

MINUTE ITEM
This Calendar Item No. C50 was approved as
Minute Item No. 50 by the California State Lands
Commission by a vote of 3 to 0 at its
10-06-04 meeting.

**CALENDAR ITEM
C50**

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PRC 8573

10/06/04

S 5

W 40898

M. LeClair

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE
(NO SURFACE USE) OIL AND GAS LEASE,
GEORGIANA SLOUGH,
SACRAMENTO COUNTY**

APPLICANT:

Towne Exploration Company
Attn: Mr. Clifford L. Conkle
582 Market Street, Suite 515
San Francisco, CA 94104

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease is on about 8.99 acres in the Georgiana Slough, Sacramento County, California.

BACKGROUND:

Towne Exploration Company has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease on about 8.99 acres in Georgiana Slough, Sacramento County (Exhibit A, attached hereto). 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 California State Lands Commission's negotiated subsurface Oil and Gas Lease, which 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 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

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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, and because the Applicant has county (Lead Agency) approval to drill a well near the State land, Commission 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. 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 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.
2. Staff examined current aerial photographs of the proposed drill site and surrounding area, photographs of existing and proposed drill pads, and information on the current and historical crop patterns of the site. In addition, consultation with the Department of Fish and Game confirms that the farmed area does not contain any threatened or endangered species and does not require further investigation by the Department. Furthermore, the effects of the project on State land will be limited to subsurface areas as no surface use is either practical or authorized.
3. 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,

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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).

4. Drilling term of five (5) 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.
5. Annual rental of \$20.00 per acre (\$180.00 for approximately 8.99 acres).
6. Royalty of 20 percent on gas and oil produced.
7. Performance bond or other security in the sum of \$10,000.

PERMIT STREAMLINING ACT DEADLINE:

February 22, 2005

EXHIBITS:

- A. Land Description
- B. Site Map

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 REGULATION, 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.

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3. DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, SPECIFICALLY 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, ATTACHED HERETO AND MADE A PART HEREOF, 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. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE WITH TOWNE EXPLORATION COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO AND MADE A PART HEREOF, (APPROXIMATELY 8.99 ACRES), A DRILLING TERM OF FIVE (5) YEARS, ANNUAL RENTAL OF \$20.00 PER ACRE (\$180.00 FOR APPROXIMATELY 8.99 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.00.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

Exhibit A**SECTION 3****LAND DESCRIPTION**

A parcel of tide and submerged land in the bed of Georgiana Slough situated in Sacramento County, California, said parcel being more particularly described as follows:

BEGINNING at a point on the Westerly bank of said Georgiana Slough at the Northeast corner of Swamp and Overflowed Land Survey No. 571 of said County and State; thence South 69° East, along the Easterly prolongation of the North line of said Survey, a distance of 250 feet, more or less, to the Easterly bank of said Slough and the Westerly line of Swamp and Overflowed Land Survey No. 340, of said County and State; thence Southerly, along said Easterly bank of said Georgiana Slough, a distance of 1924.61 feet; thence North 69° West 250 feet, more or less, to a point on the Westerly bank of said Georgiana Slough and the Easterly line of said Survey No. 571; thence Northerly along said Westerly bank 1924 feet, more or less, to the point of beginning.

EXCEPTING THEREFROM any land lying landward of the Ordinary High Water Mark of said Georgiana Slough.

END OF DESCRIPTION

Prepared 9-15-2004 by the Boundary Unit of the California State Lands Commission.



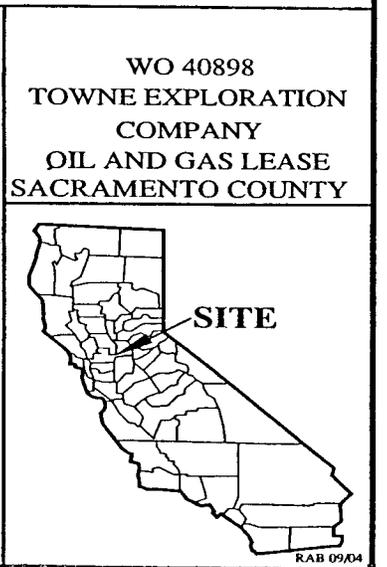
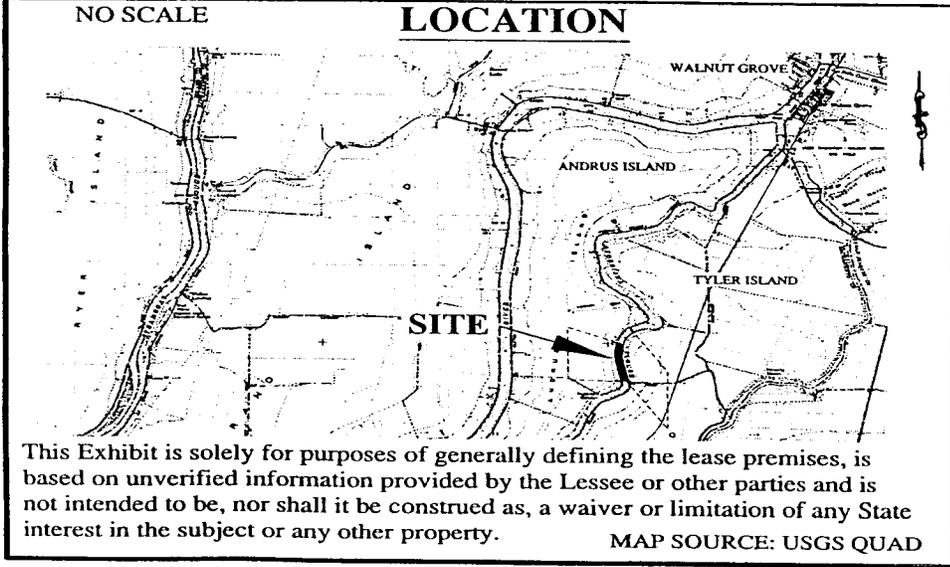
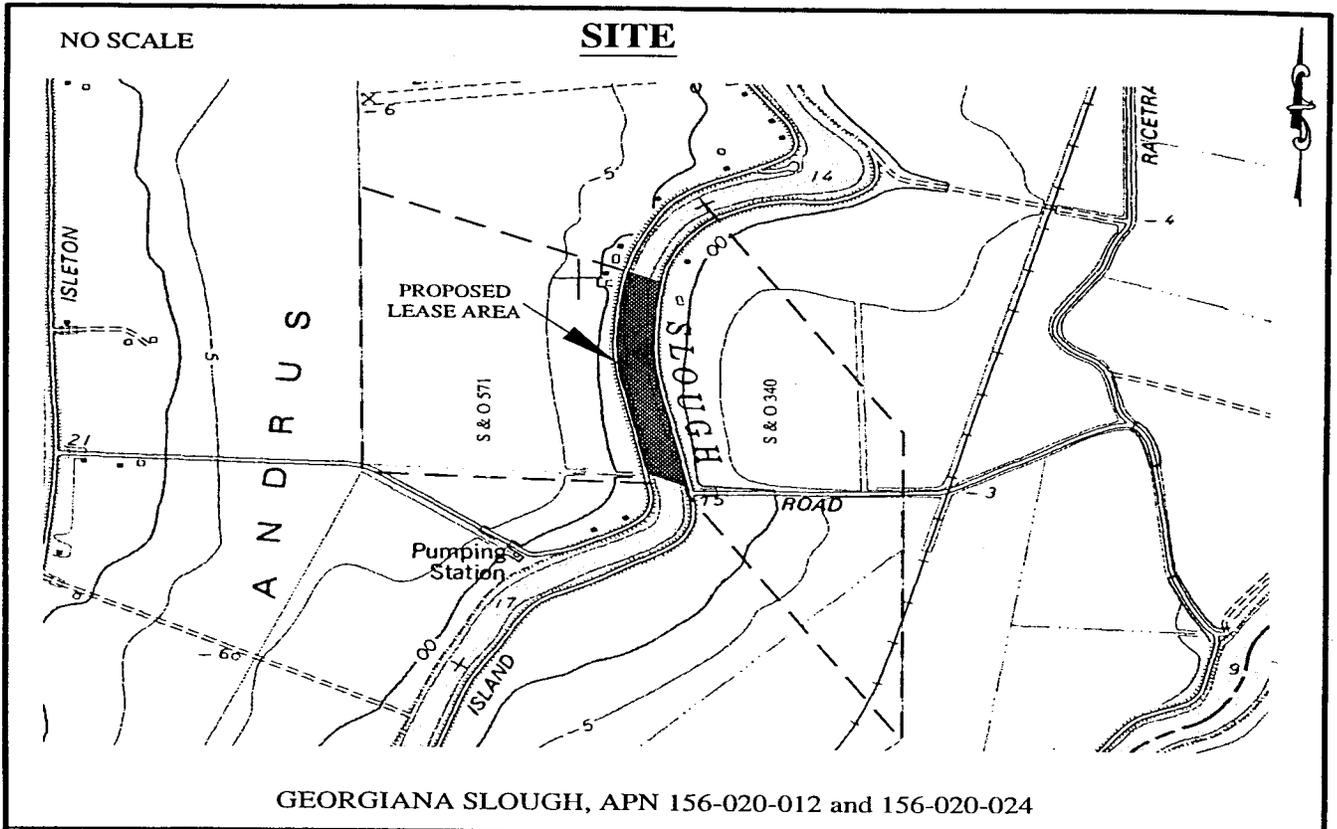
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Exhibit B



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.