. Unless the Commission directs otherwise, this marsh development permit shall become null and void if any term, standard condition, or special condition of this marsh development permit shall be found illegal or unenforceable through the application of statute, administrative ruling, or court determination. If this marsh development permit becomes null and void, any fill or structures placed in reliance on this marsh development permit shall be subject to removal by the permittees or their assignee if the marsh development permit has been assigned to the extent that the Commission

determines that such removal is appropriate. Any uses authorized shall be terminated to the extent that the Commission determines that such uses should be terminated.

Executed at San Francisco, California, on behalf of the San Francisco Bay Conservation and Development Commission on the date first above written.

ALAN R. PENDLETON
Executive Director

Enc.
0095r--09/26/89
ARP/DP/mm
cc: U. S. Army Corps of Engineers, Attn: Regulatory Functions Branch
San Francisco Bay Regional Water Quality Control Board,
Attn: Certification Section
Environmental Protection Agency, Attn: Tom Yokum, P-5
Solano County Department of Environmental Management, Attn: Karen Wyeth
California Department of Fish and Game
California Division of Oil and Gas
Greenhead Duck Club, Inc.

* * * * * * * * * * *

Receipt acknowledged, contents understood and agreed to:

Executed at _____ Sagely Oil and Gas
Applicant

On _____ By: _____

_____
Title

* * * * * * * * * * *

Receipt acknowledged, contents understood and agreed to:

Executed at _____ Aristata Explorations, Inc.
Applicant

On _____ By: _____

_____
Title

STATE OF CALIFORNIA

PETE WILSON
Governor

SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION
THIRTY VAN NESS AVENUE, SUITE 2011
SAN FRANCISCO, CA 94102-6080
PHONE: (415) 557-3686

September 29, 1992

RECEIVED
OCT 01 1992
Ans'd.....copy to CO

David E. Hoyt, Director and President
Aristata Exploration, Inc.
5813 Goleta Road
Santa Barbara, California 93117

SUBJECT: Approval of Permit Assignment
BCDC Permit Nos. M89-69(M) and M89-70(M)

Dear Mr. Hoyt:

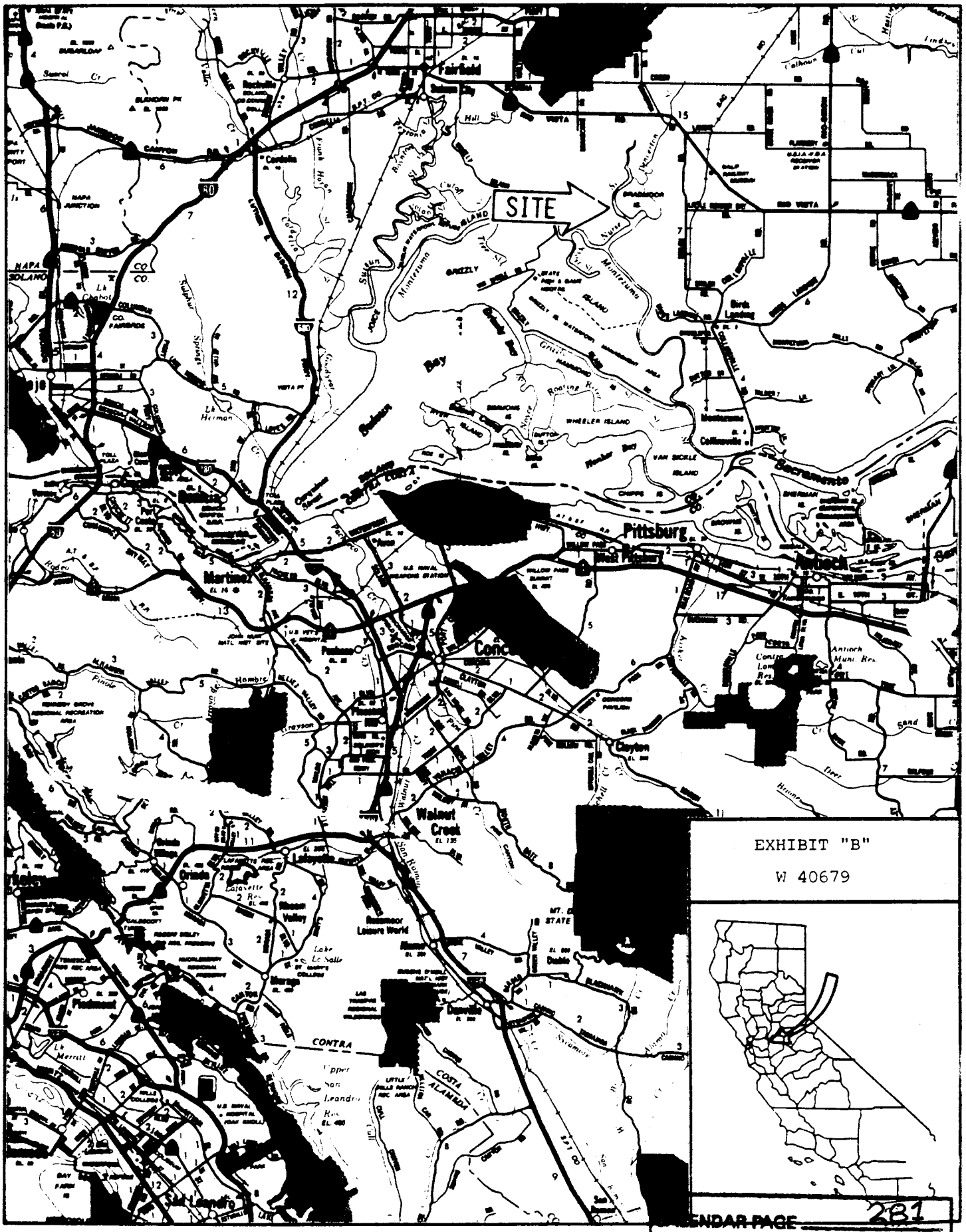
Thank you for your letter dated September 16, 1992 which I received in the mail, including the attachments, on September 21, 1992. The attachments include a letter and acknowledgment from Termo stating that Carolyn Foster is Vice President/Secretary and a director of Termo; and a letter and acknowledgment from Aristata regarding your position with Aristata.

I hereby approve the assignment of the above-listed permits. Thank you for your cooperation. Please feel free to call if you have any questions.

Sincerely,

ELLEN M. SAMPSON
Staff Counsel

EMS/rr
cc: Carolyn Foster, Vice President, The Termo Company



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