

MINUTE ITEM

8/30/73
WFY

15. SUBSURFACE OIL AND GAS LEASE, PROPRIETARY LAND IN THE FREEPORT AREA, CITY OF SACRAMENTO, SACRAMENTO COUNTY; ATLANTIC OIL COMPANY - W 9406, PRC 4801.1.

After consideration of Calendar Item 13 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS THAT, IN ACCORDANCE WITH ENVIRONMENTAL IMPACT REPORT NO. 119 ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF, A SUBSURFACE OIL AND GAS LEASE AS RECOMMENDED HEREIN WILL NOT HAVE A SIGNIFICANT DETRIMENTAL ENVIRONMENTAL EFFECT.
2. FINDS THAT, IN ACCORDANCE WITH SECTION 6815 OF THE PUBLIC RESOURCES CODE, AS TO THE 240 ACRES OF PROPRIETARY LANDS WHOSE SURFACE IS UNDER THE JURISDICTION OF THE CALIFORNIA HIGHWAY PATROL, CALIFORNIA DEPARTMENT OF AGRICULTURE AND THE CALIFORNIA MILITARY DEPARTMENT IN THE FREEPORT AREA, CITY OF SACRAMENTO, SACRAMENTO COUNTY, THE PROVISIONS OF SECTION 6827 ARE IMPRACTICAL BY REASON OF ITS INACCESSIBILITY FROM SURFACE DRILL-SITES REASONABLY AVAILABLE OR OBTAINABLE.
3. AUTHORIZES THE ISSUANCE OF A SUBSURFACE OIL AND GAS LEASE ON 240 ACRES OF PROPRIETARY LANDS WHOSE SURFACE IS UNDER THE JURISDICTION OF THE CALIFORNIA HIGHWAY PATROL, CALIFORNIA DEPARTMENT OF AGRICULTURE, AND THE CALIFORNIA MILITARY DEPARTMENT IN THE FREEPORT AREA, CITY OF SACRAMENTO, SACRAMENTO COUNTY, PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE; IN CONSIDERATION OF THE ANNUAL RENT IN THE AMOUNT OF \$5.00 PER ACRE, AND AS ROYALTY ON NATURAL GAS PRODUCTION, A ONE-SIXTH SHARE OF ITS VALUE, AND ON OIL A PERCENTAGE DETERMINED IN ACCORDANCE WITH THE SCHEDULE ATTACHED TO THE LEASE ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

Attachment: Calendar Item 13 (2 pages)

CALENDAR ITEM

8/73
WFY
W 9406

13.

SUBSURFACE OIL AND GAS LEASE

APPLICANT: Atlantic Oil Company.

LOCATION: Freeport area, City of Sacramento, Sacramento County.

ACREAGE: 240.

TYPE OF LAND: Proprietary land, the surface of which is under the jurisdiction of the California Highway Patrol, California Department of Agriculture, and California Military Department.

PERTINENT INFORMATION:

A negotiated subsurface oil and gas lease is proposed under provisions of which the State would receive royalty for oil or gas produced from under State lands through wells whose surface locations are situated on adjoining private lands.

Section 6815 of the Public Resources Code:

"Whenever it appears to the commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State or where the provisions of Section 6827 are deemed by the commission to be impractical in the particular case by reason of the small size or irregular configuration of the property, or its inaccessibility from surface drillsites reasonably available or obtainable, the commission, in lieu of following the provisions of Section 6827, may negotiate and enter into agreements with the owners or operators of such wells on private lands for the payment of compensation to the State for such drainage, or may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only"

The State agencies having jurisdiction over the surface use of the property have no objection to a lease inasmuch as the lessee will not be allowed to occupy the surface of the land.

Under the proposed negotiated oil and gas lease, Atlantic Oil Company agrees to pay in money to the State annually in advance, as rental, the sum of \$5.00 per acre (present rental received on adjacent private leases), and as royalty

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on natural gas produced, a one-sixth share of its value, and on oil a percentage determined in accordance with the schedule (sliding scale) attached to the lease on file in the office of the State Lands Commission and by reference made a part hereof.

It is the opinion of the office of the Attorney General that the negotiated lease will comply with the requirements of Public Resources Code Section 6815, and with the provisions of the law and the rules and regulations of the Commission, and will adequately protect the interests of the State.

ENVIRONMENTAL IMPACT:

Pursuant to Section 6371 of the Public Resources Code, Environmental Impact Report No. 119 has been prepared and is on file in the office of the Commission, available for public review, and by reference made a part hereof. The report, covering exploration and producing, concludes that the proposed development of a viable gas field will not have a cumulative nor long-term impact upon the beneficial use of the environment.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

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3. AUTHORIZE THE ISSUANCE OF A SUBSURFACE OIL AND GAS LEASE ON 240 ACRES PROPRIETARY LANDS WHOSE SURFACE IS UNDER THE JURISDICTION OF THE CALIFORNIA HIGHWAY PATROL, CALIFORNIA DEPARTMENT OF AGRICULTURE, AND THE CALIFORNIA MILITARY DEPARTMENT IN THE FREEPORT AREA, CITY OF SACRAMENTO, SACRAMENTO COUNTY, PURSUANT TO DIVISION 6 OF THE PUBLIC RESOURCES CODE; IN CONSIDERATION OF THE ANNUAL RENT IN THE AMOUNT OF \$5.00 PER ACRE, AND AS ROYALTY ON NATURAL GAS PRODUCTION, A ONE-SIXTH SHARE OF ITS VALUE, AND ON OIL A PERCENTAGE DETERMINED IN ACCORDANCE WITH THE SCHEDULE ATTACHED TO THE LEASE ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.