

MINUTE ITEM
This Calendar Item No. C77 was approved as
Minute Item No. 77 by the California State Lands
Commission by a vote of 3 to 0 at its
4-26-05 meeting.

**CALENDAR ITEM
C77**

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04/26/05
PRC 5995.1
M. LeClair

**CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST
IN OIL AND GAS LEASE NO. PRC 5995.1,
LINDSEY SLOUGH,
SOLANO COUNTY**

ASSIGNOR:

Casex Company
Attn.: Mr. M. J. Castro
5207 Crestline Way
Pleasanton, CA 94566

ASSIGNEE:

Loto Energy II, LLC
Attn.: Mr. Jim Sanders
8235 Forsyth Blvd., Suite 400
Clayton, MO 63105

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 5995.1 (Parcel 1) consists of 86 acres of tide and submerged lands lying in the bed of Lindsey Slough in Solano county.

BACKGROUND:

Oil and Gas Lease No. PRC 5995.1 was issued to Casex-Seahawk on April 29, 1981. Through a series of corporate mergers and name changes, the lessee became Casex-Pittencrieff. On December 16, 1998, Pittencrieff America, Inc. assigned all of their rights, title and interest in the lease to Casex Company. Casex Company is the operator for the lease. Oil and Gas Lease No. PRC 5995.1 currently has two producing wells, the Sea Hawk 1-1 and the Sea Hawk 1-2 producing a combined 8,670 MCF/Month. The State's royalty share is sixteen and two-thirds percent (16 2/3%) of all oil and gas produced, and in January 2005 royalty from these two wells totaled \$9,280.73. In addition, Oil and

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CALENDAR ITEM NO. C77 (CONT'D)

Gas Lease PRC 5995.1 has an annual rental of \$1,725.40 per year. The lessee is required to maintain a performance bond of \$100,000 on this lease. Casex Company is now requesting that the California State Lands Commission approve assignment of 100 percent interest in this lease to Loto Energy II, LLC.

LOTO Energy II, LLC is a newly formed and as of yet un-funded joint venture owned and controlled fifty percent (50%) each by the Novelty Dynasty Trust, a family trust established by Paul A. Novelty, and Beachstone Joint Venture L.P., a California limited partnership controlled by family trusts of G. Louis Graziadio III. Mr. Novelty is the chief executive officer of Apex Oil Company, Inc., a Missouri corporation engaged in oil trading, petroleum storage and wholesale distribution of petroleum products throughout the United States. Mr. Graziadio is the president of Second Southern Corp., a California corporation that holds or controls equity investments in a number of private and public corporations.

The owners of LOTO Energy II, LLC have invested in other oil and gas exploration and production assets through a similar joint venture named LOTO Partners, LLC, that entity owns numerous oil and gas leases and producing wells in Oklahoma and New Mexico in a joint venture with Calpine Corporation.

STATUTORY AND OTHER REFERENCES:

- A. Section 4 of the Lease.
- B. Public Resources Code section 6804.

OTHER PERTINENT INFORMATION

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

- 2. Assignment forms and prerequisite filing fees have been paid by Casex Company.

EXHIBIT:

- A. Location Map.

CALENDAR ITEM NO. C77 (CONT'D)

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

CONSENT TO THE ASSIGNMENT OF 100 PERCENT INTEREST IN OIL AND GAS LEASE NO. PRC 5995.1 FROM CASEX COMPANY TO LOTO ENERGY II, LLC, WITH THE ASSIGNEE TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THE LEASE.

AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THIS ASSIGNMENT.

Exhibit A
State Lands Commission

PRC 5995.1

Casex Co.

SOLANO COUNTY

