

MINUTE ITEM

This Calendar Item No. C105 was approved as Minute Item No. 105 by the California State Lands Commission by a vote of 3 to 0 at its 4-24-01 meeting.

**CALENDAR ITEM
C105**

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S 4

04/24/01
W 40826
PRC 8300
A. Nitsche

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE
(NO SURFACE USE) OIL AND GAS LEASE,
CACHE AND PROSPECT SLOUGH,
SOLANO COUNTY**

APPLICANT:

Pohle Oil and Gas, Inc.
Mr. Ted Carlsen
5000 California Avenue, Suite 205A
Bakersfield, CA 93309

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease covers approximately 193 acres in the bed of Cache Slough and Prospect Slough, Solano County, California (as shown on Exhibit A and Exhibit B, attached hereto).

BACKGROUND:

Pohle Oil and Gas, Inc., (Pohle) has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease as described above. 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 from an adjacent land based drillsite. A negotiated subsurface (no surface use) Oil and Gas Lease would permit Commission-approved directional 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 such 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

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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, most of the private property adjacent to the State lands, as shown in Exhibit A, and since other potential lessees declined to object and/or showed no interest in leasing this parcel, 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. Specifically, the State land is unsuitable for competitive bidding because other 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) (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. Pertinent lease terms.
 - A. The lease would provide for 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

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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.

- B. Annual rental under the lease will be \$40 per acre (\$7,720 for approximately 193 acres).
- C. Royalty under the lease will be 25 percent on gas and oil.
- D. Lessee shall furnish a performance bond or other security in the sum of \$10,000.

PERMIT STREAMLINING ACT DEADLINE:

May 10, 2001

EXHIBITS:

- A. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

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

OTHER FINDINGS:

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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.

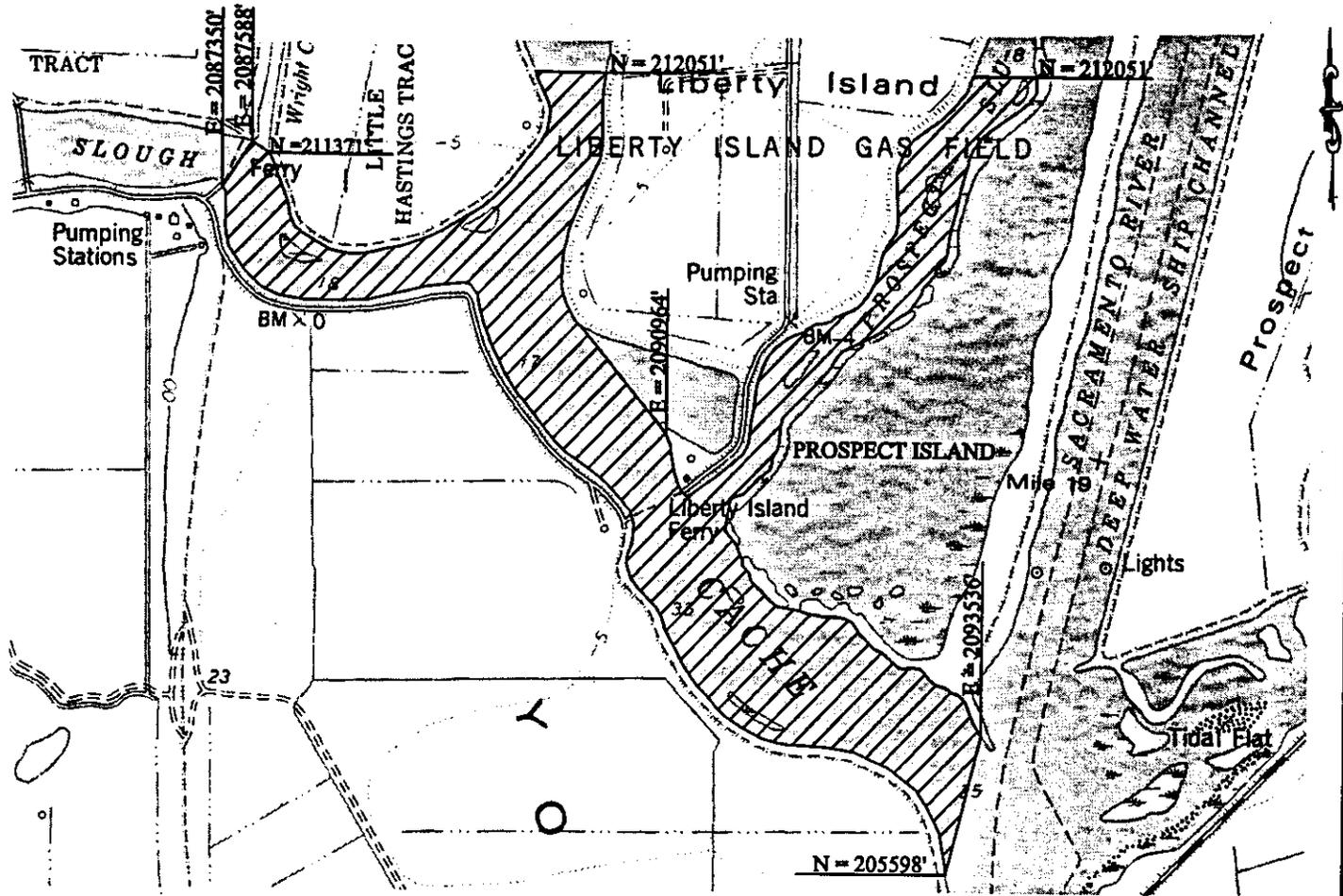
AUTHORIZATION

1. AUTHORIZE ISSUANCE OF A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE TO POHLE OIL AND GAS, INC., THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT B, ATTACHED, (APPROXIMATELY 193 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$40 PER ACRE (\$7,720 FOR APPROXIMATELY 193 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND A PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

NO SCALE

SITE MAP



Ptms Sec 29-32, T5N, R3E, MDM

LOCATION MAP NO SCALE

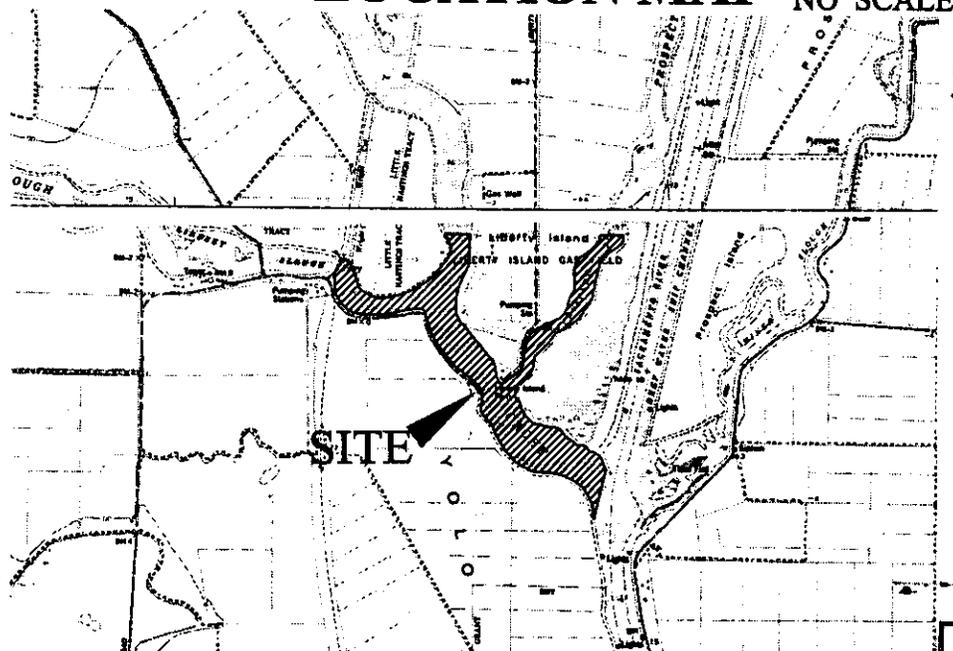


Exhibit A
 W40826
 Cache, Prospect &
 & Lindsey Sloughs
 SOLANO COUNTY



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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.

EXHIBIT B
LAND DESCRIPTION

W 40826

That parcel of tide and submerged land lying within Lindsey Slough, Cache Slough and Prospect Slough in Sections 29, 30, 31 and 32, Township 5 North, Range 3 East and Section 25, Township 5 North, Range 2 East, Mount Diablo Meridian and more particularly described as follows:

Beginning at the intersection of the ordinary high water mark of the right bank of Lindsey Slough with a line bearing grid north and having an easting coordinate of 2087350 feet California Coordinate System 1927, Zone 2; thence southeasterly along ordinary high water mark of the right bank of Lindsey Slough and Cache Slough to its intersection with a line bearing grid west and having an northing coordinate of 205598 feet California Coordinate System 1927, Zone 2; thence northerly to the intersection of the ordinary high water mark of the left bank of Cache Slough with a line bearing grid north and having an easting coordinate of 2093536 feet California Coordinate System 1927, Zone 2; thence northwesterly along ordinary high water mark of the left bank of Cache Slough to its intersection with the ordinary high water mark of the left bank of Prospect Slough; thence northerly along ordinary high water mark of the left bank of Prospect Slough to its intersection with a line bearing grid west and having an northing coordinate of 212051 feet California Coordinate System 1927, Zone 2; thence West along said line to its intersection with the ordinary high water mark of the right bank of Prospect Slough; thence southerly along said ordinary high water mark to its intersection with the ordinary high water mark of the left bank of Cache Slough; thence northwesterly along said ordinary high water mark to its intersection with a line bearing grid north and having an easting coordinate of 2090964 feet California Coordinate System 1927, Zone 2; thence North 39° West 1150 feet, more or less, to the ordinary high water mark of the left bank of Cache Slough; thence northerly along said ordinary high water mark to its intersection with a line bearing grid west and having an northing coordinate of

212051 feet California Coordinate System 1927, Zone 2; thence West along said line to its intersection with the ordinary high water mark of the right bank of Cache Slough; thence southerly along said ordinary high water mark to its intersection with the ordinary high water mark of the left bank of Lindsey Slough; thence westerly and northerly along the ordinary high water mark of the left bank of Lindsey Slough to its intersection with a line bearing grid west and having an northing coordinate of 211371 feet California Coordinate System 1927, Zone 2; thence westerly to the intersection of the ordinary high water mark of the left bank of Lindsey Slough with a line bearing grid north and having an easting coordinate of 2087588 feet California Coordinate System 1927, Zone 2; thence southerly to the Point of Beginning.

The basis of bearings for this description is the California Coordinate System 1927 Zone 2. This description was prepared in February 2001 using coordinates scaled from USGS maps.

