

**CALENDAR ITEM
C106**

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12/02/13
PRC 8988.1
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**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM DEED OF
A NEGOTIATED SUBSURFACE (NO SURFACE USE)
NATURAL GAS LEASE NO. PRC 8988.1,
SACRAMENTO RIVER NEAR GRIMES,
COLUSA & SUTTER COUNTIES**

APPLICANT:

Foothill Energy LLC
Attn.: Mr. Clifford L. Conkle, Attorney at Law
3416 American River Drive, Suite A
Sacramento, CA 95864-5753

AREA, LAND TYPE, AND LOCATION:

A parcel containing approximately 35.09 acres of State-owned submerged land in the bed of the Sacramento River in Section 5 and 6, T14N, R1E, MDBM, bound on the north by the westerly prolongation of the north line of Section 6; bound on the south by the line of Latitude N 39 05 28; and bound on the east and west by the Low Water Marks of the Sacramento River in Sutter and Colusa Counties, California (Exhibit A attached hereto).

BACKGROUND:

On May 24, 2012, Foothill Energy LLC (Foothill) entered into a negotiated subsurface (no surface use) Natural Gas Lease No. PRC 8988.1 (Lease), with the California State Lands Commission (Commission) for approximately 35.09 acres of sovereign lands in Colusa and Sutter Counties, California (Exhibit B, attached hereto).

On February 19, 2013, Staff received Foothill's Quitclaim Deed, dated January 29, 2013, terminating all of its right, title and interest in the Lease (Exhibit C attached hereto). A review of the Commission's files shows that no default currently exists on the Lease and that Foothill has complied with all applicable laws and Lease provisions and has paid all rentals (no royalty is due as the leased lands were not developed and no pooling agreement was executed).

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1
- B. PRC 8988.1, Lease paragraph 29.

CALENDAR ITEM NO. **C106** (CONT'D)

OTHER PERTINENT INFORMATION:

The staff recommends that the Commission find that the acceptance of a 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

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the acceptance of a 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 Foothill Energy LLC the full Quitclaim Deed dated January 29, 2013 (Exhibit C attached), for Natural Gas Lease No. PRC 8988.1, 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 Foothill Energy LLC from all obligations under Natural Gas Lease No. PRC 8988.1 accruing after January 29, 2013, 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 8988.1

LAND DESCRIPTION

A parcel of State owned submerged land lying in the bed of the Sacramento River adjacent to Sections 5 and 6, Township 14 North, Range 1 East, M.D.M., as shown on Official Government Township plat approved January 13, 1872, and also lying adjacent to Jimeno Rancho, surveyed February 1861, Counties of Sutter and Colusa, State of California, bounded as follows:

Bound on the north by the westerly prolongation of the north line of said Section 6; bound on the south by the line of Latitude N 39°05'28"; and bound on the east and west by the Low Water Marks of the Sacramento River.

Said Latitude is referenced to the North American Datum of 1983 (NAD 83).

END OF DESCRIPTION

Prepared 1/17/2012 by the California State Lands Commission Boundary Unit.



EXHIBIT B

PRC 8988.1

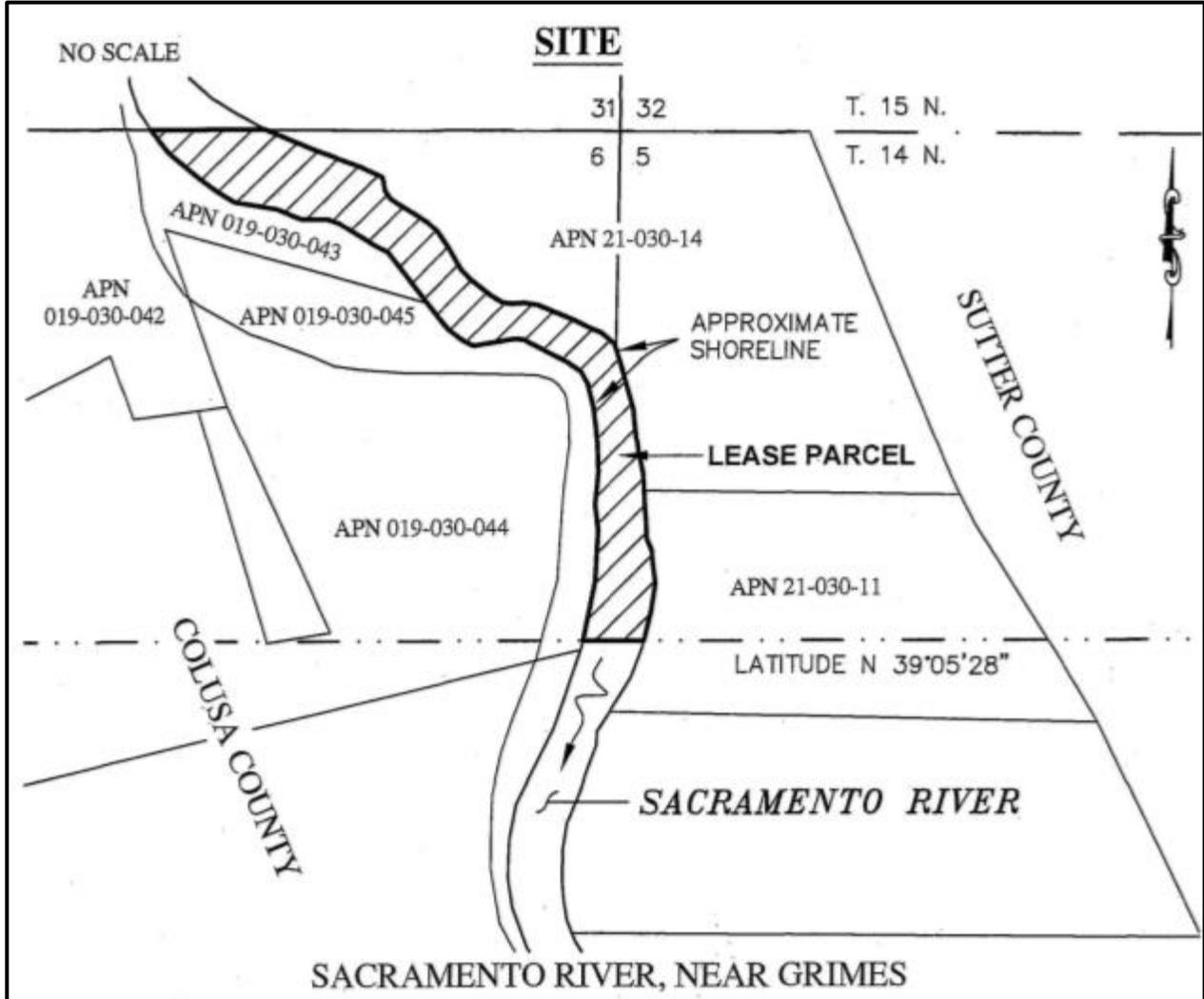


Exhibit B

FOOTHILL ENERGY
OIL & GAS LEASE
COLUSA & SUTTER
COUNTIES



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.

Exhibit C

PRC 8988.1

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO
Foothill Energy LLC
1 Riverway, Suite 610
Houston, Texas 77056

QUITCLAIM AND SURRENDER OF NEGOTIATED SUBSURFACE NATURAL GAS LEASE

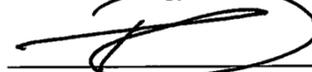
WHEREAS, , the State of California, acting through the State Lands Commission, referred to as "the State", and Foothill Energy LLC, referred to as the "Lessee", entered into that certain Negotiated Subsurface Natural Gas Lease made effective May 24, 2012, File Reference PRC 8988.1 (W40945), covering the lands described on Exhibit A attached hereto and by reference made a part hereof ("said Lease");

WHEREAS, the Lessee now desires to surrender all of its right, title and interest in and to said Lease;

NOW THEREFORE, Foothill Energy LLC hereby surrenders, releases, relinquishes and forever quitclaims all of its right, title and interest in and to said Lease unto the State of California, acting through the State Lands Commission.

Executed this 29th day of January, 2013.

Foothill Energy LLC



By: Rod Eson, President

EXHIBIT A

W 40945

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END OF DESCRIPTION

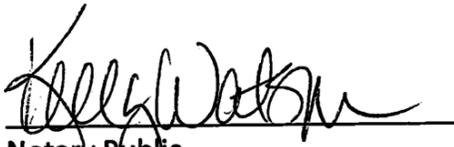
Prepared 1/17/2012 by the California State Lands Commission Boundary Unit.



NOTARY ACKNOWLEDGEMENT

State of Texas
County of Harris

This instrument was acknowledged before me on 29th day of January, 2013 by Rod Eson,
President of Foothill Energy LLC, a Texas limited liability company, on behalf of said corporation.



Notary Public

My commission expires on March 20, 2013

