

MINUTE ITEM

This Calendar Item No. C62 was approved as Minute Item No. 42 by the California State Lands Commission by a vote of 3 to 0 at its 11/07/97 meeting.

**CALENDAR ITEM
C62**

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11/07/97

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W 40766

A. Nitsche

**CONSIDER REQUEST FOR EXEMPTION FROM COMPETITIVE
BID PROCEDURES FOR A SUBSURFACE OIL AND GAS LEASE ON
EAST BAY MUNICIPAL UTILITY DISTRICT PROPERTY,
CONTRA COSTA COUNTY**

APPLICANT:

East Bay Municipal Utility District
375 - Eleventh Street
Oakland, CA 94607

AREA, LAND TYPE, AND LOCATION:

A 5.0237 acre parcel of East Bay Municipal Utility District (EBMUD) land in Section 3 of Township 1 North, Range 2 East, MDM, Contra Costa County.

BACKGROUND:

Enron Oil and Gas Company (Enron) has requested East Bay Municipal Utility District (EBMUD) to enter into a subsurface oil and gas lease for EBMUD owned lands underlying Mokelumne Aqueducts and near the town of Brentwood in Contra Costa County. Enron has leased and has an option to lease acreage surrounding the 5.0237 acre parcel of EBMUD land. EBMUD has requested to be exempted from competitive bidding procedures in order to negotiate a lease with Enron which has offered to lease this parcel of land and has agreed to pay EBMUD a royalty of 20 percent for any hydrocarbons produced from this lease, and \$25.00 per acre per year rent including three years rent paid in advance and a primary lease term of three years. The proposed terms of the lease are equal to or greater than the corresponding terms in other oil and gas leases in this area and Commission staff believes that the proposed terms are fair and reasonable.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulation: Title 3, Division 3; Title 14, Division 6.

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Public Resources Code section 7052 states in part:

"The State Lands Commission may in its discretion exempt particular leases or operating agreements from the procedure required by this section and section 7053 (competitive bidding procedures) where by reason of the small size of the property or drainage, actual or imminent, such procedure would be in the judgement of the State Lands Commission in the particular case be impractical".

Commission staff has reviewed the application of EBMUD for a subsurface negotiated oil and gas lease with Enron and has determined that it would be impractical for EBMUD to follow the competitive public bidding procedures as outlined in Sections 7052 and 7053 of the California Public Resources Code for the following reasons: the parcel is small in size, the EBMUD proposes to develop the surface for other uses so there is no drillsite, and the potential for drainage from adjacent lands under the lease to Enron appears imminent.

OTHER PERTINENT INFORMATION

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

- A. Location Map
- B. Land Description

PERMIT STREAMLINING ACT DEADLINE:

N/A.

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

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CEQA FINDINGS:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

APPROVE THE REQUEST OF THE EAST BAY MUNICIPAL UTILITY DISTRICT FOR AN EXEMPTION FROM THE FORMAL BIDDING REQUIREMENTS AS OUTLINED IN PUBLIC RESOURCES CODE SECTIONS 7052 AND 7053, FOR A SUBSURFACE OIL AND GAS LEASE OF A 5.0237 ACRE PARCEL LOCATED UNDER THE MOKELUMNE AQUEDUCTS IN SECTION 3, TOWNSHIP 1 NORTH, RANGE 2 EAST, MDM, CONTRA COSTA COUNTY.

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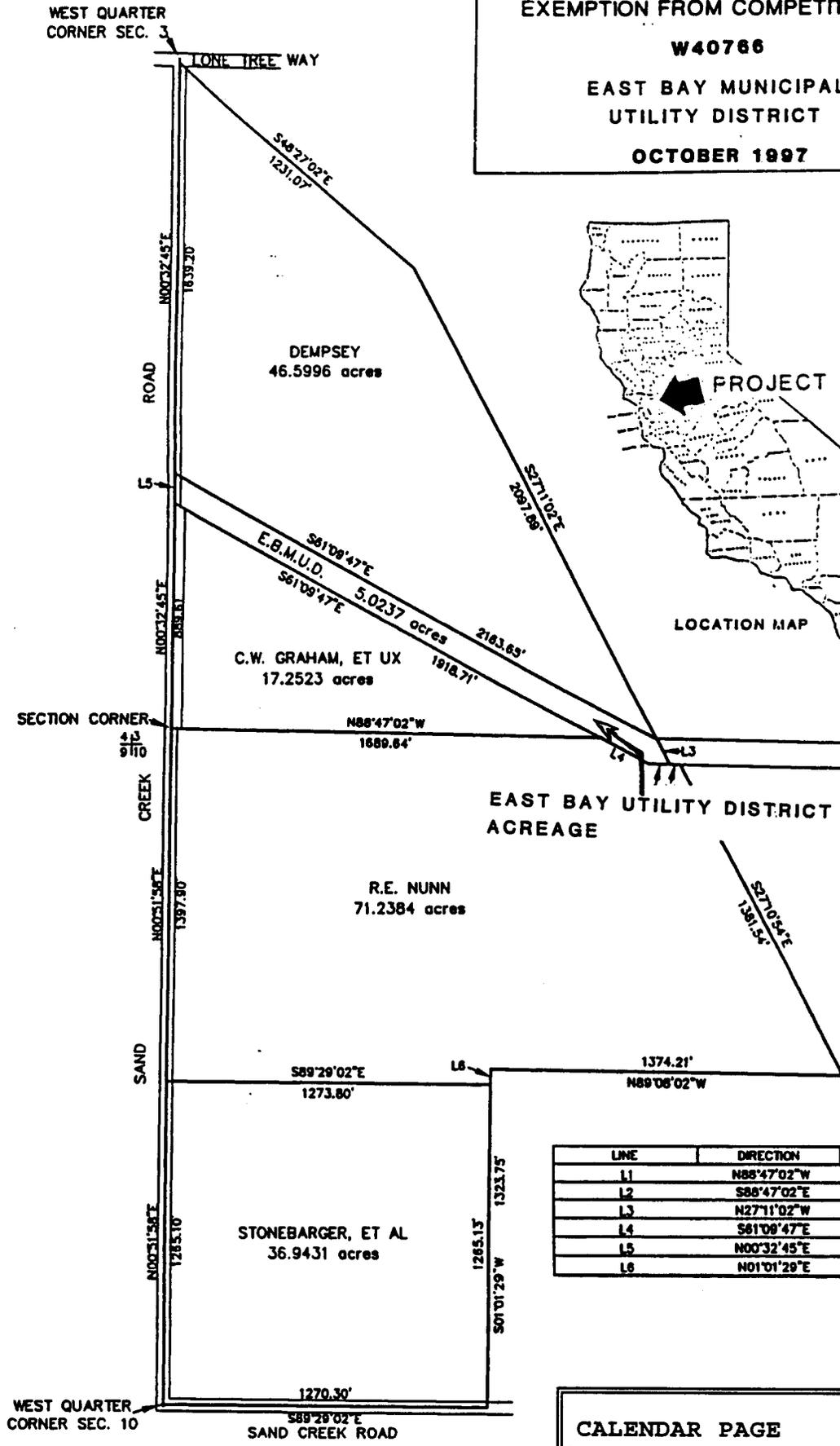
EXHIBIT "A"

**STATE LANDS COMMISSION
EXEMPTION FROM COMPETITIVE BID**

W40766

**EAST BAY MUNICIPAL
UTILITY DISTRICT**

OCTOBER 1997



LINE	DIRECTION	DISTANCE
L1	N88°47'02"W	39.79'
L2	S88°47'02"E	78.85'
L3	N27°11'02"W	113.68'
L4	S81°09'47"E	215.89'
L5	N00°32'45"E	113.56'
L6	N01°01'29"E	58.82'

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E.B.M.U.D.**W40766**

That real property in Contra Costa County, State of California, situate in the Southwest Quarter of Section 3, and the Northwest Quarter of Section 10, Township 1 North, Range 2 East, Mount Diablo Base and Meridian, and being more particularly described as follows:

Beginning at a point on the West line of Section 3 and the centerline of Sand Creek Road that is distant North $00^{\circ} 32' 45''$ East 889.61 feet from the Southwest corner of said Section 3 as shown on that Parcel map filed February 11, 1977, in Book 52 of Parcel Maps, at Page 29, Contra Costa County Records; thence, from said POINT OF BEGINNING along said section line and centerline, North $00^{\circ} 32' 45''$ East 113.56 feet; thence, leaving said section line and centerline, South $61^{\circ} 09' 47''$ East 2163.65 feet; thence South $27^{\circ} 11' 02''$ East 113.68 feet; thence North $88^{\circ} 47' 02''$ West 78.65 feet; thence North $61^{\circ} 09' 47''$ West 2134.41 feet to the point of beginning and containing 5.0237 acres of land, more or less.

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