MINUTE ITEM
This Calendar Item No. C67 was approved as Minute Item No. 67 by the California State Lands Commission by a vote of 3 to 0 at its 6-14-99 meeting.

CALENDAR ITEM
C67

A 8

S 4

PRC 8096

06/14/99
W 40799
A. Nitsche

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

APPLICANT:

Russell H. Green, Jr. and Rio Delta Resources, Inc.
Attn.: Russell H. Green, Jr.
P. O. Box 965
Healdsburg, CA 95448

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease is for about 122 acres in Dutch Slough, Contra Costa County, California (see Exhibit A for land description).

BACKGROUND:

Russell H. Green, Jr., and Rio Delta Resources, Inc., has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease on approximately 122 acres in Dutch 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 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 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 having 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) (3).

2. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code Sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

3. 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. Annual rental of $20 per acre ($2,440 for approximately 122 acres).

5. Royalty of 23 1/2 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. Land Description Plat
C. Location Map

RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

2. 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).

3. 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.

4. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE WITH RUSSELL H. GREEN, JR. AND RIO DELTA RESOURCES, INC., THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A (APPROXIMATELY 122 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF $20 PER ACRE ($2,440 FOR APPROXIMATELY 122 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 23 1/2 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF $5,000.

5. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

May 10, 1999
W40799

Exhibit A

LAND DESCRIPTION

A parcel of Tide and Submerged land in the bed of Dutch Slough, Contra Costa County, State of California, more particularly described as follows:

> All those tide and submerged lands in the bed of Dutch Slough lying between a line bearing south from the most westerly tip of Jersey Island and the southwesterly prolongation of the southeasterly line of Lot 50 as shown on map of Jersey Island Farms filed in Book 18 of Maps at Page 419 on August 23, 1923.

EXCEPTING THERFROM: Those tide and submerged lands in the bed of said Dutch Slough lying southwesterly, southerly and southeasterly of the island parcel designated assessor parcel number 037-191-016-7 on Contra Costa Counties' 1997-98 assessor's plat filed in Book 37 of said assessor's plats at page 37.

containing 122 acres, more or less.

END OF DESCRIPTION

RL;rl

CALENDAR PAGE 000481
MINUTE PAGE 005974

NO SCALE

LAND DESCRIPTION PLAT

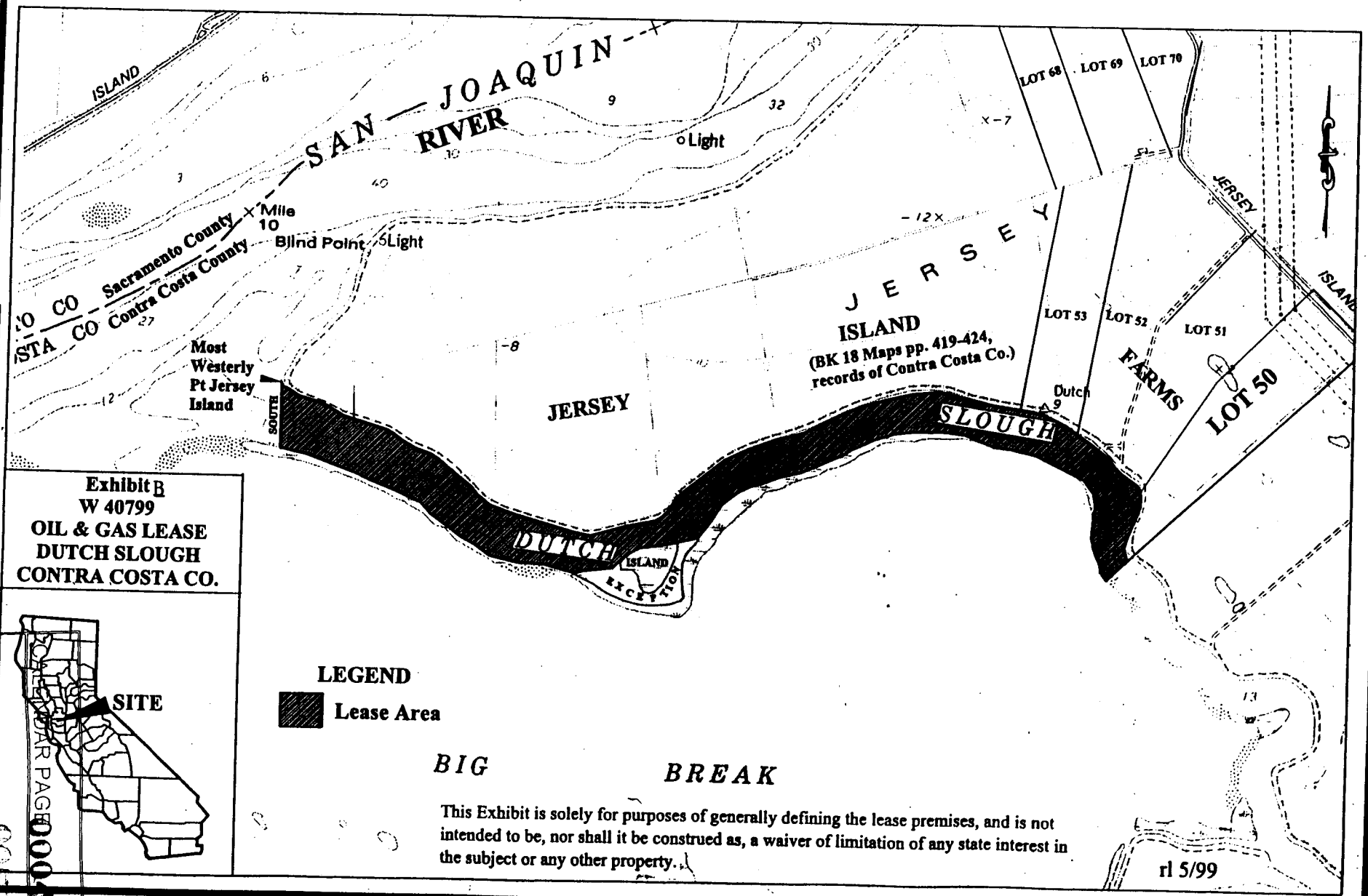

Exhibit B
W 40799
OIL & GAS LEASE
DUTCH SLOUGH
CONTRA COSTA CO.

LEGEND

Lease Area

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 of limitation of any state interest in the subject or any other property.

rl 5/99

CALENDAR PAGE 000482
MINUTE PAGE 005975

NO SCALE

LOCATION MAP

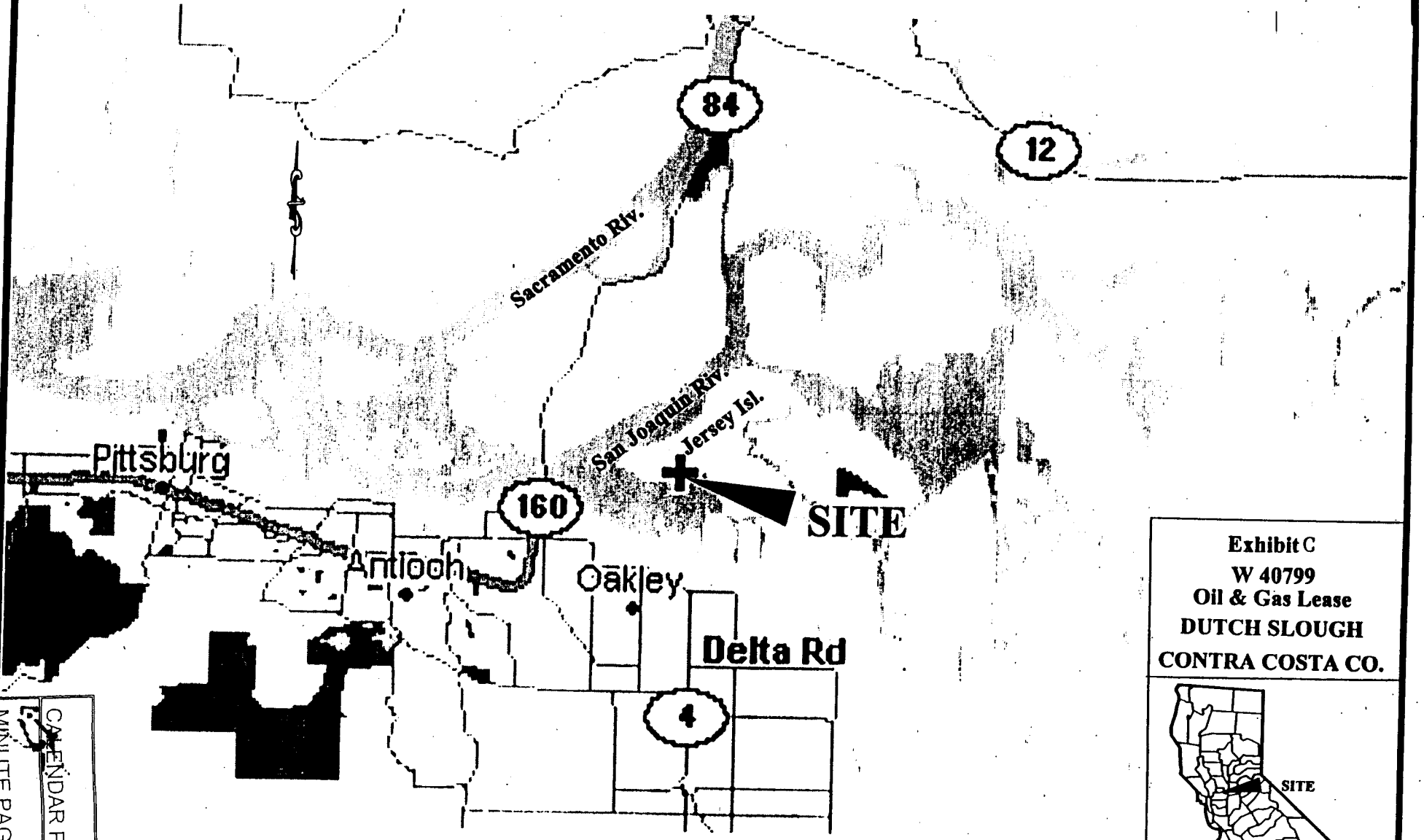

Exhibit C
W 40799
Oil & Gas Lease
DUTCH SLOUGH
CONTRA COSTA CO.

RL 5/99

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 of limitation of any state interest in the subject or any other property.

CALENDAR PAGE 000483
MINUTE PAGE 00[illegible]