

**CALENDAR ITEM
C105**

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12/02/13
PRC 7542.1
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**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM DEED
OF A NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 7542.1,
ISLETON GAS UNIT,
SACRAMENTO COUNTY**

APPLICANT:

Towne Exploration Company, LP
Attn.: Mr. Jim Lynn, Land Manager
P.O. Box 192930
San Francisco, CA 94119-2930

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 7542.1 (Isleton Gas Unit) encompasses a portion of Oil and Gas Lease E-415.1, in the beds of the Sacramento River and Georgiana Slough, in Sacramento County (see Exhibit B, attached hereto).

BACKGROUND:

On June 3, 1940, an Agreement for Easement No. 415.1 (Easement) covering approximately 2,827 acres of sovereign land of the State in the Rio Vista Gas Field in Contra Costa, Sacramento, San Joaquin and Solano Counties was issued, pursuant to competitive public bidding, for a term of 20 years to Standard Oil Company of California. The agreement was modified on November 1, 1950, by the formation of the Isleton Gas Field Unit. The Isleton Gas Field Unit was created for the purpose of producing natural gas from the "Midland" and "Capay" zones underlying unit lands, including a portion of the lands covered by the Easement within the unit. The State land and zones committed to the Isleton Gas Field Unit are described and defined in Exhibit A, attached hereto. State Oil and Gas Lease PRC E-415.1(Lease) superseded the Agreement for Easement No. 415.1 and was issued on December 20, 1963, to Standard Oil Company of California. On May 26, 1964, the California State Lands Commission (Commission) approved the assignment of a portion of the Lease, insofar as it pertains to lands and zones included in the Isleton Gas Unit, to Casex Company (Casex). On November 7, 1997, the Commission approved the assignment of

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CaseX's interest in the Isleton Unit (PRC 7542.1) to Enron Oil and Gas Company. On November 26, 2001, the Commission approved the assignment of 100 percent of Enron's interest in Isleton Gas Unit to Towne Exploration Company, LP (Lessee).

Pursuant to Public Resources Code section 6804.1, the Lessee may at any time make and file with the Commission a written quitclaim or relinquishment of all rights under any lease or of any portion thereof comprising a 10-acre parcel or multiple thereof in a compact form, or of any separate or distinct zone or geological horizon or portion thereof underlying such 10-acre parcel or multiple thereof.

Lessee submitted a full Quitclaim Deed dated October 21, 2003, (Exhibit C, attached hereto), for Natural Gas Lease No. PRC 7542.1 to quitclaim back to the State all its right, title and interest in the leased lands. Staff requested that the Lessee specifically define what it was quitclaiming and what other interests, if any, remained in the Unit or in PRC E-415. The Unit ceased production in June 2012. There were no wells or facilities on state lands within the Unit. All rentals and royalties have been paid and the Unit has been dissolved and no obligations remain.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1

OTHER PERTINENT INFORMATION:

The staff recommends that the Commission find that the acceptance of the full Quitclaim Deed does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

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

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Quitclaim Deed

CALENDAR ITEM NO. **C105** (CONT'D)

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the acceptance of the full Quitclaim Deed 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. Accept from Towne Exploration Company LP the full Quitclaim Deed dated October 21, 2003, (Exhibit C attached), for Natural Gas Lease No. PRC 7542.1, wherein the Lessee quitclaims back to the State all right, title and interest in the leased lands described in Exhibit A, attached hereto.
2. Release Towne Exploration Company LP from all obligations under Oil and Gas Lease No. PRC 7542.1 accruing after October 21, 2003, the filing date of the Quitclaim Deed.
3. Authorize the Executive Officer or her designee to execute any documents necessary to implement the Commission's actions.

Exhibit A

PRC 7542.1

Those unitized sands in the below described parcels of land as described in Article One of that certain Unit Agreement for the Isleton Gas Field, dated November 1, 1950, recorded in the official records of Sacramento County on January 9, 1951 in Book 1973 at Page 1, hereinafter "said Agreement", more particularly described as follows:

MIDLAND ZONE, being the sands, shales and other formations commonly designated as the "Midland Sand", such zone being more specifically identified as the sands, shales and other formations in and under the lands covered by said Agreement existing between the markers known as the "Top of the Midland Zone" as shown on the electric logs of the wells shown on Exhibit D of said Agreement, and the subsurface depth of 4,700 feet;

CAPAY ZONE, being the sands, shales and other formations commonly designated as the "Capay Sand", such zone being more specifically identified as the sands, shales and other formations existing between the markers known as the "Top of the Capay Zone" and the "Base of the Capay Zone", as shown on the electric logs of the of the wells shown on Exhibit D of said Agreement;

PARCEL ONE:

All that certain real property situated in the County of Sacramento, State of California, described as follows:

All those certain submerged lands belonging to the State of California and underlying that portion of the Sacramento River which is bounded on the East by a straight line extending Southeasterly from United States Geological Survey Pier No. 8 on Grand Island to United States Engineers' Station "Venice U.S.E. 1931," on Venice Island, and is bounded on the West by a straight line extending Southeasterly from a point which is East 750 feet from United States Coast and Geodetic Survey Triangulation Station "Islation, northeast transmission tower" to a point which is East 2250 feet from United States Coast and Geodetic Survey Triangulation Station "Jackson".

PARCEL TWO:

All that certain real property situated in the County of Sacramento, State of California, described as follows:

All those certain submerged lands belonging to the State of California and underlying that portion of Georgiana Slough which is bounded on the East by a straight line extending Southeasterly from United States Geological Survey Pier No. 8 on Grand Island to United States Engineers' Station "Venice U.S.E. 1931," on Venice Island, and on the South by a straight line extending East from a point which is 550 feet North from United States Coast and Geodetic Survey Triangulation Station "Jackson".

Exhibit B

PRC 7542.1

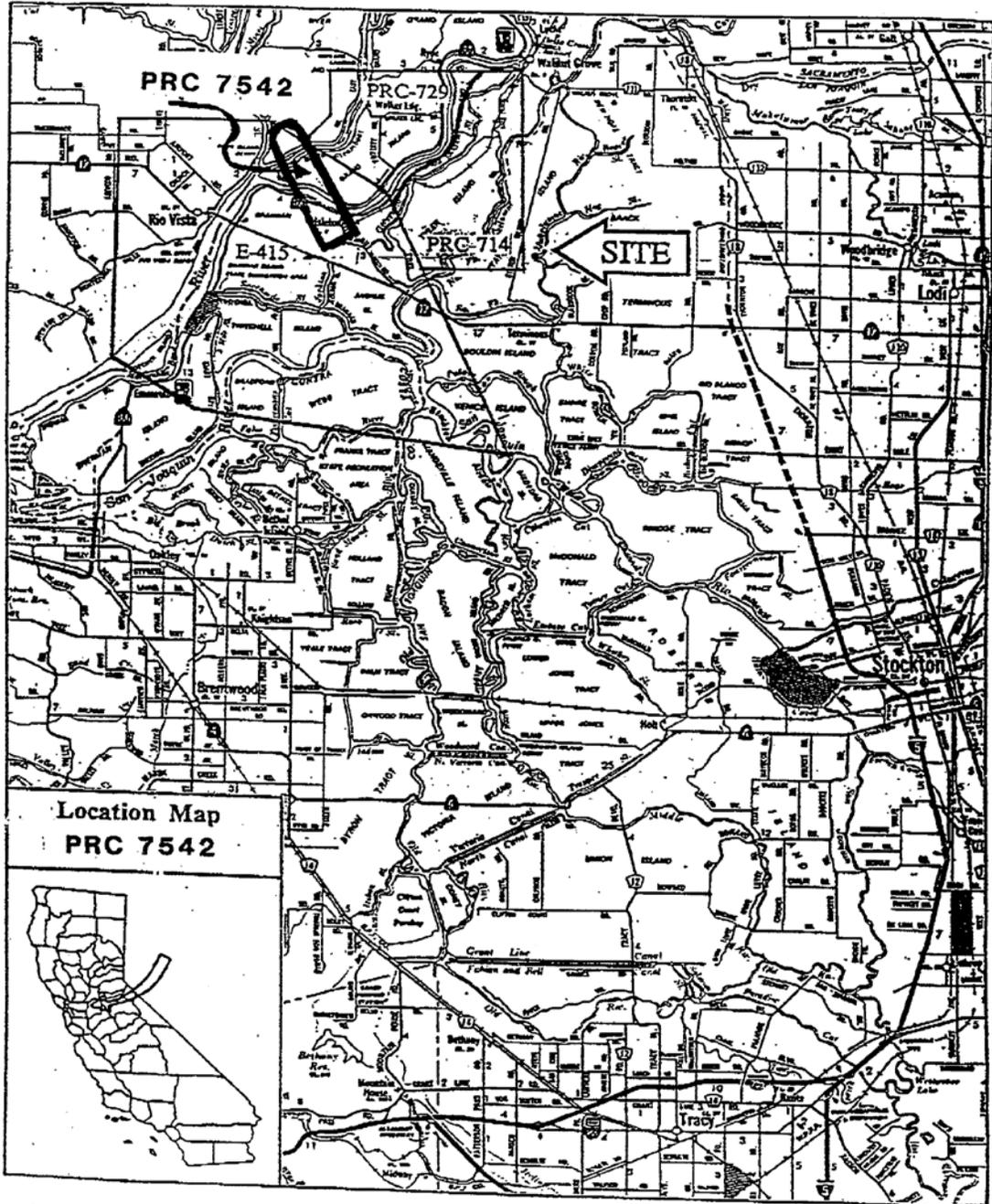


Exhibit C

PRC 7542.1

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO

STATE OF CALIFORNIA
STATE LANDS COMMISSION
100 HOWE AVENUE, SUITE 100-SOUTH
SACRAMENTO, CA 95825-8202

ATTN: TITLE UNIT

STATE OF CALIFORNIA
OFFICIAL BUSINESS
DOCUMENT ENTITLED TO FREE RECORDATION
PURSUANT TO GOVERNMENT CODE SECTION 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**LEASE QUITCLAIM DEED
FOR STATE OIL AND GAS LEASE**

State Oil and Gas Lease PRC 415.1 Isleton Gas Unit, administratively known as PRC No. 7542.1 (Lease), covering certain State lands in Sacramento County, State of California, was issued by the State of California, acting through the California State Lands Commission (State), on December 20, 1963.

Towne Exploration Company, a California limited partnership (Lessee) is the present holder of the Lease.

Pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under the Lease or of any portion of the Lease comprising a 10-acre parcel or multiple thereof in compact form, or of any separate or distinct zone or geological horizon thereof underlying such 10-acre parcel or multiple thereof.

Acting in accordance with such terms, the Lessee does hereby release, remise and forever quitclaim unto the State of California all of its right, title and interest in and to the State lands or that portion of the State Lands held by virtue of the Lease, which lands are or portion is described in the attached Exhibit A.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this 27th day of October, 2003.

TOWNE EXPLORATION COMPANY


By: Edward B. Towne, General Partner

EXHIBIT A

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ACKNOWLEDGEMENT

STATE OF CALIFORNIA }
COUNTY OF SAN FRANCISCO } ss.

On this 21st day of October, 2003, before, the undersigned, a Notary Public in and for said County and State, personally appeared Edward B. Towne, General Partner personally known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity (ies), and that by his signature (s) on the instrument, the person(s), or the entity upon behalf of which the person acted executed the instrument.

WITNESS my hand and official seal.

Sally K. Burr
NOTARY PUBLIC
My commission expires May 20, 2007



STATE OF CALIFORNIA }
COUNTY OF _____ } ss.

On this _____ day of _____, 2003, before, the undersigned, a Notary Public in and for said County and State, personally appeared _____, personally known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity (ies), and that by his signature (s) on the instrument, the person(s), or the entity upon behalf of which the person acted executed the instrument.

WITNESS my hand and official seal.

NOTARY PUBLIC
My commission expires _____