

MINUTE ITEM

This Calendar Item No. C65 was approved as
Minute Item No. 65 by the California State Lands
Commission by a vote of 3 to 0 at its
6-14-99 meeting.

**CALENDAR ITEM
C65**

A 8

S 4

6/14/99
W 40795
PRC 8094
A. Nitsche
M. Voskanian

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE
(NO SURFACE USE) OIL AND GAS LEASE
FALSE RIVER AND PIPE SLOUGH,
CONTRA COSTA COUNTY**

APPLICANT:

Rio Delta Resources, Inc.
Attn.: Mr. Jerry W. Reedy
3600 American River Drive, Suite 220
Sacramento, CA 95864

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease is for about 93 acres in False River and Piper Slough, Contra Costa County, California (see Exhibit A for land description).

BACKGROUND:

Rio Delta Resources, Inc., has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease on approximately 93 acres in False River and Piper Slough, Contra Costa County (see Exhibit A for land description). Because the State land is a waterway, surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land can be developed and protected pursuant to the Commission's negotiated subsurface (no surface use) Oil and Gas Lease which would permit Commission-approved slant drilling from a county-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

Public Resources Code section 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

CALENDAR PAGE **000464**
MINUTE PAGE **005957**

CALENDAR ITEM NO. C65 (CONT'D)

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 (attached hereto) because of natural geological constraint on the north side of False River, and because the Applicant has county (Lead Agency) approval to drill a well near the State land, staff has concluded that the criteria of Public Resources Code section 6815(a) have been satisfied. A negotiated subsurface (no surface use) Oil and Gas Lease with the Applicant will protect oil and gas resources that may underlie the State land which is unsuitable for competitive bidding because surface drill sites are not available and wells drilled on the adjacent private property may drain State oil and gas resources.

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 under the general rule that the CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, that there is no possibility that this project may have a significant effect on the environment.

Authority: Title 14, California Code of Regulations, section 15061(b)

2. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code Sections 6370, et seq. However, the Commission has declared that all tide and submerged lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code sections 6370, et seq., use classifications for

CALENDAR ITEM NO. C65 (CONT'D)

such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

3. The proposed Lease would have a 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.
4. The proposed Lease would have an annual rental of \$10 per acre (\$930 for approximately 93 acres).
5. Royalty of 25 percent on gas and oil.
6. Performance bond or other security in the sum of \$5,000.

PERMIT STREAMLINING ACT DEADLINE:

November 20, 1999

EXHIBITS:

- A. Land Description
- B. Site Map

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY ~~IS EXEMPT FROM THE~~ REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 (b) 3).

CALENDAR PAGE	000466
MINUTE PAGE	005959

CALENDAR ITEM NO. C65 (CONT'D)

2. DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) 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.
3. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE WITH AND RIO DELTA RESOURCES, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A (APPROXIMATELY 93 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$10 PER ACRE (\$930 FOR APPROXIMATELY 93 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.
4. AUTHORIZE THE EXECUTION OF THE DOCUMENTS NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"
LAND DESCRIPTION

W 40795

A parcel of tide and submerged land in the bed of False River and in the bed of Piper Slough, Contra Costa County, California, more particularly described as follows:

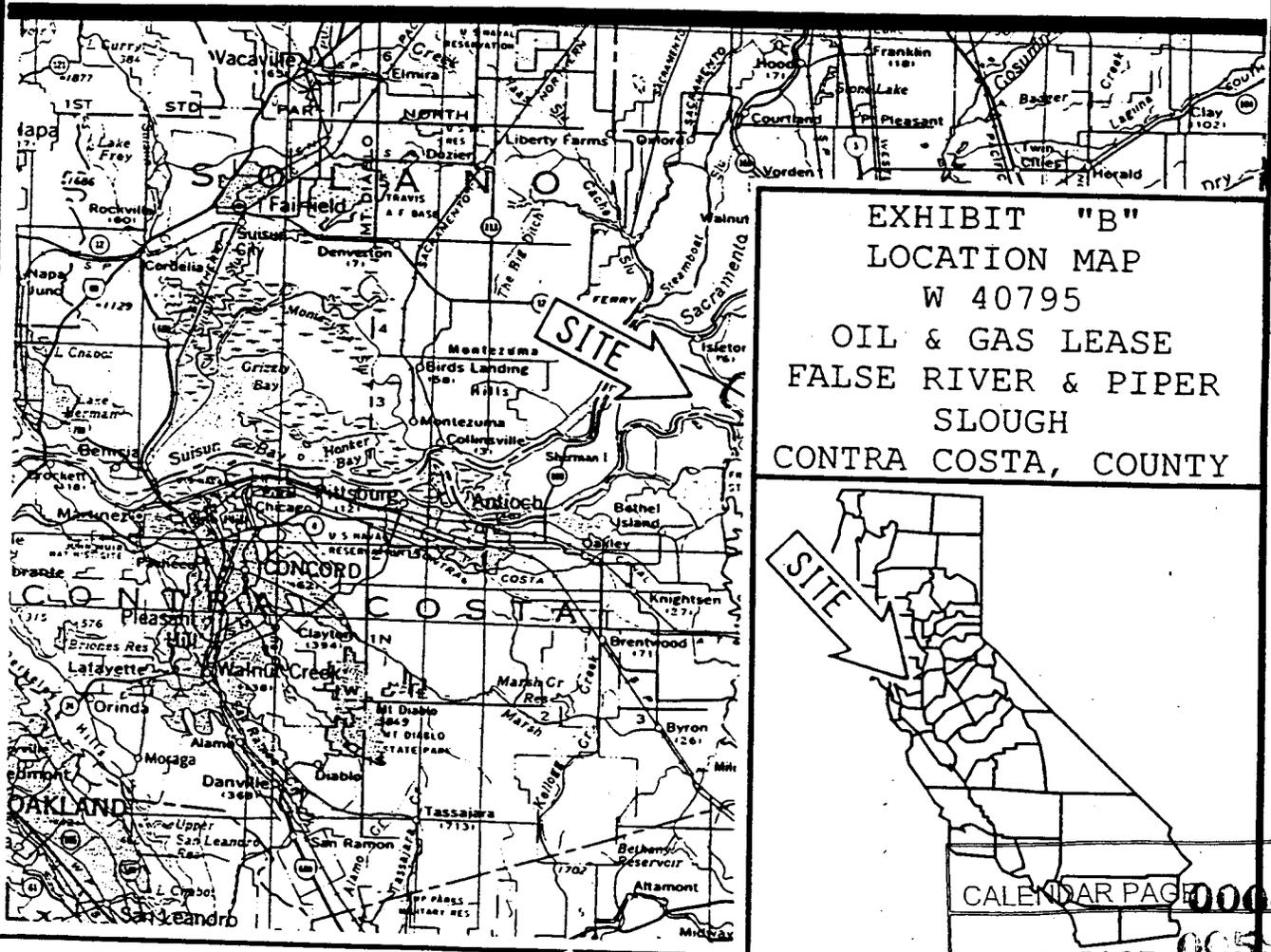
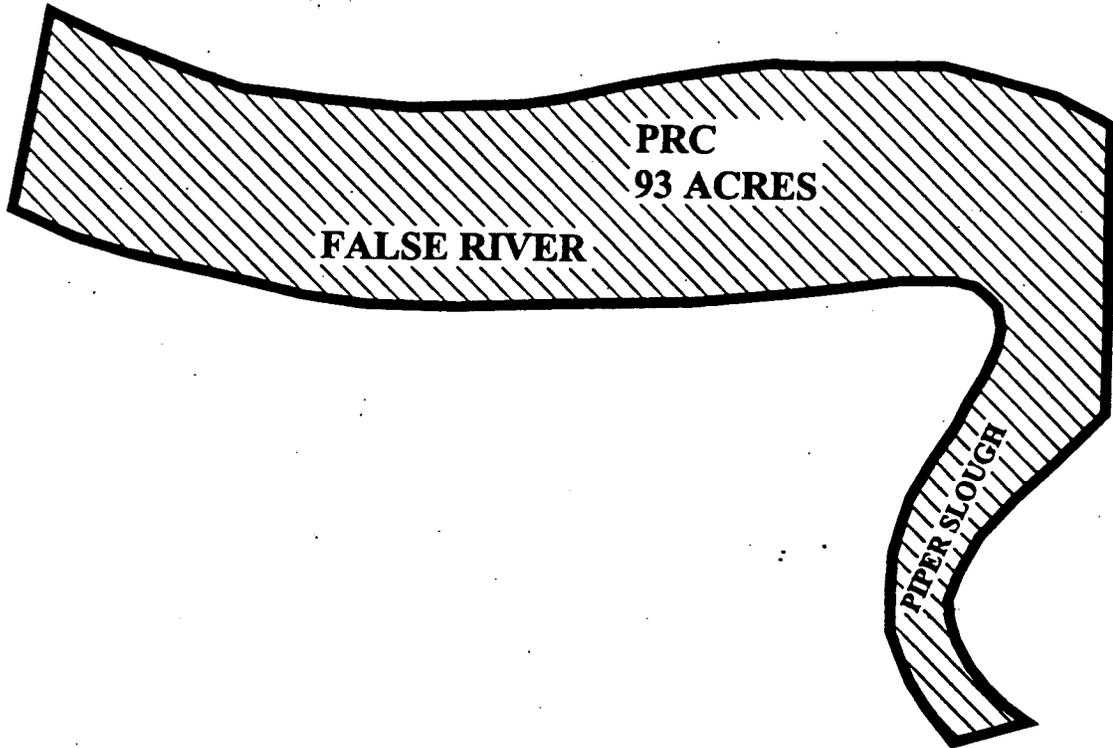
BEGINNING at a point of intersection of the common boundary between the lands described in that certain Partnership Grant Deed to Basic Resources recorded on August 8, 1985, in Book 12449 at Pages 191-193 and the lands described in that certain Grant Deed to Alfred R. Pereira, et ux, recorded August 25, 1988, in Book 14538 at Pages 985-990, as filed in the Office of the County Recorder of Contra Costa County, with the Ordinary High Water Mark along the north bank of False River; thence from said point of intersection and said point of beginning, along the southwesterly prolongation of the aforesaid common boundary to the intersection with the Ordinary High Water Mark on the south bank of False River; thence easterly along said Ordinary High Water Mark of said south bank of False River to the junction with the Ordinary High Water Mark of the west bank of Piper Slough; thence southerly along said Ordinary High Water Mark of said west bank of Piper Slough to the intersection with the easterly projection of the north line of Lot 14, as shown on the Plat of, "Jersey Island Farms", filed in the Office of the County Recorder of Contra Costa County, in Book 18 of Maps, Page 419; thence from said point of intersection along the easterly prolongation of said northerly line of Lot 14 to the intersection with the Ordinary High Water Mark on the east bank of Piper Slough; thence northerly along said Ordinary High Water Mark of said east bank of Piper Slough to a point which is the approximate junction with the Ordinary High Water Mark of the south bank of False River and the intersection with the south prolongation of the east boundary of the lands described in that certain Grant Deed to Robert C. Benson and Jean M. Benson, recorded August 13, 1991 in Book 16800 at Page 333-334, filed in the Office of the County Recorder of Contra Costa County; thence northerly along said southerly prolongation to the intersection with the Ordinary High Water Mark on the north bank of False River; thence westerly along said Ordinary High Water Mark of said north bank of False River to the point of beginning of this description.

END DESCRIPTION

CALENDAR PAGE 000468

MINUTE PAGE 005961

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



CALENDAR PAGE 000469

MINUTE PAGE 005962

CNP 97