

MINUTE ITEM

This Calendar Item No. C49 was approved as Minute Item No. 49 by the California State Lands Commission by a vote of 3 to 0 at its 2/2/04 meeting.

CALENDAR ITEM

C49

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A. Nitsche

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE
(NO SURFACE USE) OIL AND GAS LEASE,
SAN JOAQUIN RIVER,
SAN JOAQUIN COUNTY**

APPLICANT:

OXY Resources California LLC
Attn.: Mr. Michael D. Gooding
P. O. Box 1002
Tupman, CA 93276

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease on about 21 acres in the bed of the San Joaquin River, San Joaquin County, California.

BACKGROUND:

OXY Resources California LLC has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease on about 21 acres in the bed of the San Joaquin River, San Joaquin County (Exhibit A, attached hereto). Surface locations for oil and gas operations (drill sites) are not available because the State land is a waterway. However, oil and gas resources that may underlie the State land can be developed and protected pursuant to the California State Lands 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: 1) wells drilled on private or public lands are draining or may drain oil and gas from the State lands: 2) the Commission determines the State lands to be unsuitable

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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; 3) the State owns a fractional mineral interest in the lands; or 4) the Commission determines the lease to be in the best interests of the State.

Commission staff has concluded that the criteria of Public Resources Code section 6815(a) have been satisfied because the Applicant controls by lease and agreement all of the private property adjacent to the State land described in Exhibit A, attached hereto, and because the Applicant has received the approval of the San Joaquin County Community Development Department, the CEQA Lead agency, to drill a well near the State land. 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.

OTHER PERTINENT INFORMATION:

The following information supports Staff's CEQA recommendation:

On November 3, 2003, the San Joaquin County Community Development Department approved Application No. PA-0300586 to Oxy for drilling for oil and gas on uplands located in San Joaquin County. On December 4, 2003, the Department of Conservation, Division of Oil, Gas, and Geothermal Resources issued Permit 603-499 for the proposed project.

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., but such activity will not affect those significant lands.
3. Staff recommends a drilling term of three years. However, if all or part of the leased lands are included in a Commission-approved pooled area or

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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 \$50 per acre (\$1,050 for approximately 21 acres).
5. Royalty of 20 percent on all gas and oil produced.
6. Performance bond or other security in the sum of \$10,000.

PERMIT STREAMLINING ACT DEADLINE:

August 6, 2004

EXHIBITS:

- A. Land Description
- B. Site Map

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 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).

OTHER FINDINGS:

FIND THAT THIS ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON THOSE RESOURCES FOR WHICH SUCH LANDS ARE IDENTIFIED.

AUTHORIZATION:

PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL

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AND GAS LEASE WITH OXY RESOURCES CALIFORNIA LLC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO, (APPROXIMATELY 21 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$50 PER ACRE (\$1,050 FOR APPROXIMATELY 21 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT ON ALL GAS AND OIL PRODUCED AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.

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

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of the San Joaquin River in protracted Sections 28, 29, 32 and 33, T1N, R6E, MDM, according to the U.S. Government Survey approved December 5th, 1879, in the unincorporated area of the County of San Joaquin, State of California, , described as follows:

BEGINNING at the northwest corner of that certain Lease Parcel described in Document Number 2003-030019 recorded February 10, 2003 in official records of said county having approximate California Coordinate System 1983, Zone 3 North y-coordinate = 2148110 feet and East x-coordinate = 6320910 feet; thence the following four (4) courses:

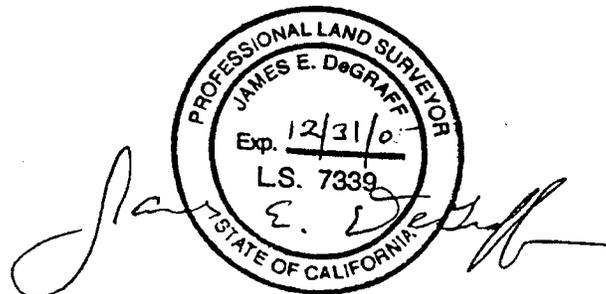
1. N90°00'00"E 4090.00 feet;
2. N00°00'00"E 3480.00 feet;
3. N90°00'00"W 4090.00 feet;
4. S00°00'00"E 3480.00 feet to the point of beginning.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark of said San Joaquin River.

This description is based on the California Coordinate System of 1983, Zone 3.

END OF DESCRIPTION

Prepared by the California State Lands Commission Boundary Unit January 15, 2004



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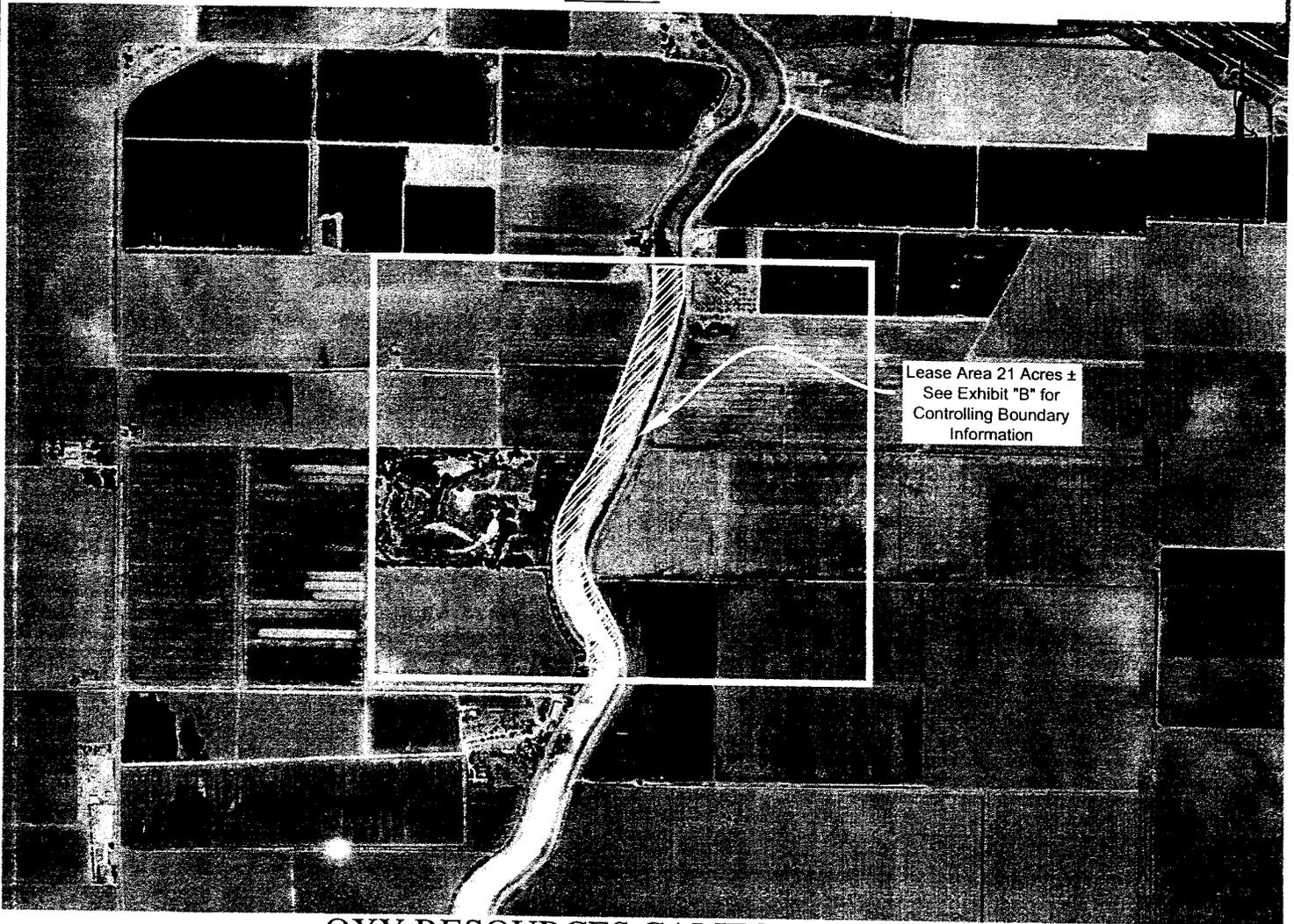
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NO SCALE

SITE



Lease Area 21 Acres ±
See Exhibit "B" for
Controlling Boundary
Information

OXY RESOURCES CALIFORNIA, LLC
PROTRACTED SECTIONS 28, 29, 32 & 33, T1N, R6E, MDM

NO SCALE

LOCATION



Exhibit B
 W 40889
 GENERAL LEASE
 OIL AND GAS
 SAN JOAQUIN RIVER
 SAN JOAQUIN COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties 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.

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