

**MINUTE ITEM**

This Calendar Item No. C31  
was approved as Minute Item  
No. 31 by the State Lands  
Commission by a vote of 3  
to 0 at its 9-9-93  
meeting.

**CALENDAR ITEM**

**C31**

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S 4

09/09/93  
W 40662 PRC 7714  
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**APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)  
STATE OIL AND GAS LEASE  
SACRAMENTO COUNTY**

**PROPOSED LESSEE:**

Nahama & Weagant Energy Company  
4700 Stockdale Highway, Suite 110  
Bakersfield, California 93309

**AREA, TYPE AND LOCATION OF STATE LAND:**

Nahama & Weagant Energy Company (Nahama & Weagant) has submitted a complete application for a negotiated subsurface (no surface use) State oil and gas lease on about 93 acres in the bed of Snodgrass Slough, Sacramento County, California (see Exhibit "A" for land description). Nahama & Weagant has drilled a producing well on private lands adjacent to the State-owned lands.

**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 can be developed and protected pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease which would permit Commission-approved slant drilling from a county-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

Nahama & Weagant has a successful gas well, Herzog 2-1, on private lands and has a production pool, "Herzog 2-1 Pool" embracing the private leased lands in the area. Because of incomplete title information, the State-owned portion of Snodgrass Slough was not included in the Herzog 2-1 Pool.

CALENDAR PAGE	199
MINUTE PAGE	2079

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CALENDAR PAGE	200
MINUTE PAGE	2080

CALENDAR ITEM NO. C31 (CONT'D)

Commission staff has investigated the State's ownership of sovereign land in Snodgrass Slough and has asserted the State's mineral interest in approximately 93 acres in the area of the Herzog 2-1 Pool. Nahama & Weagant has agreed to enter into a negotiated subsurface lease with the State and to include the State lands in the Herzog 2-1 Pool.

**AUTHORITY:**

P.R.C. 6815(a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following exists: wells drilled on private or public lands are draining or may drain oil and gas from the State lands, the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular configuration or their inaccessibility from surface drill sites reasonably available or obtainable, the State owns a fractional mineral interest in the lands, or the Commission determines the lease to be in the best interests of the State.

Because the Applicant controls by lease and agreement all of the private property adjacent to the State land described in Exhibit "A" and because the Applicant has received county (Lead Agency) approval and has drilled a producing well near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been satisfied. A negotiated subsurface (no surface use) State oil and gas lease with the Applicant will protect oil and gas resources that may underlie the State land which is unsuitable for competitive bidding because surface drill sites are not available and wells drilled on the adjacent private property may drain State oil and gas resources.

**NON-NEGOTIABLE LEASE PROVISIONS:**

1. Primary term will be twenty years and for so long thereafter as oil and 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 PAGE	201
MINUTE PAGE	2081

CALENDAR ITEM NO. C31 (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's staff 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 years. However, if all or part of the leased lands are included in a Commission-approved pooled area or unit, then drilling operations on and production from lands pooled or unitized with the leased lands shall be deemed to be drilling operations on and production from the leased lands that are included in the Commission-approved pooled area or unit.
2. Annual rental of \$40 per acre (\$3,720 for approximately 93 acres).
3. Royalty of 25 percent 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.

AB 884:  
03/06/94.

CALENDAR PAGE	202
MINUTE PAGE	2082

CALENDAR ITEM NO. C31 (CONT'D)

**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 Sacramento County Planning Department prepared and adopted a Negative Declaration, approved locations for the drilling of gas wells on private property in the County and issued a use permit for this activity.
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.
4. A Use Permit, SCH 90-UPZ-10180 was approved by Sacramento County for drilling of the producing well, Herzog 2-1, on lands adjacent to the State lands.

**EXHIBITS:**

- A. Land Description
- B. Copy of Use Permit

**IT IS RECOMMENDED THAT THE COMMISSION:**

1. FIND THAT A NEGATIVE DECLARATION AND A MITIGATION MONITORING PROGRAM WERE PREPARED AND ADOPTED FOR THIS PROJECT BY SACRAMENTO COUNTY AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. FIND THAT USE PERMIT, 90-UPZ-0180 WAS APPROVED FOR THE PRODUCING WELL, HERZOG 2-1, BY SACRAMENTO COUNTY.
3. FIND THAT THE ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO P.R.C. 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON SUCH LANDS.

CALENDAR PAGE	203
MINUTE PAGE	2083

CALENDAR ITEM NO. C31 (CONT'D)

4. 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 DEVELOP AND PROTECT 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 WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.
5. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH NAHAMA & WEAGANT ENERGY COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 93 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$40 PER ACRE (\$3,720 FOR APPROXIMATELY 93 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.
6. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

CALENDAR PAGE	204
MINUTE PAGE	2084

All that tide and submerged land in the historic bed of Snodgrass Slough Lying between Lambert Road and the westerly right of way line of the Southern Pacific Railroad, Sacramento County, California, and lying within the area marked by cross hatching on this exhibit.

POR. PROJ. T.5N., R.4 & 5E., M.D.B.&M.

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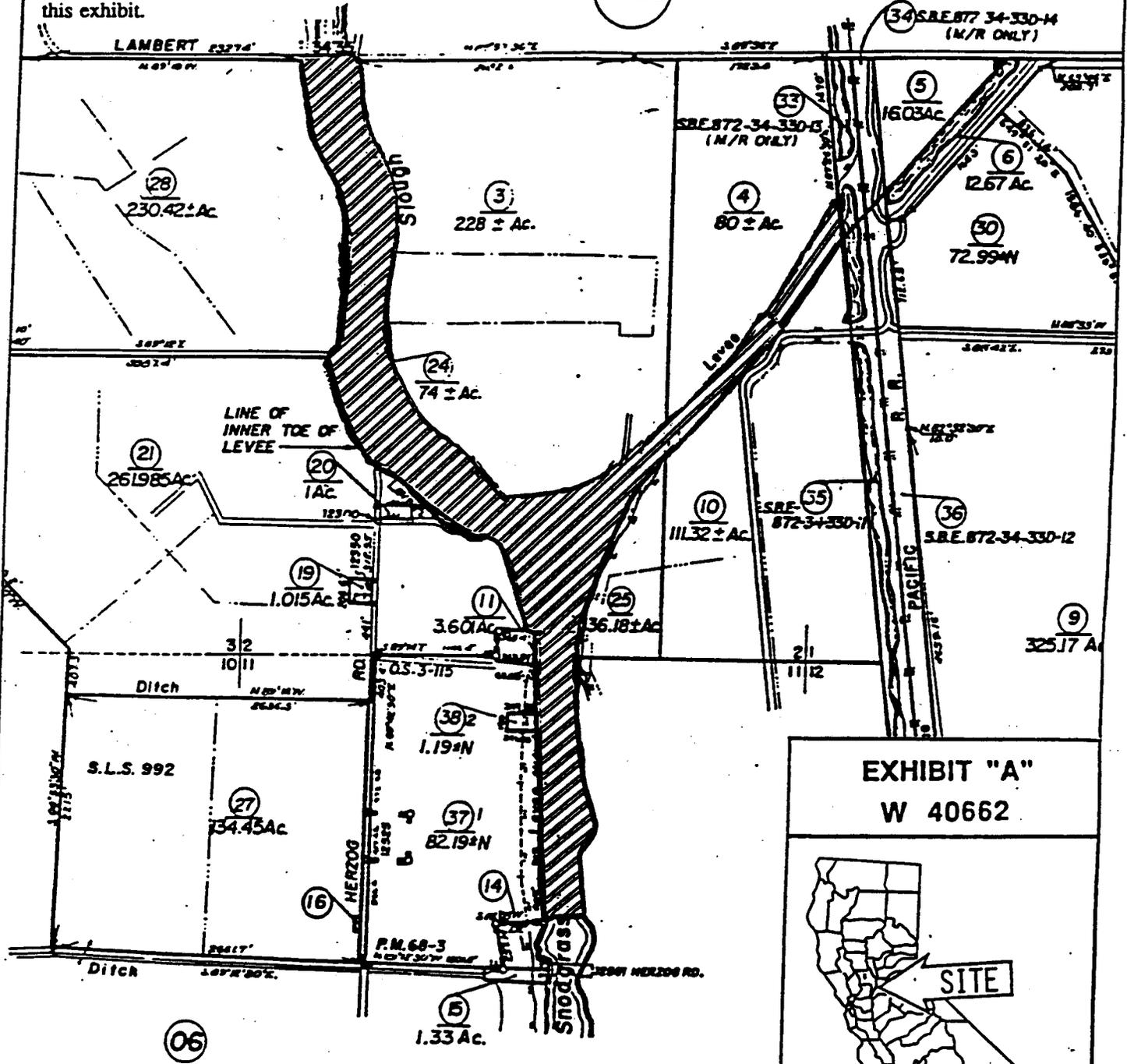


EXHIBIT "A"  
W 40662



This Land description is solely for purposes of generally defining the lease premises, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

RECEIVED

JUN 25 1990

USE PERMIT

Sacramento County  
Office of the Planning and  
Community Development Department  
827 Seventh Street  
Sacramento, California 95814

June 15, 1990

Assessor's Parcel No.: 146-0030-021  
Control No.: 90-UPZ-0180  
Zoned: AG-20

APPLICANT/REPRESENTATIVE

Benton Oil & Gas Company  
c/o Petroleum Properties Corporation  
P.O. Box 1060  
Dixon, CA 95620

OWNER:

Herzog Company  
Route 1 Box 48  
Courtland, CA 95615

ACTION: ON FRIDAY, JUNE 15, 1990, THE ZONING ADMINISTRATOR APPROVED A USE PERMIT, WITH CONDITIONS, FOR AN OIL AND GAS WELL.

PROPERTY LOCATION: The property is located 1 1/2 mile south of Lambert Road and 150± feet east of Herzog Road in the Delta community.

ENVIRONMENTAL DOCUMENT: The Zoning Administrator determined that the NEGATIVE DECLARATION was adequate and appropriate and adopted the findings thereof.

FINDINGS AND CONDITIONS OF APPROVAL: See Pages 3 and 4.

Note: Appeal of this action may be made in writing, including a filing fee of \$1,467.00, to the Secretary of the Board of Zoning Appeals within 10 calendar days of the date of hearing and pursuant to Title I, Chapter 15, Article 3 of the Zoning Code of Sacramento County. The Secretary of the Board of Zoning Appeals is located at 700 H Street, Room 2450, Sacramento, CA 95814. For verification of fees for filing an appeal or further information contact the Planning Department at 440-6221 or the Board of Zoning Appeals at 440-7892.

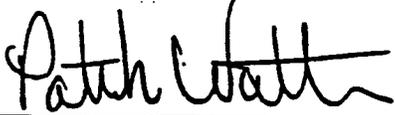
The above use will not be conducted to constitute either a public or private nuisance. Violation of any of the foregoing conditions will constitute grounds for revocation of this permit. Building permits are required in the event any construction is planned.

CALENDAR PAGE	206
MINUTE PAGE	2086

HERZOG COMPANY/BENTON OIL & GAS COMPANY  
146-0030-021  
90-UPZ-0180

PAGE 2

A conditional use permit, if not used for the purpose for which it was granted, shall lapse and shall become void three years following the date on which the permit became effective, unless by condition of the permit a greater time is allowed, or upon the expiration date of a valid building permit obtained after the grant of the conditional use permit, whichever date is last to occur.



PATRICK WATTERS  
ZONING ADMINISTRATOR

PW:ed  
za900180

CALENDAR PAGE	207
MINUTE PAGE	2087

FINDINGS:

1. The use is consistent with the Sacramento County General Plan and with the Delta Community Plan.
2. The establishment and operation of the use will not be detrimental to the health, peace, morals, comfort, or general welfare of persons residing or working in the neighborhood, or be detrimental or injurious to property and improvements in the neighborhood or to the general welfare of the County, in that:
  - a) No documentation was received from any agency or person to give evidence of any detrimental effects.
  - b) No testimony was presented at the public hearing to give evidence of any detrimental effects.
  - c) Research, investigation, and field observation of the site revealed no evidence of any detrimental effects.
  - d) The mitigation measures as set forth in the Environmental Initial Study were taken into consideration.
3. All of the conditions imposed are reasonably related to the use and should serve to mitigate any potential impacts.

CONDITIONS OF APPROVAL:

1. Erect an earth (or similar) berm around the drill site of sufficient height to ensure that no runoff from the site enters the drainage ditches.
2. Retain a qualified archaeologist to observe during the excavation of the cuttings sump. At the conclusion of the excavation, the archeologist is to submit a letter report of the findings to the Environmental Impact Section.
3. At the recommendation of the archeologist, stop the project if significant cultural resources are unearthed until appropriate action to avoid further damage can be taken.
4. A Water Agency Permit is required for the installation of on-site drainage culverts.
5. If toxic drilling fluid additives are used, the storage sump shall be metal or artificially lined to preclude seepage of wastes. If the sump is artificially lined, the imperviousness of the lines shall be certified by an engineering geologist, civil engineer or professional engineer.

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CALENDAR PAGE	208
MINUTE PAGE	2088

6. The composition of toxic drilling fluid additives should be reviewed and approved by the Hazardous Materials Management Section of the State Health Services Department and the California Regional Water Quality Control Board, Central Valley Region.
7. All drilling muds (toxic and nontoxic) and rock cuttings must be stored and disposed of to the satisfaction of the California Regional Water Quality Control Board, Central Valley Region.
8. If impervious sump is installed, remove it at the completion of the drilling activities.
9. Restore the area to its previous state upon abandoning the well.
10. Upon confirmation of the actual drill rig height, the proponent shall notify the Federal Aviation Administration (FAA) for project review and an FAA determination of hazard or no hazard.
11. Upon installation of the drilling rig appropriate flag markers shall be attached in compliance with FAA Advisory.
12. The project proponent shall apply for a drilling permit to the satisfaction of the State Division of Oil and Gas.
13. If the well is one which is classified as a "critical well" by the State Division of Oil and Gas, all designated safety devices shall be installed and maintained in operating condition prior to the well being placed into production.

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CALENDAR PAGE	209
MINUTE PAGE	2089