MINUTE ITEM
This Calendar Item No. C45 was approved as Minute Item No. 45 by the California State Lands Commission by a vote of 3 to 0 at its 6-26-05 meeting.

CALENDAR ITEM
C45

A 15

S 5

PRC 8618

06/20/05
W 40905
M. LeClair

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

APPLICANT:

Stream Energy, Inc
Attn: Mr. James C. Kromer
5001 California Avenue, Suite 110
Bakersfield, CA 93309

AREA, LAND TYPE, AND LOCATION:

The proposed negotiated subsurface (no surface use) Oil and Gas Lease contains approximately 17.91 acres in the Sacramento River, Sacramento County, California.

BACKGROUND:

Stream Energy, Inc. has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease for approximately 17.91acres in the Sacramento River, 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 (no surface use) 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 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. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061 (b) (2), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 3, New Construction of Small Structures; Title 14, California Code of Regulations, section 15303.

   Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300.

2. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code section 6370, et seq. However, the Commission has declared that all state school lands and submerged lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Because this declaration of significance is not based upon the requirements and criteria of Public Resources Code sections 6370, et seq., use classifications for these 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.

3. 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.

4. Annual rental of $25.00 per acre ($450.00 for approximately 17.91acres).

5. Royalty of 20 percent on gas and oil.

6. Performance bond or other security in the sum of $10,000.00.

PERMIT STREAMLINING ACT DEADLINE:
July 12, 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 QURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061(b) (2) AS A CATEGORICALLY EXEMPT PROJECT, CLASS 3, NEW CONSTRUCTION OF SMALL STRUCTURES; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15303

OTHER FINDING:
1. 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, ATTACHED HERETO, 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 STREAM ENERGY, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO, (APPROXIMATELY 17.91 ACRES), A DRILLING TERM OF FIVE (5) YEARS, ANNUAL RENTAL OF $25.00 PER ACRE ($450.00 FOR APPROXIMATELY 17.91 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 **WO 40905**

LAND DESCRIPTION

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

BEGINNING at a point on the northerly bank of said Sacramento River at the southwest corner of Swamp and Overflowed Land Survey No. 307 of said County and State; thence westerly along said bank of said Sacramento River 1,696 feet, more or less, to the southeast corner of that parcel of land described in that certain deed recorded April 1st, 2005, in Book 20050401, Page 0356, Official Records of Sacramento County; thence S 7° 45' 00" E 460 feet, more or less, to a point on the southerly bank of said Sacramento River, as described in parcel 2 in that certain deed recorded January 16th, 2004, in Book 20040116, Page 2178, Official Records of Sacramento County; thence easterly along said bank of said Sacramento River 1744 feet, more or less, to a point which bears S 14° 00' 00" E 503 feet, more or less, from the point of beginning; thence N 14° 00'00" W 503 feet to the point of beginning.

EXCEPTING THEREFROM any land lying landward of the Ordinary High Water Mark of said Sacramento River.

END OF DESCRIPTION

Prepared 05-25-2005 by the Boundary Unit of the California State Lands Commission.

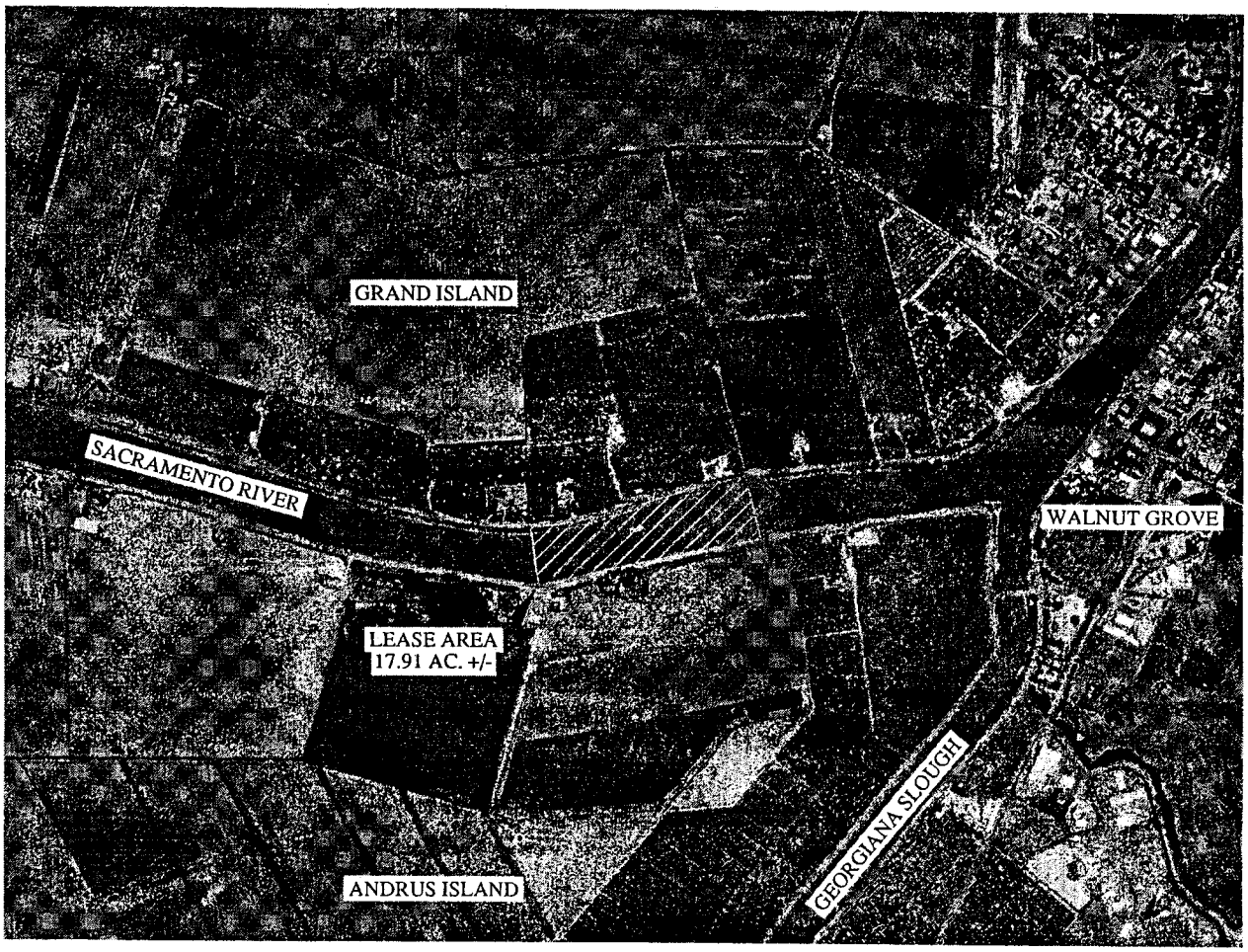
LICENSED LAND SURVEYOR
STEVE C. LEHMAN
Exp 12/31/05
No. 7377
STATE OF CALIFORNIA

000230 CALENDAR PAGE

001652 MINUTE PAGE

NO SCALE

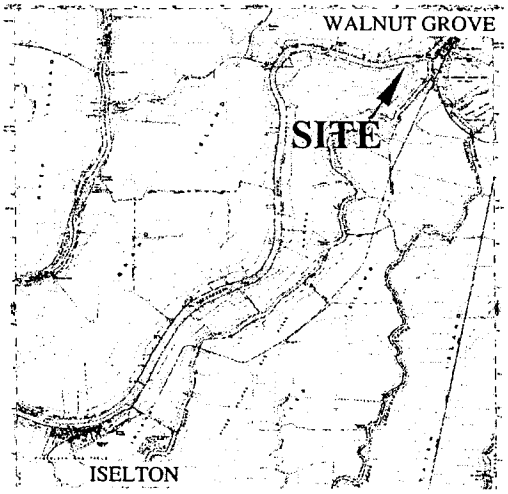
SITE



STREAM ENERGY INC.

NO SCALE

LOCATION



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. MAP SOURCE: USGS QUAD

Exhibit B

W 40905
OIL AND GAS LEASE
SACRAMENTO RIVER
SACRAMENTO COUNTY

RAB 05/05