

MINUTE ITEM

This Calendar Item No. C83  
was approved as Minute Item  
No. 83 by the State Land  
Commission by a vote of 3  
to 0 at its 7-6-95  
meeting.

CALENDAR ITEM  
C83

A 30

07/06/95

S 16

PRC 7840

W 40720

Nitsche

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)  
STATE OIL AND GAS LEASE, CONSENT TO POOL, AND  
APPROVE A GAS SALES CONTRACT,  
FRESNO AND MADERA COUNTIES

PROPOSED LESSEE:

McFarland Energy, Inc.  
10425 South Painter Avenue  
Santa Fe Springs, California 90670

AREA, TYPE AND LOCATION:

McFarland Energy Inc., (McFarland) has submitted a complete application for a negotiated subsurface (no surface use) State oil and gas lease on about 21.3 acres in the bed of the San Joaquin River, Fresno and Madera Counties (see Exhibit "A" for land description), a request for consent to pool the State lands and request for approval of a Gas Sales Contract.

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's 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 on private lands and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

CALENDAR PAGE	685
MINUTE PAGE	1610

**BACKGROUND:**

McFarland Energy, Inc. (McFarland) has formed an operating unit that contains a total of 614 acres of State and private leased lands (described in Exhibit "A"). McFarland's unit is called the "Mitchell Unit One" and was created for the development and production of natural gas. McFarland has requested that the Commission consent to the pooling of its 21.3 acres of leased lands by approving McFarland's Declaration of Pooling dated April 21, 1995, which will create the "Mitchell Unit One" and the pooling map dated April 21, 1995, which includes the State's 21.3 acres representing 3.47 percent of the pool. The Commission staff has determined that it will be economically advantageous to the State to share in the production from the proposed unit.

McFarland has entered into a Gas Purchase Agreement (Exhibit F) with Union Oil Company of California for the gas production from this lease. The sales price will be based on the border price for gas adjusted for a seller's gas production location (or collection) charge and the volumes of gas delivered to the collection points as described in the Amendment #3 to a Gas Purchase Agreement dated October 27, 1993.

**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 county (Lead Agency) approval to drill a well near the State's land, Commission 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's 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.

P.R.C. 6829.2, P.R.C. 6832 and Paragraph 22(b) of the lease allows the Lessee, with the consent of the State and under terms and conditions approved by the State, to pool or unitize all or part of the leased lands with lands held by the Lessee or others.

Paragraph 3(c) of the lease allows the current market price of the State's royalty to be determined by the State. Paragraph 6 of the lease provides for submission of sales contracts for approval.

**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	687
MINUTE PAGE	1612

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 slant drilling from approved 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 \$1,065 per acre (\$50 per acre for approximately 21.3 acres).
3. Royalty of 20 percent on gas and oil.
4. Performance bond or other security in the sum of \$5,000.00.

**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

CALENDAR PAGE	688
MINUTE PAGE	1613

Commission's Long Beach office.

**AB 884:**

N/A

**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 State CEQA Guidelines Section 15366.
2. As Lead Agency, the Fresno County Planning Commission approves locations for the drilling of gas wells on private property in the County and issued a 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 Conditional Use Permit No. 2666 and associated environmental documentation were approved by the Fresno County Planning Commission for drilling of the producing well, "Mitchell 1-35" on lands adjacent to the State's land.

**EXHIBITS:**

- A. Land Description
- B. Site Map
- C. Copy of Condition Use Permit
- D. Pooling Agreement
- E. Gas Sales Contract

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A CONDITIONAL USE PERMIT NO. 2666 AND ASSOCIATED ENVIRONMENTAL DOCUMENT WERE PREPARED AND ADOPTED FOR THIS PROJECT BY THE FRESNO COUNTY PLANNING COMMISSION AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. 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.
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 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.
4. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH MCFARLAND ENERGY, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 21.3 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$50 PER ACRE (\$1,065 FOR APPROXIMATELY 21.3 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.
5. CONSENT TO THE POOLING OF THE LEASED LANDS (21.3 ACRES) WITH OTHER PRIVATE LANDS HELD BY MCFARLAND ENERGY INC., BY APPROVING MCFARLAND ENERGY INC.'S DECLARATION OF POOLING DATED APRIL 21, 1995, WHICH CREATES THE "MITCHELL UNIT ONE" DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 614 TOTAL ACRES INCLUDING 21.3 ACRES OF STATE LEASED LANDS; SUCH APPROVAL IS

CALENDAR PAGE	690
MINUTE PAGE	1615

SUBJECT TO THE PROVISIONS OF THE STATE OIL AND GAS LEASE, ANY CONDITIONS IN THE DECLARATION OF POOLING TO THE CONTRARY NOTWITHSTANDING.

6. APPROVE THE GAS SALES CONTRACT DATED OCTOBER 27, 1993, SIGNED BY MCFARLAND ENERGY INC., PERMITTING MCFARLAND ENERGY COMPANY TO SELL THE STATE'S ROYALTY SHARE OF THE GAS PRODUCED UNDER THE STATE OIL AND GAS LEASE.
7. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

CALENDAR PAGE	691
MINUTE PAGE	1616

LAND DESCRIPTION

A parcel of submerged land in the bed of the San Joaquin River, Fresno and Madera Counties California, said parcel being bounded on the east and west by the ordinary low water marks along the right and left banks of the San Joaquin River and bounded on the south by a line which bears N. 45° E. from a point on the north line of Section 2, T. 11 S., R. 13 E., M. D. M., which bears N. 89° 24' E., 1642.90 feet from the northwest corner of said Section 2 and bounded on the north by the north line of the southeast one - quarter of Section 34, T. 10 S., R. 13 E., M. D. M. .

END OF DESCRIPTION



CALENDAR PAGE	692
MINUTE PAGE	1617

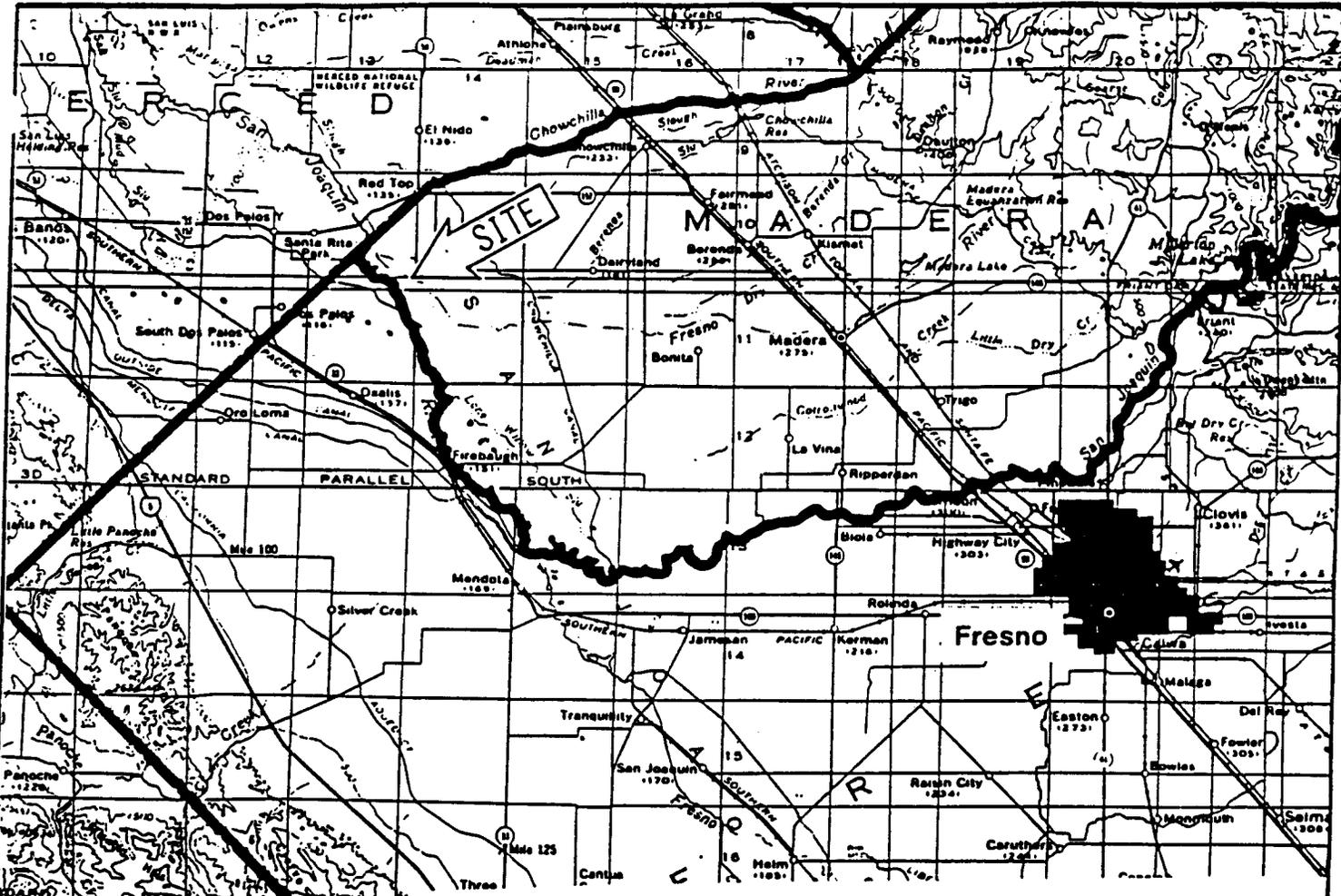
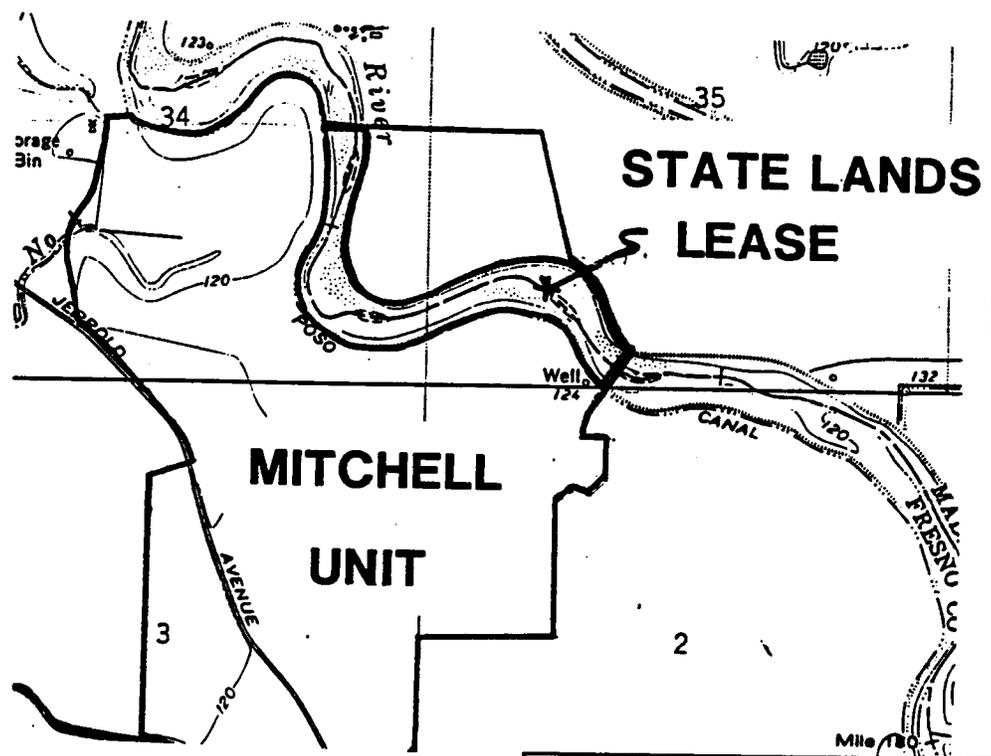


EXHIBIT "B"  
W40720

An inset map of California showing the state's outline. A rectangular box is drawn over the Central Valley region, indicating the geographic location of the main map's area.



File original and one copy with:

FRESNO COUNTY CLERK  
Room 401, Courthouse  
1100 Van Ness  
Fresno, California 93721  
Mailing Address:  
P.O. Box 1628  
Fresno, California 93717

Space Below For County Clerk Only.

**FILED** EXHIBIT  
W40720  
OCT 4 - 1994

FRESNO COUNTY CLERK  
By William V. Calderon  
DEPUTY

CLK 2047.00 E04-73 R00-00

Agency File No.

EA 4078

LOCAL AGENCY  
NOTICE OF DETERMINATION

County Clerk File No.:

(Enter if Negative Declaration has been filed)

E. 9410000171

Responsible Agency (Name):

Fresno County

Address (Street and P.O. Box):

2220 Tulare St., Sixth Floor

City:

Fresno

Zip Code:

93721

Agency Contact Person (Name and Title):

Theresa Acosta, Staff Analyst

Area Code:

209

Telephone Number:

453-5055

Extension:

-0-

Applicant (Name):

McFarland Energy

Project Title:

CUP 2666

Project Description (Omit if Negative Declaration has been filed):

Justification for Determination (Omit if EIR Not Required and See Negative Declaration):

Negative Declaration

published

Date: 8-16-94  Not Applicable

Notice of Completion Filed with State:

Date:  Not Applicable

Decision:  PC 9-8-94 Approved  Disapproved

Determination: Impact  Significant  Not Significant

Environmental Impact Report:  Required  Not Required

Environmental Impact Report:  Prepared  Not Prepared

Copy of Environmental Impact Report Available at (Address):

Date: 9-26-94

Type or Print Signature: Jeff Tweedie, Senior Staff Analyst

Submitted to:  Not Applicable  
CALENDAR PAGE 694  
MINUTE PAGE 1619

LOCAL AGENCY  
NOTICE OF DETERMINATION  
(Not to exceed one page)

County Clerk File No. E-

ENVIRONMENTAL ASSESSMENT/INITIAL STUDY

EA NO. 4078

PROJECT NO(S): CU 26666

APPLICANT: McFarland Energy

PROJECT DESCRIPTION: See attached Environmental Assessment Application

POTENTIAL IMPACTS: Identified on reverse

SOURCES CONSULTED: See addressees on attached letter. Comments received are indicated by a check mark and are attached hereto.

ENVIRONMENTAL RECOMMENDATION

- Upon consideration of the evidence, it has been determined that it is not fairly arguable that this project will have a significant impact on the environment, and a Negative Declaration will be recommended.
- The proposed project may or will have a significant adverse impact on the environment and the preparation of an EIR will be recommended.

Performed by Shirley Alvesta

Staff Analyst

Date August 4 1994

Reviewed by [Signature]

Sr. Staff Analyst

Date 8/15/94

CALENDAR PAGE	695
MINUTE PAGE	1620

ENVIRONMENTAL IMPACTS AND LIMITATIONS

- Erosion/Sedimentation Hazard Impact
- Slope Hazard Impact
- Cultural Resource Impact/Limitation
- Septic System Limitation
- Ground Water Availability Limitation
- Water Quality Limitation
- Flood Hazard Limitation
- Fire Hazard Limitation
- Wildlife/Rare and Endangered Species Impact
- Vegetation/Rare and Endangered Species Impact
- Traffic Generation
- Growth-Inducement
- Other Public Hazard/Environmental Contamination & Air Quality degradation

Amended  
 (1) As sub to public health will be address by adherence to Section 6.5 and 6.95 of the Cal. Code, Health and Safety Code. Applicant to complete & submit either a Hazardous material Business Plan Exemption or to Health Dept.

(2) ProjCA was included in the Arch. Survey that was performed in EA 4057. No Arch. resources were found.

(3) ProjCA is exempt from 55K permitting requirements. Cons price of project will be subject to Regulation VIII Secondary dust requirement.

MITIGATION MEASURES

- Mandatory County Development Standards
- Mandatory County Improvement Standards
- Water Supply/Sewage Disposal Requirements
- Drainage/Floodproofing Requirements
- Preparation of Grading/Erosion Control Plan
- Preparation of Archaeological/Historical Survey (Applicant Supplied)
- Preparation of Soils/Geology Survey (Applicant Supplied)
- Preparation of Flood Study (Applicant Supplied)
- Additional Measures:

(1) Access to the well located at the intersection of Terrold Ave. & 1621 (2) Access from the West on 1621 Terrold Ave. until September 1st, at which time Swinson Hawk nestlings will have hatched.

CONFIDENTIAL PAGE 1621  
 MINUTE PAGE

DATE: August 12, 1994  
TO: Greg Reinke, Land Development  
FROM: Theresa Acosta, Planning & Environmental Analysis  
SUBJECT: Environmental Assessment No. 4078; Conditional Use Permit No. 2666

An Environmental Assessment/Initial Study was prepared for the project under the provisions of the California Environmental Quality Act. Based on this assessment the Environmental Analysis Staff has concluded that preparation of an Environmental Impact Report is not required. A Notice of Intent of Negative Declaration will be published on August 19, 1994. Approval of a Negative Declaration is recommended and is subject to approval by the decision-making body.

The Environmental Assessment identified potential impacts to public health, endangered species, cultural resources and air quality.

The Health Department identified potential impacts to public health related to the possible release of natural gas, glycol or condensate. The Health Department however, indicated the applicant would be required to comply with Chapters 6.5 and 6.95 of the California Health and Safety Code which would mitigate the impact to a level of insignificance. Chapters 6.5 and 6.95 of the Health Safety Code pertain to the proper handling, labeling and storage of hazardous waste and material.

The California Department of Fish and Game (DFG) indicated that the proposed project may impact Swainson's Hawk, a state-listed endangered species. To address this concern, a biological study was conducted and accepted by the DFG. The Study indicated that two active nests were found approximately 0.6 miles from the proposed project site. In order to minimize disturbance to these nests, the Study recommended that access to the well location should be confined to the west only (off Jerrold Avenue) and if possible drilling should be postponed until September or later, at which time nestlings will have fledged.

The Department of Fish and Game determined that incorporation of the recommended measures into the proposed project would address the potential impacts to endangered wildlife and reduce the potential impact to a level that does not warrant the preparation of an EIR. The applicant has agreed with the Study recommendations and has incorporated the mitigation measures into the project.

CALENDAR PAGE	697
MINUTE PAGE	1622

The Southern San Joaquin Valley Archaeological Information Center identified potential impacts to possible archaeological resources. However, an archaeological survey dated June 1, 1994 performed for EA 4057 indicated that there are no historic or prehistoric sites in the project area. The Center indicated that caution should be used during construction and sensitivity toward archaeological materials must be maintained, but that no further studies are required.

The San Joaquin Valley Unified Air Pollution Control District (SJVUAPCD) indicated that the project would contribute to the overall decline of air quality in the San Joaquin Valley, but it does not warrant preparation of an EIR. Proposed oil and gas well drilling operations are exempt from permitting requirement of the SJVUAPCD. Potential air quality impacts associated with the construction phase of the project will be addressed by compliance with SJVUAPCD's rules pertaining to fugitive dust.

EA4078  
TA

#### \*MITIGATION MEASURES

The project has been modified to incorporate the following provisions to mitigate potential adverse environmental effects identified in the above environmental document. A change in these provisions may affect the validity of the current environmental document, and a new or amended environmental may be required. These mitigation measures must be included as project conditions and be identified with asterisks (\*) so they can be readily identified as mitigation measures for this Negative Declaration:

- \*1. Access to the well location should be confined to access from the west only (off Jerrold Avenue).
- \*2. If possible, postpone drilling until September or later, at which time Swainson's Hawk nestlings will have fledged.

CALENDAR PAGE	698
MINUTE PAGE	1623

File original and one copy with:

Fresno County Clerk  
Room 401, Courthouse  
1100 Van Ness  
Fresno, California 93721  
Mailing Address:  
P.O. Box 1628  
Fresno, California 93717

Space Below For County Clerk Only

**FILED**

OCT 11 - 1994

FRESNO COUNTY CLERK

By *[Signature]*  
DEPUTY

CLK-2046.00 E04-73 R00-00

Agency File No.:

EA 4078

LOCAL AGENCY  
NEGATIVE DECLARATION

County Clerk File No.:

E-

Responsible Agency (Name):

Fresno County

Address (Street and P.O. Box):

2220 Tulare St., Sixth Floor

City:

Fresno

Zip Code:

93721

Agency Contact Person (Name and Title):

Theresa Acosta, Staff Analyst

Area Code:

209

Telephone Number:

453-5055

Extension:

-0-

Applicant (Name):

McFarland Energy

Project Title:

CUP 2666

Project Description:

Allow an exploratory oil and gas well and production facilities with an associated pipeline located approximately 3/4 miles east of Jerrold Avenue between Mint Road and Valeria Avenue in Fresno County.

Justification for Negative Declaration:

Environmental Assessment No. 4078 indicates there is no significant evidence in the record to demonstrate that the project would have a significant effect on the environment. Potential impacts to public health will be addressed by compliance with Section 6.5 and 6.95 of the California Health and Safety Code. Potential impacts to endangered species will be addressed by mitigation measures that were recommended in a biological study that was conducted for the project and accepted by the applicant. Potential impacts to cultural resources were addressed in an archaeological survey that was performed on EA 4057. The study indicated no archaeological resources were found in the project area. Potential air quality impacts will be addressed by compliance with the San Joaquin Valley Unified Air Pollution Control District rules pertaining to fugitive dust. A Negative Declaration is recommended and is subject to approval by the decision-making body. The Environmental Assessment is available for review at 2220 Tulare Street, Suite "A", Fresno, California.

FINDING:

The proposed project will not have a significant impact on the environment.

Newspaper and Date of Publication:

Fresno Business Journal -

Review Date Deadline:

Date:

Type or Print Signature:

Jeff Tweedie, Senior Staff Analyst

Submitted by (Signature):

CALENDAR PAGE 699

1624

County of



DATE: July 18, 1994

Public Works & Development Services Department

Richard D. Welton  
Director

TO: Jeff Tweedie, Planning Office  
\*Harris Hays, Development Services  
Gilbert Garza, Development Services, ALUC, ALCC  
\*Robert Grim, Development Services  
\*Phil Desatoff, Planning Office, Geology  
Jerry Prieto, Resources Division, Solid Waste  
\*Casey Cheng, Development Engineering  
\*Keith Stewart, Environmental Health  
\*Bob Thompson, Design Division, Transportation  
Cosmo Insalaco, Agricultural Commissioner  
Linda Manton, Cooperative Extension  
Frank Menezes, U. S. Soil Conservation Service  
\*Bert E. Van Voris, CA Reg. Water Quality Control Board  
\*CA Dept. of Fish & Game, George Nokes  
State of CA, Environ. Protect Agency, Dept of Toxic Substance Control  
State Reclamation Board, Ray Barsch  
State Lands Commission, Fred Grimmett  
Catherine Lewis Pruett, Archaeological Information Center  
State Div. of Oil & Gas  
\*Rich Milhorn, San Joaquin Valley Unified Air Pollution Control Dist.  
Central Calif Irrigation District  
Poso Resource Conservtion District  
\*Mid Valley Fire Protection District  
Dos Palos School District  
Fresno Westside Mosquito Abatement District  
Santa Rita Water District  
Lower San Joaquin Levee Dist.  
C W Allison, Fresno County Farm Bureau  
San Joaquin River Committee  
John Stebbins, Conservation Coord., CA Native Plant Society  
San Joaquin River Parkway and Conservation Trust

FROM: Theresa Acosta, Staff Analyst *TA*

SUBJECT: ENVIRONMENTAL ASSESSMENT NO. 4078  
CONDITIONAL USE PERMIT APPLICATION NO. 2666

The project described in the attached Environmental Assessment Application is being reviewed by the Fresno County Public Works & Development Services Department, Development Services Division, for environmental effects as mandated by the California Environmental Quality Act and for conformity with plans and policies of the County.

Please review the proposal and respond to the questionnaire. Answer the questions according to your specific area of expertise.

We must have your comments by August 1, 1994. Comments received after this date may not be used. THIS WILL BE OUR ONLY REQUEST FOR WRITTEN COMMENTS. The project is tentatively scheduled to be considered by the Planning Commission on Sept. 8, 1994.

CALENDAR PAGE	700
MINUTE PAGE	1625

ENVIRONMENTAL ASSESSMENT APPLICATION

DATE RECEIVED  
CUP 2666  
JUN 20 1994  
EA 4078  
COUNTY OF FRESNO  
PUBLIC WORKS & DEVELOPMENT SERVICES DEPARTMENT

Office Use Only	
EA No.	4078
Project No.(s)	CUP 2666
Application Rec'd.	

INSTRUCTIONS

Answer all questions completely. An incomplete form may delay processing of your application. Use additional paper if necessary and attach any supplemental information to this form. Attach an operational statement if appropriate. This application will be distributed to several agencies and persons to determine the potential environmental effects of your proposal. Please complete the form in a legible and reproducible manner (i.e., use black ink or type).

GENERAL INFORMATION

- Property owner: Mitchell Farming, Robert Mitchell Phone: (209) 392-3334  
Mailing address: 19888 N. Hudson Ave. Dos Palos CA 93620  
Street City State Zip
- Applicant: McFarland Energy, Inc. Phone: (310) 944-0181  
Mailing address: 10425 S. Painter Ave. Santa Fe Springs CA 90670  
Street City State Zip
- Representative: Kurt Koerner, McFarland Energy, Inc. Phone: (805) 834-9586  
Mailing address: 19263 Panama Ln. Bakersfield, CA 93311  
Street City State Zip
- Proposed project: Drill an exploratory well for oil & gas using temporary equipment. Complete and produce the well if warranted.
- Project location: Approximately 3/4 mile east of Jerrald Ave. between Mint Rd. and Valeria Ave.
- Project address: N/A
- Section/Township/Range: 35 / 10S / 13E 8. Parcel size: 162.31
- Assessor's Parcel No.: 001-090-01
- Land Conservation Contract No. (if applicable): N/A

CALENDAR PAGE	701
MINUTE PAGE	1626

11. What other agencies will you need to get permits or authorization from:

- LAFCO (Annexation)
- CALTRANS
- Division of Aeronautics
- Water Quality Control Board
- Airport Land Use Commission

- Air Pollution Control District
- Reclamation Board
- Department of Energy
- Other Division of Oil Gas

12. Existing Zone District<sup>1</sup>: AF-20

13. Existing General Plan land use designation<sup>1</sup>: Agriculture

ENVIRONMENTAL INFORMATION

14. Existing site information

Present land use: Agriculture

Describe existing physical improvements including buildings, water (wells) and sewage facilities, roads, and lighting. Include a site plan or map showing the previously listed improvements: See attached plot plan

Describe the major vegetative cover: Tomatoes

Any perennial or intermittent water courses? If so, show on map: See plot plan

Is property in a flood prone area? Describe: No

15. Describe surrounding land uses (e.g., commercial, agricultural, residential, school, etc.):

North: Agriculture

South: Agriculture

East: Agriculture

West: Agriculture

16. What land use(s) in the area may be impacted by your project?: Approximately 2 acres unavialable to plant for duration of project.

17. What land use(s) in the area may impact your project?: None

18. How many vehicle trips per day do you anticipate being generated by your project? (include type of vehicles): Average one pickup per day & one heavy truck per day.

19. Describe any source(s) of noise from your project that may affect the surrounding area: Diesel engines during drilling only.

20. Describe any source(s) of noise in the area that may affect your project: None

CALENDAR PAGE	702
MINUTE PAGE	1627

21. Describe the probable source(s) of air pollution from your project: Diesel engines on drilling rig.
22. Proposed source of water:  
 private well  
 community system--Name: \_\_\_\_\_
23. Anticipated volume of water to be used (gallons per day)<sup>2</sup>: 5,000
24. Proposed method of liquid waste disposal:  
 septic system/individual  
 community system--Name: \_\_\_\_\_
25. Estimated volume of liquid waste (gallons per day)<sup>2</sup>: 1,000
26. Anticipated type(s) of liquid waste: Fresh water
27. Anticipated type(s) of hazardous wastes<sup>2</sup>: None
28. Anticipated volume of hazardous wastes<sup>2</sup>: None
29. Proposed method of hazardous waste disposal<sup>2</sup>: N/A
30. Anticipated type(s) of solid waste<sup>3</sup>: Drill cuttings
31. Anticipated volume of solid waste (tons or cubic yards per day)<sup>3</sup>: 10 cubic yards.
32. Proposed method of solid waste disposal: Municipal Facility
33. School district(s) serving this area: Dos Palos
34. Fire protection district(s) serving this area: Mid-Valley
35. Has a previous application been processed on this site? If so, list title and date: None
36. Do you have any underground storage tanks (except septic tanks)? Yes \_\_\_ No x
37. If yes, are they currently in use? Yes \_\_\_ No \_\_\_

To the best of my knowledge, the foregoing information is true.

Signature \_\_\_\_\_

Date \_\_\_\_\_

<sup>1</sup>Refer to Development Services-Conference Checklist

<sup>2</sup>For assistance, contact Environmental Health System, 445-3350

<sup>3</sup>For assistance, contact Ann Zimmerman, Resources, 453-5059

# FRESNO COUNTY PUBLIC WORKS & DEVELOPMENT SERVICES DEPARTMENT

**MAILING ADDRESS:**  
 2220 Tulare Street, 6th Floor  
 Fresno, CA 93721

**LOCATION:**  
 Southwest corner of Tulare & "M" Streets.  
 Street Level  
 Fresno Phone: (209) 453-5055  
 Toll Free Phone: 1-800-742-1011

**APPLICATION FOR:**

- Occupancy Permit
- Director Review and Approval
- Site Plan Review
- Variance (minor)
- Amendment Application
- Conditional Use Permit
- Miscellaneous ( \_\_\_\_\_ )

**DESCRIPTION OF PROPOSED USE OR REQUEST:**

~~Drill an exploratory well for oil & gas using temporary equipment. Complete and produce the well if warranted.~~

Please type or print in black ink. Answer all questions completely. Check with the Department concerning the requirements for Site Plans or Operational Statement. For Variance Applications a full explanation giving the reasons for the request must be attached.

LOCATION OF PROPERTY: East side of Jerrold Ave  
 between Mint Rd and Valeria Ave  
 Street address: N/A

APN 001-090-01 Parcel Size 162.31 Sec-Twp/Rg. 35-10S/13E  
 LEGAL DESCRIPTION: (Copy of Deed must also be attached)

See attached Lease documents

I, [Signature] (signature), declare that I am the owner, or authorized representative of the owner, of the above described property and that the application and attached documents are in all respects true and correct to the best of my knowledge. The foregoing declaration is made under penalty of perjury.

Mitchell Farming	19888N. Hudson Ave.	Dos Palos CA 93620	(209)392-3334
Owner (Print or Type)	Address	City	Zip Phone
McFarland Energy, Inc.	10425 S. Painter Ave.	Santa Fe Springs	90670 (310) 9440181
Applicant (Print or Type)	Address	City	Zip Phone
Kurt Koerner	McFarland Energy, Inc.	19263 Panama Ln.	Bakersfield, CA 93311 (805) 834-9588
Representative (Print or Type)	Address	City	Zip Phone

**OFFICE USE ONLY**

Application Type/No.: CUP 2666 (#9) Fee: 4486  
 Application Type/No.: Doc Fee (#93) Fee: 25  
 Application Type/No.: Health (#91) Fee: 477  
 Application Type/No.: Health (#91) Fee: 477  
 Environmental Assessment No.: 4078 (#52) Fee: 1244  
 Received by: [Signature]  
 Hearing date: \_\_\_\_\_  
 This permit is sought under Ordinance Section: \_\_\_\_\_  
 Related applications: \_\_\_\_\_  
 Drafting verification: Zone District: \_\_\_\_\_  
 APN#: \_\_\_\_\_  
 APN#: \_\_\_\_\_  
 APN#: \_\_\_\_\_  
 Sec. Twp. Rg. \_\_\_\_\_  
 Parcel Size: \_\_\_\_\_

**WHEN VALIDATED THIS APPLICATION IS YOUR RECEIPT**

CU 4486.00  
 DOC FEE 25.00  
 HD FEE 477.00  
 E 1244.00  
 PATTE TOTL 6232.00  
 889509:34 JUN. 28 '942 CHEC 6232.00  
 LINE 06

CALENDAR PAGE	704
MINUTE PAGE	1629

McFARLAND ENERGY, INC.  
MITCHELL # 1-35  
SECTION 35, T10S/R13E  
FRESNO COUNTY, CA.  
ASSESSORS PARCEL NO. 001-009-01

CUP 2666  
1987  
EA 4078  
COUNTY OF FRESNO  
ASSASSINATED DOCUMENT

Project Description

The company proposes to drill an exploratory well on the subject parcel. It will be drilled using a mobile rig. The estimated actual drilling time is ten days.

If oil or gas is not discovered in commercial quantities, the well will be plugged and abandoned in accordance with the regulations and the approval of the California Division of Oil and Gas. All of the drilling equipment will be removed and the site restored.

If the well appears commercial, casing will be installed and the well will be completed. A test period using portable equipment will follow. Permanent production facilities will be built if the test results warrant.

Operational Statement

The company plans to drill the well as soon as the Conditional Use Permit is issued. The drill site location will be bladed and leveled. Gravel and sand may be used to build up the site. Access to the location will be along an existing unpaved agricultural access road leading east from Jerrold Ave. All access to the site will come from the west to minimize disturbance of the San Joaquin River habitat. Gravel and sand may be used to surface the road if necessary. Conductor pipe will be cemented at the well location to a depth of 60', after a temporary wooden cellar (8' x 8' x 6') is built. All of this preliminary work should be completed within five to seven days of daylight activity.

A mobile drilling rig will be set up for drilling. The move and rigging up should only take two days. Actual drilling time is estimated to take approximately ten days. Drilling is a continuous 24 hour per day operation. The drilling crew consists of four men working in eight hour shifts, three shifts per day. They will be supervised by a rig company drilling foreman and a representative from McFarland Energy.

No hazardous materials will be used in the drilling mud system. All drilled cuttings will be separated from the mud system, de-watered and stored on the location until the drilling is completed. They will then be hauled to a municipal waste disposal facility that handles non-hazardous waste. Liquid waste (water from the drilling mud) will be reused as needed in the mud system. The excess will be stored on the site and hauled away to a non-hazardous waste disposal facility at the end of the job. A portable sanitary facility will be used. It will be pumped out on a regular basis for disposal at an approved off-site location.

(continued)

CALENDAR PAGE	705
MINUTE PAGE	1630

McFARLAND ENERGY, INC.  
MITCHELL # 1-35  
SECTION 35, T10S/R13E  
FRESNO COUNTY, CA.  
ASSESSORS PARCEL NO. 001-009-01  
Page 2 of 4

COUNTY OF FRESNO  
ASSASSORS PARCEL NO. 001-009-01

If the well is unsuccessful it will be plugged with cement as required by the California Division of Oil and Gas, and the drilling rig and all of the equipment will be removed from the site. The temporary cellar will be filled with dirt and the site and access road will be cleaned up and returned to their original condition. The total time that the site will be used is four to five weeks if oil or gas are not discovered.

The drilling rig will set steel casing in the well if it looks productive. The casing will be cemented as required. Fresh water zones will be protected with cement.

A smaller, portable completion rig will probably be used instead of the drilling rig to complete the well. It will be needed to run logs, perforate oil/gas sands, make tests, and run tubing. If the well is expected to produce primarily oil, it will be produced into portable tanks during an initial test period. The capacity of the well will be estimated at this time, and permanent facilities will be designed based on the expected capacity. The time required for initial testing of an oil well is not expected to exceed two months.

If the well is expected to produce primarily natural gas, it will be produced during the test period into a portable gas/liquid separator and flare system with any liquids being contained in a portable tank. The produced gas will be metered and then incinerated in the flare utilizing an air induction line, continuous pilot, and wind shroud to ensure complete combustion. The capacity of the well will be estimated at this time, and permanent facilities will be designed based on the expected capacity. The time required for initial testing of a gas well is not expected to exceed one month.

Permanent production facilities will be installed on the site if warranted. If the well is primarily an oil producer a gas separator, two oil storage tanks, a water tank and perhaps a heater treater are the minimum facilities that will be needed. A low concrete block firewall will be built around the tanks. A pumping unit will be needed on the well after it stops flowing. It will be run on the natural gas produced (if available) or an electric motor will be utilized.

If the well is primarily a natural gas producer a separator, one condensate & oil storage tank, a water storage tank, and a gas dehydrator are the minimum facilities that will be required. A low concrete block firewall will be built around the tanks. A natural gas compressor will be required at a later date as the wellhead pressure decreases. The gas compressor will be run on the produced gas.

(continued)

CALENDAR PAGE	706
MINUTE PAGE	1631

McFARLAND ENERGY, INC.  
MITCHELL # 1-35  
SECTION 35, T10S/R13E  
FRESNO COUNTY, CA.  
ASSESSORS PARCEL NO. 001-009-01  
Page 3 of 4

County of Fresno  
Assessors Office

Oil will be trucked from the site. One or two trucks per day may be needed at first, but the frequency will lessen as the oil production rate falls off during the first few months. Water hauling may require only one truck per week at the outset. The frequency could increase to one or two trucks per day in later years.

A company operator will monitor the well on a daily basis to ensure that the operation continues as required. The oil tanks will be gauged frequently to prevent overflow. Safety will be a major consideration.

Producing operations will continue as long as it is profitable. It is hoped that the economic life will be twenty years or longer.

#### Vehicle Trips

The frequency of large trucks at the site will be minimal after the rig is set up and drilling begins. These trucks will enter the site occasionally after drilling begins, and should average only two trips per day during this period. Most of the large trucks will be used to move the drilling rig and equipment at the beginning and at the end of the drilling project. The trucks are needed during drilling only for special operations such as setting surface casing, cementing and logging. Visits by automobiles and pickup trucks may run about twenty per day. They involve mud loggers, drilling crews, mud engineer, deliveries of small expendable items on the rig and company representatives.

#### Oil & Gas Production Facilities

If McFarland is successful in finding a new oil or gas field, permanent production facilities will be installed, as shown on the Site Plan. Two or three 500 barrel steel tanks will be needed to handle all of the fluids produced from the well. They will accommodate up to 250 barrels of oil per day plus 25 barrels of water per day. The exact number and size of permanent tanks will be more easily determined after the logs are run and the well is tested.

The use of each tank and other facilities can be described by following the flow of fluids from the well. An oil well usually produces some gas; therefore, a pipeline is connected from the wellhead to a gas separator. Natural gas is then taken off of the top of this separator into a pipeline and sold to a gas purchaser. This separation occurs due to the change in pressure from reservoir conditions to that in the separator.

(continued)

CALENDAR PAGE	707
MINUTE PAGE	1632

McFARLAND ENERGY, INC.  
MITCHELL # 1-35  
SECTION 35, T10S/R13E  
FRESNO COUNTY, CA.  
ASSESSORS PARCEL NO. 001-009-01  
Page 4 of 4

154  
COUNTY OF FRESNO  
ASSASSINATED

The oil and water (if any) the well produces moves from the bottom of the separator to the oil storage tank. Water is heavier than oil; therefore, water will settle to the bottom of the tank under most conditions while the oil column rides on top of the water. Special additives may be needed to accelerate the separation process.

The water is transferred to the water storage tank. It will be hauled away from the site by truck to a nearby water disposal facility on a regular basis.

The oil will be sold to a refining company when the tank is full. The tank is "gauged" to determine the volume sold as the oil is loaded onto an oil tank truck.

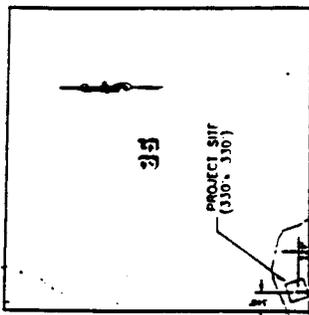
Produced gas can be used to run the engine that operates the pumping unit on the well if one is required. It may also be burned in a heater treater that may be needed to heat the oil before it is sold. If there is a sufficient volume of gas available on a regular basis, it will be transported by pipeline to a nearby gas purchaser.

#### Natural Gas Pipeline

If McFarland is successful in finding a new natural gas field, a 4 or 6 inch diameter steel pipeline will be constructed from the location to the existing Arroyo Natural Gas Gathering System (ANGGS) as shown on the attached Site Plan. The pipeline will be constructed and operated in accordance with the conditions of approval for the ANGGS Conditional Use Permit No. 2631, Environmental Assessment No. 4000, and all Federal, State, and Local regulations.

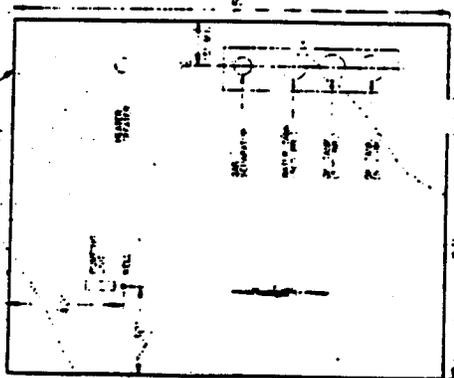
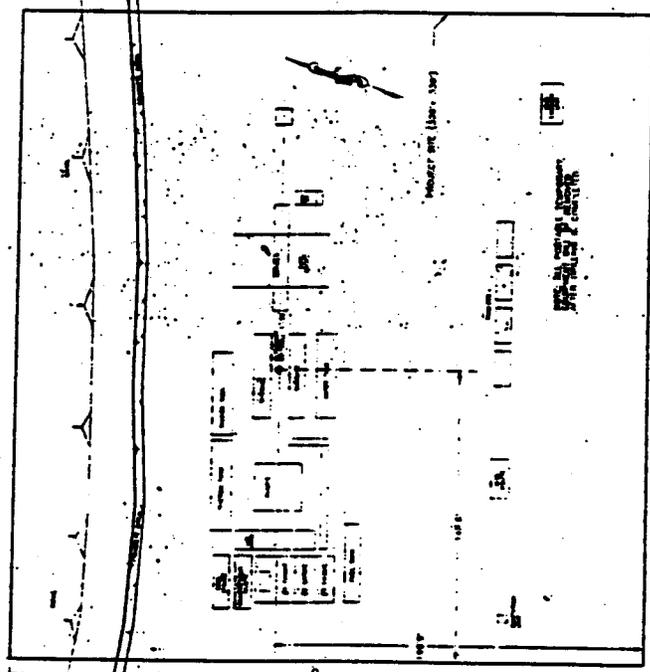
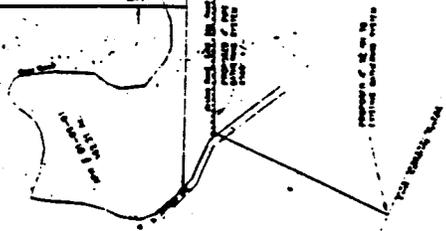
CALENDAR PAGE	708
MINUTE PAGE	1633


**W. L. RIZARD AND ASSOCIATES, INC.**  
 1000 N. G STREET  
 SUITE 200  
 FRESNO, CALIF. 93703  
 PROPOSED WELL MICHELL #1-35  
 SEC. 35 T10S R13E  
 FRESNO CO., CALIF.



SEC. 35 T10S R13E  
 FRESNO CO.  
 SCALE 1" = 100'

SUPPLY  
 WATER  
 SYSTEM



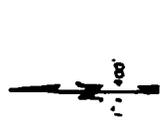
UP 2666

7

POR SEC'S 34 & 35, T.10S., R.13E., M.D.B. 8M.

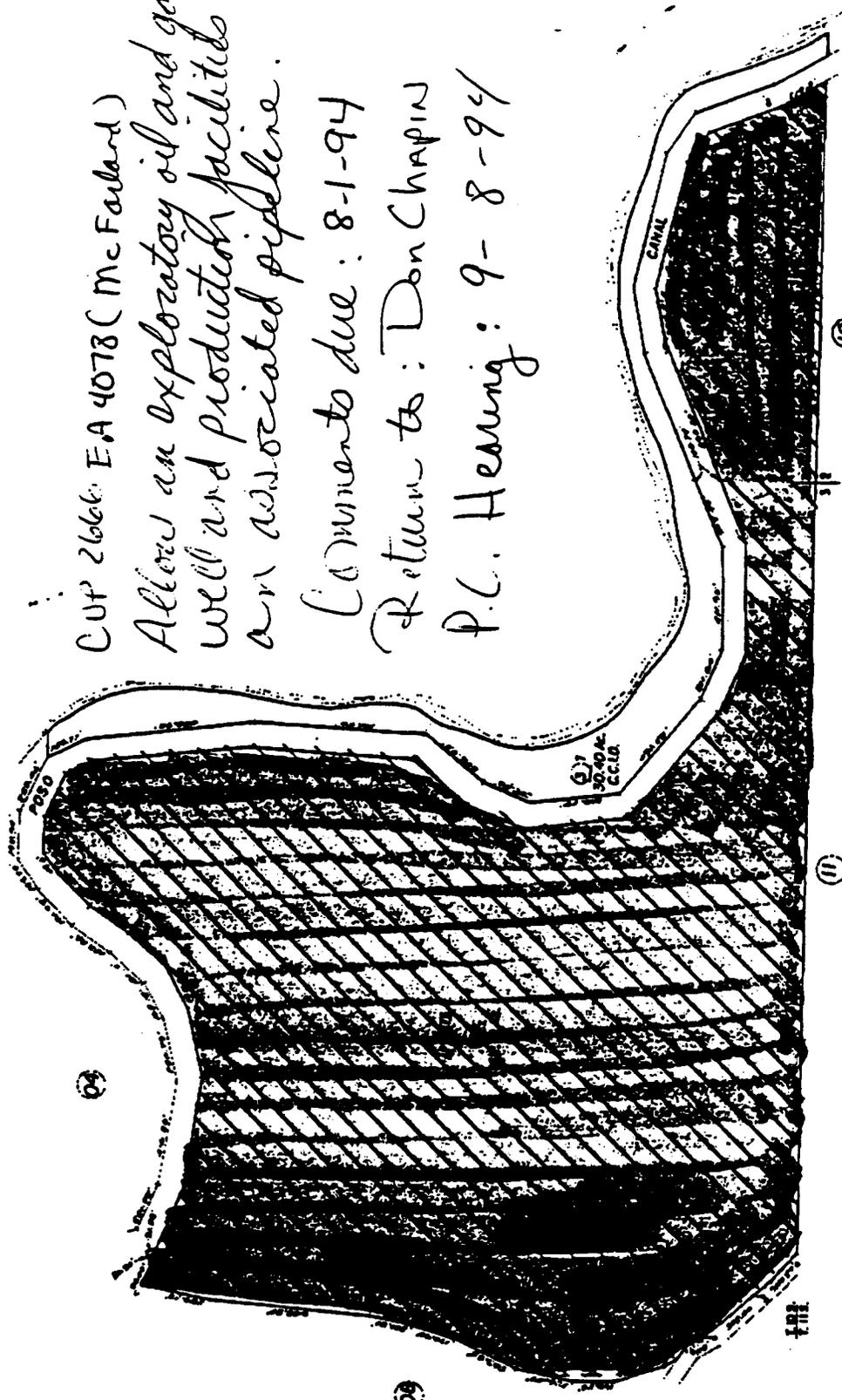
Tax Area 84-001

1-09



CUP 2666 EA 4078 (McFarland)  
Allow an exploratory oil and gas well and production facilities with an associated pipeline.

Comments due: 8-1-94  
Return to: Don Chapin  
P.C. Hearing: 9-8-94



Assessor's Map Bk. 1 - Pg. 09  
County of Fresno, Calif.

NOTE - Assessor's Block Numbers Shown in Ellipses.  
Assessor's Parcel Numbers Shown in Circles.

CALENDAR PAGE	710
MINUTE PAGE	1635

NOTE: Please write legibly in ink or type. This will be included as part of the Environmental Assessment.

QUESTIONNAIRE

EA 4078 OTHER PROJECT #s CUP 2666

1. Is there sufficient information for you to evaluate the probable environmental impacts of the project?   
  a. Yes, I have enough information.   
  b. No, the following information is needed \_\_\_\_\_

2. What potential adverse impacts will the project have on the vicinity or inhabitants of the project itself (e.g., change in traffic volumes, water quality, land use, soils, air, etc)? Be as precise as possible and answer only for your area of expertise.

3. Are the potential impacts (identified in question 2) significant enough to warrant the preparation of an EIR?   
  a. Yes  b. No

4a. If the project is approved, what conditions of approval are necessary to implement County plans and policies or to protect the public health, safety, and general welfare?

4b. Please identify specific existing regulations, standards, or routine processing procedures which would mitigate the potential impacts identified in Question 2, or to implement the conditions identified in Question 4a.

5. Comments - Please attach additional sheet, if necessary.

Check if you need a copy of the environmental determination

CALENDAR PAGE	711
MINUTE PAGE	1636

Signature \_\_\_\_\_  
Date \_\_\_\_\_

Agency \_\_\_\_\_  
Phone \_\_\_\_\_

Recording Requested by  
and return to:

McFARLAND ENERGY, INC.  
10425 So. Painter Avenue  
Santa Fe Springs, CA 90670

DECLARATION OF POOLING

STATE OF CALIFORNIA )  
 )  
COUNTIES OF FRESNO & MADERA )

MITCHELL UNIT ONE

THIS DECLARATION OF POOLING is made this APRIL 21, 1995, by  
McFarland Energy, Inc.; Samedan Oil Corporation; R. E. Hibbert; Banta & Haigh; Chancellor  
Energy, Inc.; John H. Larsen; James F. Peters; Craig Settle; Timothy K. Woodroof; Pescadoco,  
Inc.; and Union Oil Company of California, hereinafter collectively called "Lessee".

WHEREAS, Lessee is the present owner or has a contractual right in the lessee's interest  
in those certain oil and gas leases described on Exhibit "A" attached hereto (hereinafter called the  
"Leases"); and

WHEREAS, Lessee desires to pool and combine certain lands covered by the Leases into  
a single unit for gas development and production purposes.

CALENDAR PAGE	712
MINUTE PAGE	1637

NOW, THEREFORE, Lessee, acting pursuant to the rights and powers granted by the Leases, does hereby create a pooling unit for gas development and production purposes consisting of that portion of the lands covered by the Leases lying within the boundaries of the pooled unit as shown on the plat attached hereto as Exhibit "B". Production from any well located in the pooled unit shall be allocated in the proportion that the lands covered by the Leases and included within the pooled unit bears to the total acreage of the pooled unit, and royalties payable under the Leases shall be calculated on the portion of production so allocated. The pooled unit is hereby designated and shall be known as the "Mitchell Unit One".

This Declaration of Pooling may be executed in any number of counterparts and each counterpart so executed shall have the force and effect as an original instrument as if all parties had executed one instrument, and such counterparts may be combined to form one single instrument for recording purposes.

IN WITNESS WHEREOF, this Declaration of Pooling is executed and effective as of the date first hereinabove written.

**LESSEE**

McFARLAND ENERGY, INC.

SAMEDAN OIL CORPORATION

By:   
Ronald T Yoshihara  
Title: Vice President

By: \_\_\_\_\_  
Title: \_\_\_\_\_

CALENDAR PAGE	713
MINUTE PAGE	1638

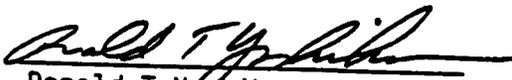
NOW, THEREFORE, Lessee, acting pursuant to the rights and powers granted by the Leases, does hereby create a pooling unit for gas development and production purposes consisting of that portion of the lands covered by the Leases lying within the boundaries of the pooled unit as shown on the plat attached hereto as Exhibit "B". Production from any well located in the pooled unit shall be allocated in the proportion that the lands covered by the Leases and included within the pooled unit bears to the total acreage of the pooled unit, and royalties payable under the Leases shall be calculated on the portion of production so allocated. The pooled unit is hereby designated and shall be known as the "Mitchell Unit One".

This Declaration of Pooling may be executed in any number of counterparts and each counterpart so executed shall have the force and effect as an original instrument as if all parties had executed one instrument, and such counterparts may be combined to form one single instrument for recording purposes.

IN WITNESS WHEREOF, this Declaration of Pooling is executed and effective as of the date first hereinabove written.

**LESSEE**

McFARLAND ENERGY, INC.

By:   
Ronald T Yoshihara  
Title: Vice President

SAMEDAN OIL CORPORATION

By:   
R. P. McCuiston  
Title: Region Manager

**SOC**

1	<input checked="" type="checkbox"/>
2	<input type="checkbox"/>
3	<input type="checkbox"/>
4	<input type="checkbox"/>
5	<input type="checkbox"/>

CALENDAR PAGE	714
MINUTE PAGE	1639

**LESSEE (Continued)**

R. E. HIBBERT

By: 

Title: 

BANTA & HAIGH

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JOHN H. LARSEN

\_\_\_\_\_  
CRAIG SETTLE

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

CHANCELLOR ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

PESCADOCO, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JAMES F. PETERS

\_\_\_\_\_  
TIMOTHY K. WOODROOF

CALENDAR PAGE	715
MINUTE PAGE	1640

**LESSEE (Continued)**

R. E. HIBBERT

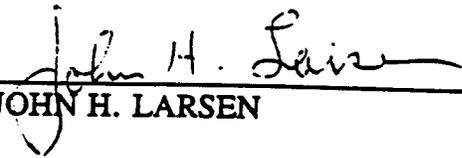
By: \_\_\_\_\_

Title: \_\_\_\_\_

BANTA & HAIGH

By: \_\_\_\_\_

Title: \_\_\_\_\_

  
\_\_\_\_\_  
JOHN H. LARSEN

\_\_\_\_\_  
CRAIG SETTLE

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

CHANCELLOR ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

PESCADOCO, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JAMES F. PETERS

\_\_\_\_\_  
TIMOTHY K. WOODROOF

**LESSEE (Continued)**

R. E. HIBBERT

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANTA & HAIGH

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JOHN H. LARSEN

  
CRAIG SETTLE

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

CHANCELLOR ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

PESCADOCO, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JAMES F. PETERS

\_\_\_\_\_  
TIMOTHY K. WOODROOF

CALENDAR PAGE	717
MINUTE PAGE	1642

**LESSEE (Continued)**

R. E. HIBBERT

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANTA & HAIGH

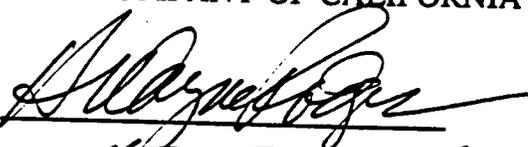
By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JOHN H. LARSEN

\_\_\_\_\_  
CRAIG SETTLE

UNION OIL COMPANY OF CALIFORNIA

By: 

Title: attorney-in-fact

CHANCELLOR ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

PESCADOCO, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JAMES F. PETERS

\_\_\_\_\_  
TIMOTHY K. WOODROOF

**LESSEE (Continued)**

**R. E. HIBBERT**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**BANTA & HAIGH**

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
**JOHN H. LARSEN**

\_\_\_\_\_  
**CRAIG SETTLE**

**UNION OIL COMPANY OF CALIFORNIA**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**CHANCELLOR ENERGY, INC.**

By: \_\_\_\_\_ *C. E. Chancellor*

Title: **C. E. Chancellor  
President**

**PESCADOCO, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
**JAMES F. PETERS**

\_\_\_\_\_  
**TIMOTHY K. WOODROOF**

**LESSEE (Continued)**

R. E. HIBBERT

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANTA & HAIGH

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JOHN H. LARSEN

\_\_\_\_\_  
CRAIG SETTLE

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

CHANCELLOR ENERGY, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

PESCADOCO, INC.

By: \_\_\_\_\_  
C. E. Chancellor  
President

Title: \_\_\_\_\_

\_\_\_\_\_  
JAMES F. PETERS

\_\_\_\_\_  
TIMOTHY K. WOODROOF

**LESSEE (Continued)**

**R. E. HIBBERT**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**BANTA & HAIGH**

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
**JOHN H. LARSEN**

\_\_\_\_\_  
**CRAIG SETTLE**

**UNION OIL COMPANY OF CALIFORNIA**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**CHANCELLOR ENERGY, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PESCADOCO, INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

  
\_\_\_\_\_  
**JAMES F. PETERS**

\_\_\_\_\_  
**TIMOTHY K. WOODROOF**

**LESSEE (Continued)**

R. E. HIBBERT

By: \_\_\_\_\_

Title: \_\_\_\_\_

BANTA & HAIGH

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JOHN H. LARSEN

\_\_\_\_\_  
CRAIG SETTLE

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

Title: \_\_\_\_\_

CHANCELLOR ENERGY, INC.

By: \_\_\_\_\_

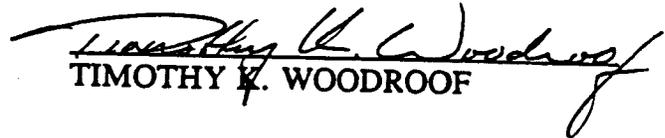
Title: \_\_\_\_\_

PESCADOCO, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
JAMES F. PETERS

  
TIMOTHY K. WOODROOF

State of California )  
 ) ss.  
County of Los Angeles )

On April 21, 1995, before me, Silvia D. Nelson, Notary Public, personally appeared Ronald T Yoshihara, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies); and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Silvia D. Nelson  
Notary Public

My Commission expires:

October 10, 1997



State of )  
 ) ss.  
County of )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

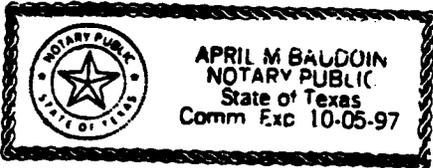
CALENDAR PAGE	723
MINUTE PAGE	1648



State of Texas )  
 ) ss.  
County of Harris )

On April 26, 1995, before me, April M. Baudoin, Notary Public, personally appeared R. W. Hibbert, Attorney-in-Fact for R. E. Hibbert, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



April M. Baudoin  
Notary Public

State of )  
 ) ss.  
County of )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

CALENDAR PAGE	725
MINUTE PAGE	1650

State of Wyoming )  
 ) ss.  
County of Carbon )

On May 1 1995, before me, Dawn R. Hilstad, Notary Public, personally appeared John H. Larsen, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

DAWN R. HILSTAD - NOTARY PUBLIC

COUNTY OF  
CARBON



STATE OF  
WYOMING

My Commission Expires 2/10/98

Dawn R. Hilstad  
Notary Public

State of )  
 ) ss.  
County of )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

CALENDAR PAGE	726
MINUTE PAGE	1651

State of Colorado )  
 ) ss.  
County of Denver )

On April 27, 1995, before me, Christina H. Pade, Notary Public, personally appeared S. Craig Settle, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

February 14, 1998  
Commission Expires

Christina H. Pade  
Notary Public

State of )  
 ) ss.  
County of )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

CALENDAR PAGE	727
MINUTE PAGE	1652

State of )  
 ) ss.  
County of )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

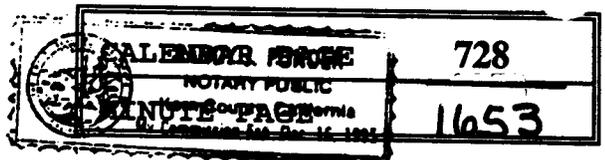
\_\_\_\_\_  
Notary Public

State of CALIFORNIA )  
 ) ss.  
County of KERN )

On APRIL 26 1995, before me, RANDY J. PONDER, Notary Public, personally appeared H. WAYNE ROGERS, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Randy J. Ponder  
Notary Public



State of California )  
 ) ss.  
County of Los Angeles )

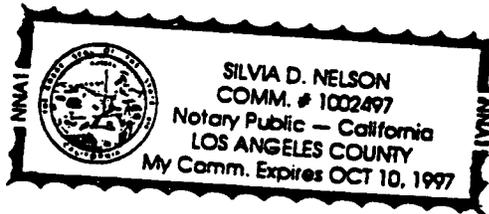
On April 21 1995, before me, Silvia D. Nelson, Notary Public, personally appeared Ronald T Yoshihara, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies); and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Silvia D. Nelson  
Notary Public

My Commission expires:

October 10, 1997



State of Colorado )  
 ) ss.  
County of Jefferson )  
1995

On April 28, 1995, before me, Phyllis E. Davis, Notary Public, personally appeared C. E. Chancellor, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies); and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My commission expires  
July 31, 1998

Phyllis E. Davis  
Notary Public

CALENDAR PAGE	729
MINUTE PAGE	1654

State of Colorado )  
 ) ss.  
County of Jefferson )

On Apr.28, 1995, before me, Phyllis E. Davis, Notary Public, personally appeared C. E. Chancellor, president of Pescadoco, Inc. personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(ies), and that by his/~~her~~/~~their~~ signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My commission expires  
July 31, 1998

Phyllis E. Davis  
Notary Public

State of )  
 ) ss.  
County of )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

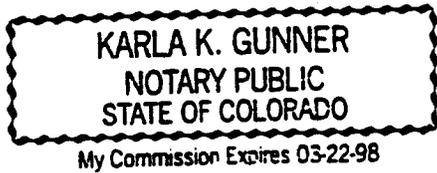
\_\_\_\_\_  
Notary Public

CALENDAR PAGE	730
MINUTE PAGE	1655

State of Colorado )  
 ) ss.  
County of Denver )

On 5-2-95, before me, Karla K Gunner, Notary Public, personally appeared James F. Peters, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Karla K Gunner  
Notary Public

State of \_\_\_\_\_ )  
 ) ss.  
County of \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

CALENDAR PAGE	731
MINUTE PAGE	1656

State of Colorado )  
County of Denver ) ss.

On May 5, 1995, before me, Helen K Roberts, Notary Public, personally appeared Timothy K Woodroof, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Helen K Roberts  
Notary Public  
My Commission Expires Nov. 16, 1996

State of )  
County of ) ss.

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public, personally appeared \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

CALENDAR PAGE	732
MINUTE PAGE	1657



**EXHIBIT "A"**  
**(CONTINUED)**

LESSOR	ORIGINAL LESSEE	LEASE DATE	RECORDED IN FRESNO OR MADERA COUNTIES, CA (as noted)	
			DATE	VOLUME/PAGE
Helen F. Cain	United Western Exploration Co.	3/9/90	4/4/90	90037946 Fresno County, CA
Warren R. Stone	Union Oil Company of California	5/19/90	4/5/91	9108632 Madera County, CA
Kristine Field Klopfenstein Jackson, Guardian	Union Oil Company of California	1/4/95		Unrecorded

CALENDAR PAGE	734
MINUTE PAGE	1659



---

# MEMORANDUM

---

**DATE:** May 17, 1995  
**TO:** Terry Allred, McFarland Energy, Inc.  
**FROM:** Matt Steele  
**RE:** Mitchell Unit Description  
**CC:** Wayne Rodges, Rick Peace

Commencing at the southwest corner of Section 3, Township 11 South, Range 13 East, M.D.B.M., in the County of Fresno, State of California; thence North 88°43' East, 2657.09 feet; thence North, 1541.16 feet to a point on the northern bank of the Arroyo Canal and coincident with the northwest corner of the Wolfsen Unit One as described in that certain Declaration of Pooling, dated \_\_\_\_\_, recorded in Book \_\_\_\_, Page \_\_\_\_ in the Office of the Recorder, Fresno County; said point also being the point of beginning of the herein described parcel;

thence, from said point of beginning and continuing along the northern bank of the Arroyo Canal and coincident with the northern boundary of said Wolfsen Unit One, South 79°46' East, approximately 199.66 feet; thence South 67°39' East, 484.41 feet to a point on the centerline of the San Juan Drain No. 4, a 60' road easement; thence leaving the northern bank of the Arroyo Canal and continuing along the centerline of the San Juan Drain No. 4 and said northern boundary of Wolfsen Unit One, the following 8 courses:

North 80°14'30" East, 88.52 feet

North 63°52' East, 149.00 feet

South 81°23' East, 84.00 feet

South 57°14' East, 223.00 feet

South 65°52'30" East, 231.00 feet

South 45°55' East, 296.00 feet

South 35°24'30" East, 150.00 feet

South 86°28'30" East, 103.75 feet to a point on the centerline of a 60 foot road easement for Jerrold Avenue; thence along said centerline, North 3°30' East, 372.60 feet; thence leaving said centerline North 31°09' East, 753.80 feet; thence South 48°29' East, 395.00 feet; thence North 59°21' East, 178.40 feet to a point on the east line of Section 3 which lies North 1627.50 feet from the southeast corner of said Section 3; thence leaving said east line and continuing North 59° 21' East, 171.60 feet; thence North 4°00' West approximately 952.00 feet to a point on the latitudinal centerline of Section 2, Township 11 South, Range 13 East, M.D.B.M.; thence easterly along said centerline approximately 1237.06 feet to a point on the longitudinal centerline of the of the southwest quarter of Section 2, said point also being the northeast corner of said Wolfsen Unit One; thence leaving said point and Wolfsen Unit One boundary, continuing along the following 9 courses:

North, 1601.23 feet

North 59°41' East, 10.45 feet

CALENDAR PAGE	736
MINUTE PAGE	1661

South 88°01' East, 350.00 feet

North 50°46' East, 230.28 feet

North, 429.06 feet

South 89°25'41" West, 267.09 feet

North 18°08' West, 153.56 feet

North 0°30' West, 197.00 feet

North 18°08'13" East, 129.94 feet to a point on the north line of Section 2; thence along said line North 89°24' East, 65.19 feet to a point on the southwesterly right-of-way line of the Poso Canal which lies North 89°24' East, 1642.90 feet from the northwest corner of Section 2; thence leaving said southwesterly right-of-way line and continuing across the San Joaquin River, North 45° East, 319.50 feet, more or less, to a point in Section 35, Township 10 South, Range 13 East, M.D.B.M., County of Madera, State of California, located on the mean low-water-mark of the northeasterly bank of the San Joaquin River as indicated on that certain survey conducted by the Department of Engineering, State of California, in collaboration with The California Debris Commission

*Recorded or on file  
in Surveyors Office?  
Add Pertinent info.*

recorded as Book \_\_\_\_\_, Page \_\_\_\_\_, dated \_\_\_\_\_ in the Office of County Recorder, \_\_\_\_\_ County, State of California;

thence continuing along and coincident with said mean low water mark northwesterly to a point which bears North 89°39'07" East, 1530.15 feet, North 0°13'53" East, 1152.60 feet from the southwest corner said Section 35; thence leaving said mean low water mark North 25°43'47" West, 1687.26 feet to a point on the latitudinal centerline of Section 35; thence continuing along said centerline South 89°50'32" East, 791.45 feet to a point on the west line of Section 35 which bears North 0°13'53" East from the southwest corner thereof; thence leaving the west line of Section 35, bearing West, 601.44 feet to a point in Section 34, Township 10 South, Range 13 East, M.D.B.M., County of Fresno, State of California, located on the northeasterly bank of the Poso Canal that bears North 0°13'53" East, 2684.06 feet, West 601.44 feet from the southeast corner of said Section 34; thence continuing along said northeasterly bank of the Poso Canal the following 12 courses:

North 07°42'30" West, 209.36 feet

North 29°28'30" West, 169.77 feet

North 66°09' West, 238.48 feet

North 89°48' West, 192.34 feet

South 55°14' West, 149.74 feet

South 44°13' West, 191.92 feet

South 33°57' West, 187.86 feet

South 41°25' West, 181.15 feet

South 60°25' West, 162.12 feet

South 76°11' West, 250.79 feet

North 81°47'30" West, 416.80 feet

North 67°50' West, 221.52 feet; thence leaving said northeasterly bank South 49°09' West, 112.22 feet to a point on the southeasterly bank of the Poso Canal; thence continuing along said southeasterly bank North 13°52' West, 31.28 feet; thence leaving southeasterly bank of the Poso Slough and continuing along the centerline of a ditch,

CALENDAR PAGE	737
MINUTE PAGE	1662

South 75°13' West, 50.30 feet; thence North 66°08' West, 84.49 feet to a point on the centerline of a road; thence continuing along road centerline the following 11 courses:°°

South 10°30' West, 289.73 feet

South 03°32' West, 648.27 feet

South 09° 05' 30" West, 201.21 feet

South 15°41'30" West, 170.90

South 24°44'30" West, 263.53 feet

South 11°49' West, 226.49 feet

South 02°13' East, 166.25 feet

South 17°38' East, 203.92 feet

South 31°56'30" East, 235.59 feet

South 42°42'30" East, 302.05 feet

South 48°07'30" East, 131.70 feet to a point on the south line of Section 34 which bears South 89°39'07" West, 2663.52 feet from the southeast corner of section 34, said point also lies on the north line of Section 3, Township 11 South, Range 13 East and bears South 89°39'07" West, 3152.56 feet from the northeast corner of Section 3; thence leaving said north line and continuing along said road the following 5 courses:

South 48°07'30" East, 32.71 feet

South 48°05'30" East, 467.12 feet

South 36°50' East, 159.65 feet

South 36°50' East, 172.54 feet

South 18°30' East, 250.32 feet; thence leaving said road and continuing South 61°19'30" West, 124.31 feet; thence South, 2881.38 feet to the point of beginning, containing 614.93 acres, more or less.

34  
BLK. 32

35  
BLK. 31

*Mean High  
Water mark (brown)*

*1" = 400'*

*Sub Lease outlined that Boundary*

3 2

3

2

STATE LANDS = 21.3  
*(Mean Low Water Mark)*

CALENDAR PAGE	739
MINUTE PAGE	1664

AMENDMENT #3 TO  
GAS PURCHASE AGREEMENT  
DATED OCTOBER 27, 1993

This second amendment to the Gas Purchase Agreement (Agreement) dated October 27, 1993 between Union Oil Company of California (Buyer) and McFarland Energy, Inc. (Seller) is effective November 1, 1994.

WHEREAS, Seller desires to commit to Buyer natural gas from additional wells and lands to Said Lands for the life of their productive capacity and the life of Buyer's pipeline system, and

WHEREAS, Buyer desires to purchase natural gas from these additional wells and lands for the life of their productive capacity, and

WHEREAS, Seller represents all the working interest of Samedan Oil Corporation, United Western Exploration and its assignees, and itself in Said Lands and has negotiated this agreement with their interests in mind and has the necessary authority from each and every one to enter into this amendment to the Agreement;

NOW THEREFORE, Buyer and Seller agree as follows:

1. Paragraph 1 of the agreement shall be deleted in its entirety and replaced by the following new Paragraph 1:
  1. Seller, subject to the terms and conditions hereinafter set forth, hereby grants to Buyer the sole and exclusive right to purchase all gas produced during the term hereof from Said Lands, excepting therefrom only that gas which shall be required for Seller's lease operations on Said Lands, up to 20,000 MCF per day, and Buyer shall accept and purchase such quantities of Seller's gas, up to the maximum quantity specified, as long as capacity exists in Buyer's pipeline and through the delivery meter to pipelines downstream of Buyer's. If on any day a curtailment is necessary because of force majeure or constraints on deliveries to downstream pipelines, Buyer and Seller agree to curtail production in four tiers based on BTU content of the gas. The first tier of curtailment is gas with less than 700 BTU per cubic foot. The second tier of curtailment is gas with a BTU between 701 and 800 BTU per cubic foot. The third tier of curtailment is gas with a BTU between 801 and 900 BTU per cubic foot. All gas with a BTU greater than 900 BTU per cubic foot will make up the fourth tier. Gas will be curtailed ratably, with two volumes of Seller's gas curtailed for each volume of Buyer's gas, within each tier; however, in the event of competitive wells between Buyer and Seller, curtailment will be ratably

with one volume of Seller's gas curtailed for each volume of Buyer's gas, within each tier. Neither Buyer nor Seller will be required to curtail production in any tier to the higher of a rate of twenty percent of its deliverability or 250 MCF/D. Buyer and Seller agree to use reasonable efforts to curtail all gas within a BTU tier to the minimum levels prior to curtailing the next higher tier. Nothing herein shall obligate Buyer to purchase any gas from Seller that has previously been purchased by Seller.

2. Paragraph 2 of the agreement shall become Paragraph 2(a) and the following shall be inserted as Paragraph 2(b):

2(b). All gas sales pursuant to this Agreement shall occur at the Delivery Point, through the existing meter facilities near the Coderniz well, with the exception of low volume production from the Wolfsen Unit which shall occur through the Wolfsen meter pursuant to Amendment #2 dated July 27, 1994. Any additional Delivery Points required for Seller to deliver gas to Buyer must be mutually agreed upon by Buyer and Seller. The cost of any meter facilities for such new Delivery Points shall be charged to Seller, or by mutual agreement, some of the labor to install new metering facilities may be performed directly by Seller at Seller's expense. Buyer, in its sole discretion, may designate the level of equipment required at each meter facility consistent with the principles of safe operations and the minimization of installation and operations costs.

3. Paragraph 6 and Exhibit "B" of the Agreement shall be deleted in their entirety and replaced by the following pricing provision:

6(a). The price payable to Seller for all gas delivered and accepted by Buyer hereunder shall be a price per Million British Thermal Units (MMBTU) equal to the California Border Price (Border Price) as defined below minus a volume based rate to reflect the location of Seller's gas (Location Adjustment). The Border Price is defined as that price reported in the Gas Price Report, California (North), Delivered to Pipeline, Bid Week, in the first edition of the Natural Gas Week published during the month in question. The Location Adjustment will decrease on the first day of the month following delivery of the volume specified below as additional gas is delivered pursuant to this Agreement. For the first 5,000,000 MMBTU, including for volume purposes only any volume delivered under this Agreement prior to this amendment, the Location Adjustment will be \$0.275 per MMBTU. For the second 5,000,000 MMBTU delivered, the Location Adjustment will decrease to \$0.220 per MMBTU. For the third 5,000,000 MMBTU delivered, the Location Adjustment will decrease to \$0.160 per MMBTU. Any gas delivered in excess of this cumulative 15,000,000 MMBTU shall have a Location Adjustment equal to \$0.100 plus a volumetrically prorated share of Buyer's Operating Costs for Buyer's pipeline system. However, in no event will the Location Adjustment ever be less than \$0.100 plus a volumetrically prorated share of Buyer's operating costs for Buyer's

pipeline system. The price shall be computed to the nearest one hundredth of a cent (\$0.0001) per MMBTU.

6(b). Operating costs (Operating Costs) shall include both direct and indirect operating expenses. Direct operating expenses include salaries & wages, employee benefits, operating supplies, transportation & travel, rent & utilities, operating contract services, repair & replacement materials (surface & subsurface), maintenance contract services (surface & subsurface), environmental expenses and other (miscellaneous direct expenses not to exceed 10% of all other direct expenses). Indirect operating expenses are agreed to be 10% of the direct operating expenses. Buyer and Seller understand that Operating Costs may vary from time to time. Operating Costs will be determined each year based on an average of twelve months expenses ending one month prior to the period in question. The first year period will run for thirteen months and will start on the first day of the month following execution of this amendment and end on the last day of December 1995. All year periods after the initial will start on January 1 and end on December 31 of each year.

6(c). The price calculated in accordance with the amended Paragraph 6 of this amendment shall apply to any connection point south and west of the San Joaquin River on the pipeline system as it exists on November 1, 1994. Should Seller desire to connect east or north of Buyer's San Joaquin River crossing, the Location Adjustment shall be increased by \$0.0075 per MMBTU for each crossing of a navigable river plus \$0.010 per MMBTU per mile from the point of interconnection. Buyer and Seller agree that the fee of \$0.0075 per MMBTU for a navigable river crossing and \$0.010 per MMBTU per mile shall apply should Buyer need to exchange gas on Seller's gathering system. A separate agreement shall be negotiated utilizing these rates should Buyer desire to exchange gas on Seller's gathering system.

6(d). For the purposes of pricing gas under this Paragraph 6, gas volumes from Seller, including Seller's working interest partners Samedan Oil Corporation and United Western Exploration and its assignees, produced from Said Lands will be combined to calculate the Location Adjustment, regardless of which working interest partner is operating any individual well within Said Lands.

4. Insert the following to Paragraph 15 of the Agreement after the last sentence:

"Buyer understands that Seller may assign this agreement to a gathering company, comprised of Sellers current working interest partners in Said Lands. Such gathering company would be formed solely for the purpose of easing the administrative burdens placed on Seller in operating the flowlines which would make up such gathering system. Buyer hereby agrees to such assignment if and only if it occurs within six (6) months from the effective date of this Amendment.

5. Paragraph 16 of the agreement shall be deleted in its entirety and replaced with the following new Paragraph 16:

16. Production from each well within the area described on Exhibit "A" is dedicated by Seller for sale to Buyer for the life of the productive capacity and useful life of Buyer's pipeline system. Nothing in this agreement shall obligate Buyer to maintain the pipeline system beyond a point in time that, in Buyer's sole opinion, it is uneconomic or unsafe to operate. If requested by Seller, Buyer will make reasonable effort to extend the area dedicated to this contract and described on Exhibit "A". Such requests by Seller shall be in writing and Buyer will respond within twenty (20) days.

6. Exhibit A representing Said Lands is revised as attached hereto. In addition, Seller will have sixty (60) days from the date this amendment is agreed and accepted to add additional lands to Said Lands. Buyer agrees to purchase any gas from such additional lands pursuant to the terms of this contract. However, after such sixty (60) day period, Buyer and Seller must mutually agree to the addition of any lands to this contract.

Agreed to and accepted this 8th day of December, 1994.

MCFARLAND ENERGY, INC.

BY: *W. E. Vann*

TITLE: Vice President

UNION OIL COMPANY OF CALIFORNIA

BY: *C. J. ...* *JBR*

TITLE: *Attorney-in-Fact*

CALENDAR PAGE	743
MINUTE PAGE	1668