

44. PROPOSED OIL AND GAS LEASE, GRAY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY - W.O. 6895.

After consideration of Calendar Item 52 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES OFFERING THE PARCEL OF LAND IN GRAY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY, DESCRIBED AS

THE SW $\frac{1}{4}$ OF THE SW $\frac{1}{4}$ OF SECTION 13, THE S $\frac{1}{2}$ OF THE S $\frac{1}{2}$ OF SECTION 14,
THE S $\frac{1}{2}$ OF THE SE $\frac{1}{4}$ OF SECTION 15, THE W $\frac{1}{2}$ OF THE NE $\frac{1}{4}$ OF SECTION 22,
AND THE N $\frac{1}{2}$ OF THE N $\frac{1}{2}$ OF SECTION 23, ALL IN T. 17 N., R. 1 E.,
M.D.B. & M., CONTAINING 520 ACRES,

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.

THE BID-LEASE FORM TO BE USED FOR THE PARCEL SHALL BE THE FORM ON FILE IN THE OFFICES OF THE COMMISSION IDENTIFIED AS EXHIBIT "2" (W.O. 6895), AND BY REFERENCE MADE A PART HEREOF. THE LEASE RENTAL IS TO BE \$1 PER ACRE PER YEAR, AND THE DRILLING TERM IS TO BE SIX MONTHS. WITHIN 120 DAYS FROM AND AFTER THE DATE OF CESSATION OF DRILLING OPERATIONS IN THE FIRST WELL, THE LESSEE SHALL COMMENCE OPERATIONS FOR THE DRILLING OF THE NEXT WELL; OPERATIONS FOR THE DRILLING OF EACH SUCCEEDING WELL THEREAFTER ARE TO COMMENCE WITHIN 120 DAYS FROM AND AFTER THE CESSATION OF DRILLING OPERATIONS IN THE PRECEDING WELL. THE PERFORMANCE BOND IS TO BE IN THE FINAL SUM OF \$10,000. THE LEASE FORM IS TO INCLUDE AS EXHIBIT "D" THE PROVISIONS CONTAINED IN EXHIBIT "1" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.

Attachment

Calendar Item 52 (4 pages)

PROPOSED OIL AND GAS LEASE, GRAY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY - W.O. 6895.

An application has been received for an oil and gas lease on 520 acres more or less of land comprising a portion of the Gray 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, in part:

"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 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. The conditions are contained in Exhibit "1", Paragraphs 1 through 11.

The property adjoins a parcel of State lands covered by an oil and gas lease that was awarded by the Commission on April 27, 1967 (Minute Item 23, page 364), to Great Basias Petroleum Company, pursuant to competitive public bidding.

The area is an attractive prospect and 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 OFFERING THE PARCEL OF LAND IN GRAY LODGE WATERFOWL MANAGEMENT AREA, BUTTE COUNTY, DESCRIBED AS

THE SW $\frac{1}{2}$ OF THE SW $\frac{1}{4}$ OF SECTION 13, THE S $\frac{1}{2}$ OF THE S $\frac{1}{2}$ OF SECTION 14, THE S $\frac{1}{2}$ OF THE SE $\frac{1}{2}$ OF SECTION 15, THE N $\frac{1}{2}$ OF THE NE $\frac{1}{4}$ OF SECTION 22, AND THE N $\frac{1}{2}$ OF THE N $\frac{1}{2}$ OF SECTION 23, ALL IN T. 17 N., R. 1 E., M.D.B. & M., CONTAINING 520 ACRES,

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.

CALENDAR ITEM 52. (CONTD.)

THE BID-LEASE FORM TO BE USED FOR THE PARCEL SHALL BE THE FORM ON FILE IN THE OFFICES OF THE COMMISSION IDENTIFIED AS EXHIBIT "2" (W.O. 6895), AND BY REFERENCE MADE A PART HEREOF. THE LEASE RENTAL IS TO BE \$1 PER ACRE PER YEAR, AND THE DRILLING TERM IS TO BE SIX MONTHS. WITHIN 120 DAYS FROM AND AFTER THE DATE OF CESSATION OF DRILLING OPERATIONS IN THE FIRST WELL, THE LESSEE SHALL COMMENCE OPERATIONS FOR THE DRILLING OF THE NEXT WELL; OPERATIONS FOR THE DRILLING OF EACH SUCCEEDING WELL THEREAFTER ARE TO COMMENCE WITHIN 120 DAYS FROM AND AFTER THE CESSATION OF DRILLING OPERATIONS IN THE PRECEDING WELL. THE PERFORMANCE BOND IS TO BE IN THE PENAL SUM OF \$10,000. THE LEASE FORM IS TO INCLUDE AS EXHIBIT "D" THE PROVISIONS CONTAINED IN EXHIBIT "1" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.

Attachment: Exhibit "1"

EXHIBIT "1"

1. All trucks and heavy equipment larger than 3/4 ton will be prohibited from using the paved surface section of the Gray Lodge entrance road. Alternate roads will be designated for heavy equipment use.
2. Roads will be regraded and returned to as good as or better condition than prior to their use by the lessee. The Gray Lodge area manager will have responsibility for judgment in this matter.
3. The general regulations and public use policy of the area will be respected and any deviations of these must be in the form of a written clearance by the area manager or his assistant.
4. Any existing levee roads used by the lessee for operations under this lease shall be graded, oiled, and kept in a good state of repair at the sole expense of the lessee (also could permit lessee to use the paved sections provided they would agree to resurface at their expense).
5. 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.
6. Surface equipment for all work done under the terms of this lease shall be located so as to be as inconspicuous as possible. Any permanent surface installation necessary for well operation and handling of gas shall be painted in a manner to be approved by the State.
7. No drilling or construction activity 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.
8. Any pipelines laid on the premises shall be laid a minimum of three feet (3') in depth in field areas and not less than four feet (4') below the bottom of any existing irrigation or drainage ditches. Appropriate markers shall be provided for all pipelines to identify their locations.
9. Within forty-five (45) days after the completion of any well or construction work, lessee shall remove from the drill site area all derricks and surface drilling equipment as well as all other construction equipment and shall clean up the drilling site and construction area so that the land surface may be left in a most natural appearance.
10. Where practical, waste effluent should be returned underground with injection wells. All operating oil and effluent sumps shall be covered to avoid attracting wildlife and shall be adequately diked to keep waste effluents from entering the marshes.
11. 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.

EXHIBIT "1" (CONTD.)

12. The lessee agrees to pay the County of Butte any moneys due under Section 1054, Fish and Game Code, State of California, as a result of this lease.
13. 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 drill sites located upon that portion of the surface of the leased land in Butte County, California, described as follows:

The SW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 13, the S $\frac{1}{2}$ of the S $\frac{1}{2}$ of Section 14, the S $\frac{1}{2}$ of the SE $\frac{1}{4}$ of Section 15, the N $\frac{1}{2}$ of the NE $\frac{1}{4}$ of Section 22, and the N $\frac{1}{2}$ of the N $\frac{1}{2}$ of Section 23, all in T. 17 N., R. 1 E., M.D.B. & M., containing 520 acres.