

37. PROPOSED OIL AND GAS LEASE, GREY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY - W.O. 5737.

During consideration of Calendar Item 40 attached, Mr. John Cowan, Manager of the Grey Lodge Waterfowl Management Area, requested permission to comment. He suggested that the granting of the lease be delayed to approximately July inasmuch as in the area in which it is proposed to drill, a snowy egret, and a black crown night heron are located in a nest rookery, perhaps the only one in the whole Sacramento Valley. Since these birds are so rare, there should be no disturbance to the nesting rookery until July, by which time the young should be large enough to care for themselves.

The Executive Officer reported that inasmuch as the lease would have to be awarded pursuant to competitive bidding, the advertising time could be adjusted so that drilling on the lease would not take place before July. The staff had not previously heard of this problem, although the entire item had been cleared with the State Department of Fish and Game before it was calendared.

UPON MOTION DULY MADE AND CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION AUTHORIZED THE EXECUTIVE OFFICER TO OFFER THE PARCEL OF LAND DESCRIBED IN EXHIBIT "1", ATTACHED HERETO AND HEREBY MADE A PART HEREOF, IN GREY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY, FOR AN OIL AND GAS LEASE, PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE. THE LEASE AWARD IS TO BE MADE TO THE QUALIFIED BIDDER OFFERING THE HIGHEST CASH-BONUS PAYMENT IN CONSIDERATION OF THE ISSUANCE OF AN OIL AND GAS LEASE SUBJECT TO THE CONDITION THAT NO DRILLING IS TO COMMENCE BEFORE JULY 1966.

THE BID-LEASE FORM TO BE USED FOR THE PARCEL SHALL BE THE FORM APPROVED AND ADOPTED BY THE COMMISSION IN MINUTE ITEM NO. 34 OF THESE MINUTES (W.O. 5434). THE LEASE RENTAL IS TO BE \$1 PER ACRE PER YEAR, AND THE DRILLING TERM IS TO BE SIX MONTHS. THE LEASE FORM IS TO INCLUDE AS EXHIBIT "D" THE PROVISIONS CONTAINED IN EXHIBIT "2" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.

Attachment

Calendar Item 40 (4 pages)

40.

PROPOSED OIL AND GAS LEASE, GREY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY - W.O. 5737.

An application has been received for an oil and gas lease on 320 acres more or less of land comprising a portion of the Grey Lodge Waterfowl Management Area, Butte County.

Section 6852 of the Public Resources Code provides, in part, that whenever a person who possesses the necessary qualifications to hold a State lease makes written request to lease lands belonging to the State for the production of oil and gas, the Commission may offer the same for bidding, at such times and in such parcels as the Commission shall determine to be in the best interest of the State.

Section 6854 of the Public Resources Code states:

"Lands, other than tide or submerged lands, belonging to the State and dedicated to a public use may be leased by the commission for the production of oil and gas in accordance with the provisions of this article and of this chapter insofar as not in conflict with this article.

"Where such lands have been acquired for the use of a specific state agency, consent of this agency shall be obtained by the commission for occupation by a state lessee of the surface of the lands for drilling locations or producing facilities. The commission may lease such lands for the production of oil and gas without the consent of the state agency if development under such lease is made by slant drilling from surface locations on lands not under the control of such state agency."

The Department of Fish and Game has jurisdiction over the subject lands, and upon being notified of the application requested that certain terms and conditions be included in the lease form. (See Exhibit "2" attached.)

The staff has concluded that the area is an attractive prospect and that failure to lease the land might prevent the drilling of an exploratory well that will evaluate the State property.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO OFFER THE PARCEL OF LAND DESCRIBED IN EXHIBIT "1", ATTACHED HERETO AND HEREBY MADE A PART HEREOF, IN GREY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY, FOR AN OIL AND GAS LEASE, PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE. THE LEASE AWARD IS TO BE MADE TO THE QUALIFIED BIDDER OFFERING THE HIGHEST CASH-BONUS PAYMENT IN CONSIDERATION OF THE ISSUANCE OF AN OIL AND GAS LEASE.

THE BID-LEASE FORM TO BE USED FOR THE PARCEL SHALL BE THE FORM APPROVED AND ADOPTED BY THE COMMISSION IN CALENDAR ITEM NO. 30 OF THIS AGENDA (W.O. 5434). THE LEASE RENTAL IS TO BE \$1 PER ACRE PER YEAR, AND THE DRILLING TERM IS TO BE SIX MONTHS. THE LEASE FORM IS TO INCLUDE AS EXHIBIT "D" THE PROVISIONS CONTAINED IN EXHIBIT "2", ATTACHED HERETO AND HEREBY MADE A PART HEREOF.

Attachments
Exhibit "1"
Exhibit "2"

EXHIBIT "1"

W.O. 5737

The following described lands in Butte County, California:

Township 17 North, Range 1 East, Section 11, M.D.B. & M., the South half of the Northwest quarter and the North half of the Southwest quarter.

Section 10, the Southeast quarter.

Containing 320 acres more or less.

EXHIBIT "2"

1. Within forty-five (45) days after the completion of any well or wells drilled into the leased premises, or the diligent prosecution to abandonment of any well or wells found to be unproductive, the Lessee shall remove from the drillsite area all derricks and surface drilling equipment or other drilling facilities.
2. Any existing levee roads used by the Lessee for operations under this lease shall be gravelled, oiled and kept in a good state of repair at the sole expense of the Lessee.
3. The location of any roads to be constructed for access to well locations under this lease shall be approved in advance by the State. Such roads shall be constructed at the sole expense of the Lessee.
4. Surface equipment for all wells under this lease shall be located so as to be as inconspicuous as possible. All surface equipment necessary for well operation and handling of oil and gas shall be painted in a manner to be approved by the State.
5. No drilling or construction activities shall be conducted during the open waterfowl season as specified by the State Fish and Game Commission. During such period Lessee shall keep all operating activities to a minimum. All activities under this lease shall be conducted at such times and in such manner as will not in the judgment of the State interfere unreasonably with the purpose, function and surface use of the Grey Lodge Refuge.
6. Any pipelines laid on the premises shall be laid at a minimum of three feet in depth in field areas and not less than four feet below the bottom of any existing irrigation or drainage ditches. Appropriate markers shall be provided for all pipelines to identify their locations.
7. All trucks and heavy equipment larger than three-quarter ton vehicles will be prohibited from using the paved surface section of Grey Lodge Waterfowl Management Area entrance road. The State will designate alternate roads for use of heavy equipment.
8. Where practical, waste effluent will be returned underground with injection wells. All operating oil and effluent sumps shall be covered to avoid attracting wildlife, and should be adequately diked to keep waste effluents from entering marshes.
9. Consistent with the needs of the lessee, new overhead structures should be kept at the minimum to reduce the hazard to flying waterfowl and to public activity.
10. The lessee agrees to pay the County of Butte any moneys due under Section 1504, Fish and Game Code, State of California, as a result of this lease.
11. Each well drilled pursuant to the terms of this lease may be drilled or slant drilled to and into the subsurface of the lands covered by the lease from drillsites located upon that portion of the surface of the leased land described as follows:

EXHIBIT "2" (CONTD.)

The following described lands in Butte County, California:

Township 17 North, Range 1 East, Section 11, the South half of the Northwest quarter and the North half of the Southwest quarter.

Section 10, the Southeast quarter.

Containing 320 acres more or less.