

MINUTE ITEM

This Calendar Item No. C119 was approved as Minute Item No. 119 by the California State Lands Commission by a vote of 3 to 0 at its 6-19-98 meeting.

CALENDAR ITEM

C119

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06/19/98

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PRC 7282

A. Nitsche

**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM DEED OF
NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 7282
(54.06 ACRES UNDER THE SACRAMENTO RIVER),
SUTTER AND YOLO COUNTIES**

LESSEE:

Calpine Corporation
50 West San Fernando Street
San Jose, CA 95113

BACKGROUND:

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 7282 (Lease) was issued to Black Mountain Oil Company (Black Mountain) on February 6, 1989. Lease No. PRC 7282 contains 320± acres of tide, submerged and proprietary lands in the bed and vicinity of the Sacramento River in Sutter and Yolo Counties, California (leased lands). On September 23, 1992, the Commission approved Black Mountain's request for a pooling of 54.06 State acres into "Knights Landing Unit B". The California State Lands Commission (Commission) approved a 100 percent assignment from Black Mountain Oil Company to Montis Niger, Inc., (Montis Niger) effective January 1, 1993. On January 18, 1996, the Commission approved the quitclaim of 265.94 acres, leaving the 54.06 acres pooled in the "Knights Landing Unit B". Montis Niger is a 100 percent wholly owned subsidiary of Calpine Corporation (Calpine). Calpine has now submitted the full quitclaim deed for Oil and Gas Lease No. PRC 7282. Under the terms of the Lease, the lessee is required to pay an annual rental of \$25 per acre (\$1,351 for 54.06 acres) and commence drilling operations on the leased lands within three years. All wells drilled into or under State lands and in the vicinity have been plugged and abandoned in accordance with Commission's regulations and the State Division of Oil and Gas.

Public Resources Code section 6804.1 and Lease Paragraph 30 permit the lessee to make, at any time, a written quitclaim of all rights under the lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof

CALENDAR PAGE	578
MINUTE PAGE	003906

CALENDAR ITEM NO. C119 (CONT'D)

in a compact form. The quitclaim will be effective when it is filed with the State subject to the continued obligation of the lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on the leased lands.

On December 11, 1997, the Commission received the document "(Full) Quitclaim Deed for State Oil and Gas Lease". This document was dated December 8, 1997, and quitclaims back to the State all of the lessee's right, title and interest in the leased lands described in Exhibit A of Oil and Gas Lease No. PRC 7282 dated February 6, 1989, and amended by partial Quitclaim approved by the Commission on January 18, 1996. A review of the Commission's files reveals that no default exists on the Lease, that the lessee has complied with all applicable laws and Lease provisions and has paid all rentals (no royalty is due as the leased lands were not developed).

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1 and Lease Paragraph 30.

OTHER PERTINENT INFORMATION:

1. 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 21084 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

- A. Land Description, Exhibit A of February 27, 1997 Commission Meeting.
B. Location Map

PERMIT STREAMLINING ACT DEADLINE:

N/A

CALENDAR PAGE	579
MINUTE PAGE	003907

CALENDAR ITEM NO. C119 (CONT'D)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

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:

1. ACCEPT FROM CALPINE CORPORATION (LESSEE) THE (FULL) QUITCLAIM DEED DATED DECEMBER 7, 1997, FOR OIL AND GAS LEASE PRC 7282, WHEREIN THE LESSEE QUITCLAIMS BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS DESCRIBED IN EXHIBIT A OF OIL AND GAS LEASE NO. PRC 7282 DATED FEBRUARY 6, 1989, AND AMENDED BY PARTIAL QUITCLAIM APPROVED ON JANUARY 18, 1996.
2. RELEASE CALPINE CORPORATION FROM ALL OBLIGATIONS UNDER OIL AND GAS NO. LEASE PRC 7282 ACCRUING AFTER THE EFFECTIVE DATE, DECEMBER 16, 1997, THE FILING DATE OF THE QUITCLAIM DEED.
3. AUTHORIZE THE STAFF TO EXECUTE ANY DOCUMENT NECESSARY TO AFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

LAND DESCRIPTION

Two parcels of State owned lands in Yolo and Sutter Counties, California, more particularly described as follows:

PARCEL NO. 1:

All that submerged land in the bed of the Sacramento River downstream from the southeasterly right-of-way of the Southern Pacific Railroad in the Town of Knights Landing within the projected Sections 13, 14, 24, 25, T11N, R02E, Sections 18, 19, 30, 31, 32, T11N, R03E, MDM.

EXCEPTING THEREFROM that portion in Sections 31 and 32, T11N, R03E, MDM, as described in PRC-6078, filed in the Office of the State Lands Commission, more particularly described as follows: All those State owned submerged lands in the bed of the last natural channel of the Sacramento River at Grays Bend, Sutter and Yolo Counties, State of California, lying within T10N, and T11N, R03E, MDM, Bounded on the north by California Coordinate System "CCS 1927", Zone 2 Coordinates of X=2,094,600 feet and Y=398,250 feet: Thence running downstream southwesterly, southerly, easterly, northerly and northeasterly and terminating at "CCS 1927", Coordinates X=2,096,000 feet and Y=396,850 feet.

PARCEL NO. 2

All that State owned land in the bed of the cut-off loop of the Sacramento River, known as Mary Lake, Sutter County, State of California, described as follows: The northwest-quarter (NW1/4) of Section 19, T11N R03E, MDM.

EXCEPTING THEREFROM the following:

1. All that portion conveyed by patent from the State of California to James Waters, Recorded April 24, 1917, in Book "E" of Patents Page 164, Records of Sutter County.
2. All that portion conveyed by patent from the State of California to William McGriff, Recorded January 2, 1874, in Book "C" of Patents Page 296, Records of Sutter County.
3. All that portion conveyed by patent from the State of California to L Johnson, Recorded January 4, 1911, in Book "E" of Patents Page 121, Records of Sutter County.

ALSO EXCEPTING THEREFROM all those portions of the above described Parcels 1 and 2 within the present channel of the Sacramento River lying within Knights Landing Pooling Unit B, as described in PRC-7282, filed in the Office of the State Lands Commission.

ALSO EXCEPTING THEREFROM any portion lying landward of the ordinary low water marks of said waterways.

END OF DESCRIPTION

Revised December, 1995 by LMD Boundary Staff.

CALENDAR PAGE	581
MINUTE PAGE	0C3909

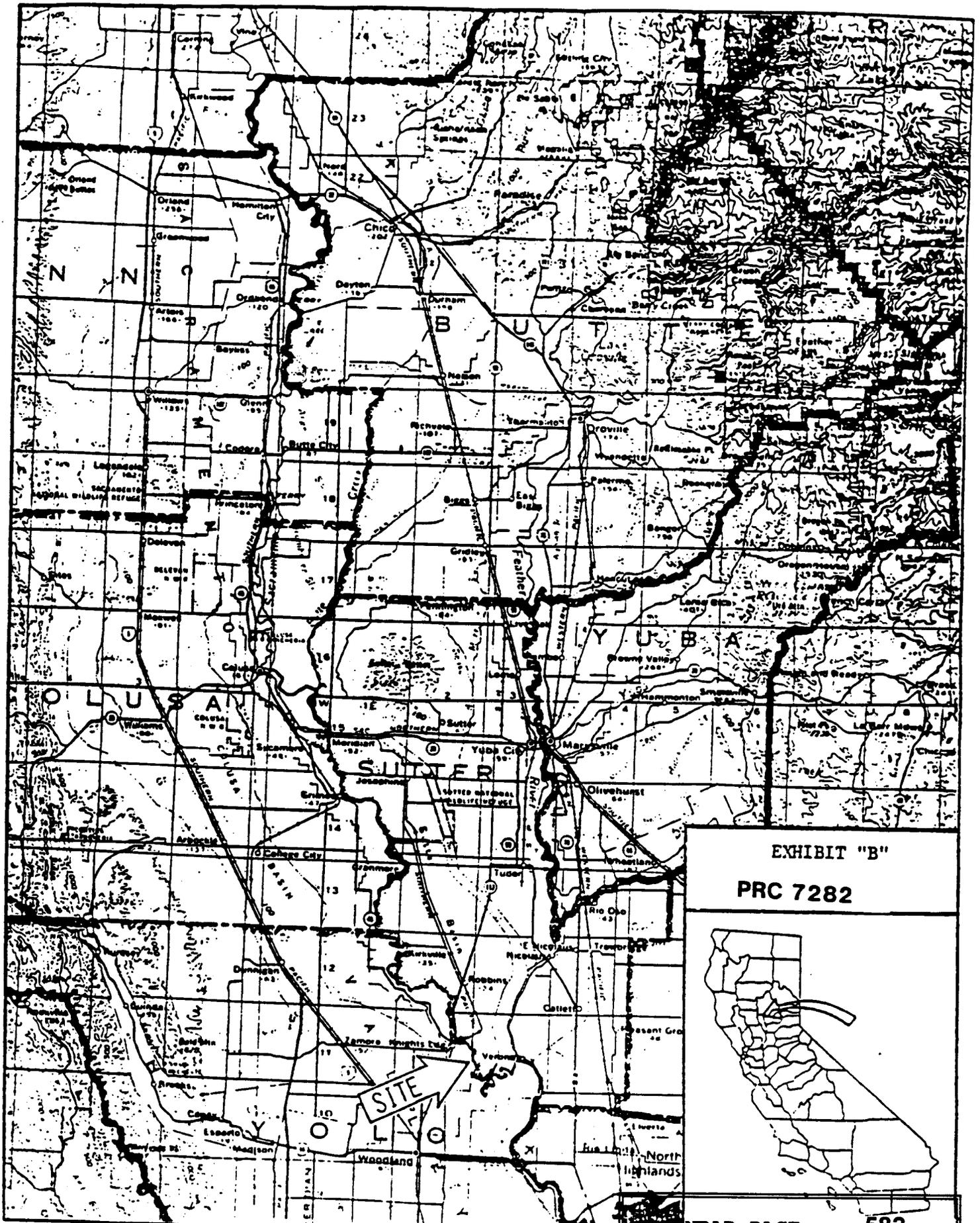


EXHIBIT "B"

PRC 7282



MINUTE PAGE 582

MINUTE PAGE 003910