CALENDAR ITEM
C76

A 15 | 01/26/12
PRC 8618.1
S 5 | N. Heda

CONSIDER APPROVAL OF A PARTIAL ASSIGNMENT OF STATE OIL AND GAS LEASE PRC 8618.1 FROM STREAM ENERGY, INC. TO SUMMIT EXPLORATION (CALIFORNIA), LLC, AND APPROVE SUMMIT EXPLORATION (CALIFORNIA), LLC AS OPERATOR OF THE LEASE, SACRAMENTO RIVER AND GEORGIANA SLOUGH, SACRAMENTO COUNTY

ASSIGNOR:

Stream Energy, Inc.
Attn.: Mr. Cortney Luxford, Agent
153 Country Club Drive, #4
Incline Village, NV 89451-9348

ASSIGNEE:

Summit Exploration (California), LLC
Attn.: Mr. Terry L. Shyer
755 W Covell Rd, Ste. 100
Edmond, OK 73003-2381

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) State Oil and Gas Lease No. PRC 8618.1 currently contains approximately 37.41 acres of tide and submerged land situated in the bed of the Sacramento River and Georgiana Slough in Sacramento County, California.

BACKGROUND:

State Oil and Gas Lease No. PRC 8618.1 was originally issued to Stream Energy, Inc. (Stream) on June 20, 2005. The original lease contained approximately 17.91 acres of tide and submerged land in the bed of the Sacramento River and Georgiana Slough in Sacramento County. On March 25, 2008, the California State Lands Commission (Commission) approved an amendment to add approximately 19.5 acres to the lease for a total of 37.41

acres and pooled all of the leased lands into two units: the CT-KD Unit and Shoreline Pooling Unit. The annual rental for the entire lease is $950 and the royalty is fixed at 20 percent on all gas and oil substances produced.

PROPOSED ACTION:

Stream has submitted assignment forms requesting Commission approval to assign an undivided 75 percent of its interest in the lease to Summit Exploration (California), LLC (Summit). Summit has also applied to be named the new operator for this lease. Staff has reviewed all requisite financial documentation submitted by Summit and has determined that Summit is capable of meeting the financial obligations set forth in the lease. Summit has provided an Irrevocable Letter of Credit (ILOC) as security and will be responsible for making all rental and royalty payments due under the lease.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code section 6804
B. Lease Paragraph 28.

OTHER PERTINENT INFORMATION

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

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

2. The applicant has completed the assignment forms, paid the filing fees and has filed an ILOC in the amount of $10,000 as required by the terms of the lease.

3. In addition, Summit maintains a blanket oil and gas indemnity bond with the Division of Oil, Gas & Geothermal Resources (DOGGR) in the amount of $100,000 to cover all well operations.

EXHIBITS:

A. Site and Location Map.
B. Assignment Form.

RECOMMENDED ACTION:
It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

1. Consent to the partial assignment of an undivided 75 percent interest of State Oil and Gas Lease PRC 8618.1 from Stream Energy, Inc. to Summit Exploration (California), LLC, and approve Summit Exploration (California), LLC as operator of the lease, and with Summit Exploration (California), LLC to be bound by all the terms and conditions of the lease.

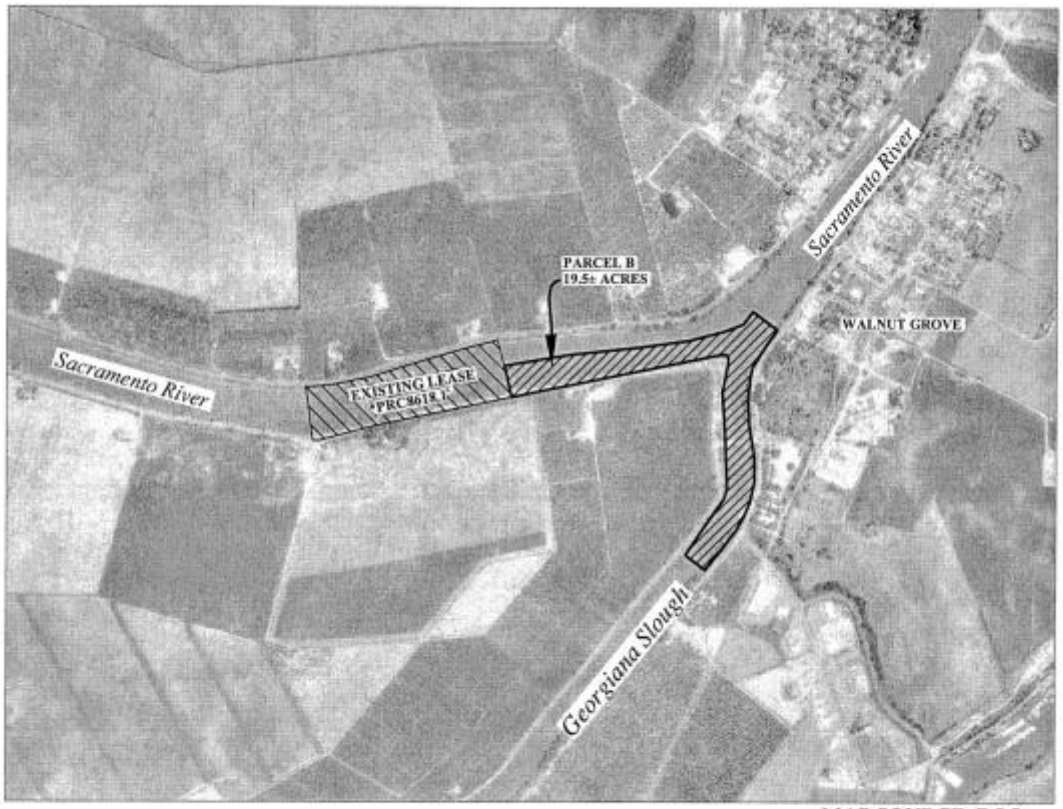
2. Authorize the Executive Officer or his designee to execute any documents necessary to implement this assignment.

EXHIBIT A

PRC 8618.1

NO SCALE

SITE

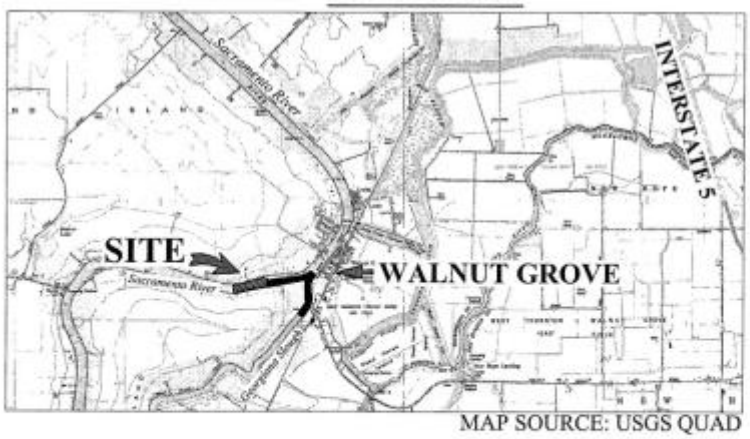


MAP SOURCE: DOQ

SACRAMENTO RIVER AND GEORGIANA SLOUGH
WEST OF WALNUT GROVE

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

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.

Assignment PRC 8618.1
Stream Energy, Inc. to
Summit Exploration
(California), LLC

Oil and Gas Lease
Sacramento County

EXHIBIT B

PRC 8618.1

STATE LANDS COMMISSION **STATE OIL AND GAS LEASE**

- ASSIGNMENT, ACCEPTANCE, AND APPROVAL FORM -

Stream Energy, Inc. (Assignor), as holder of a 100 percent interest in State Oil and Gas Lease **PRC 8618.1** dated June 20, 2005, assigns 75 percent of its undivided right, title and interest under this lease to **Summit Exploration (California), LLC** (Assignee).

Assignee accepts the assignment of this lease and agrees to perform in the manner provided in the lease the conditions, covenants and agreements to be kept and performed by the Assignor and to be bound by the terms of the lease, including any modifications and collateral agreements, to the same extent as the Assignor. The Assignor understands that the State Lands Commission's approval of this assignment does not release the Assignor from any obligation to the Commission under this lease.

Stream Energy, Inc.

8241 s. Walker, Ste 152-C
Oklahoma City, OK 73139

By: James G. Waldrup, III

Title: President

Date: 12/15/2011

Summit Exploration (California), LLC

755 W. Covell Rd. Ste 100Okl
Edmond, OK 73003

By: Terry L. Shyer

Title: President and CEO

Date: 12/15/2011

At its meeting on _____, the State Lands Commission approved the Assignment from **Stream Energy, Inc.** (Assignor) to **Summit Exploration (California), LLC** (Assignee) of State Oil and Gas Lease **PRC 8618.1**. This approval was given upon the following conditions:

This assignment shall not release the Assignor from any obligation to the State Lands Commission under the lease, any conditions in the assignment agreement to the contrary notwithstanding.

The Assignee shall be bound by the terms of the lease, including any modifications and collateral agreements, to the same extent as the Assignor, any conditions in the assignment agreement to the contrary notwithstanding.

This assignment is made pursuant to Public Resources Code section 6804; this assignment shall take effect as of the first day of the month following the approval by the Commission.

STATE LANDS COMMISSION

By: _____ Date: _____
Chief, Mineral Resources Management Division

All signatures must be acknowledged.

ACKNOWLEDGMENT

STATE OF OKLAHOMA '
' **SS:**
COUNTY OF OKLAHOMA '

Before me, **Rebecca J. Paysnoe,** in and for this State, on this 15th day of December, 2011, personally appeared **James G. Waldrup, III,** who is personally known to me to be the identical person who executed the within and foregoing instrument in his authorized capacity, and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal.

Rebecca J. Paysnoe
Rebecca J. Paysnoe
Notary Public

My Commission Expires:
November 15, 2013
Commission #01018960

ACKNOWLEDGMENT

STATE OF OKLAHOMA)

) **SS:**

COUNTY OF OKLAHOMA)

Before me, **Pamela J. Lopas**, in and for this State, on this 15th day of December, 2011, personally appeared **Terry L. Shyer**, who is personally known to me to be the identical person who executed the within and foregoing instrument in his authorized capacity, and acknowledged to me that he executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

WITNESS my hand and official seal.

Pamela J. Lopas
Notary Public

My commission Expires:

04/03/14

Commission # 06003440

PAMELA J. LOPAS NOTARY # 06003440 EXP. 04/03/14 PUBLIC STATE OF OKLAHOMA