

MINUTE ITEM

This Calendar Item No. 28
was approved as Minute Item
No. 28 by the State Lands
Commission by a vote of 3
to 2 at its 21781
meeting.

CALENDAR ITEM

28

12/17/81
Graber
W 40257
PRC 6094

AWARD OF A NEGOTIATED OIL AND GAS LEASE
CONTRA COSTA AND SACRAMENTO COUNTY

APPLICANT: Russell H. Green, Jr., and Robert D. Reedy
(The Wolter Associates Agent)

LOCATION: Confluence of the San Joaquin River and
False River.

ACREAGE: 400[±] acres

TYPE LAND: Tide and submerged.

AB 884: 6/8/82.

PERTINENT INFORMATION:

1. P.R.C. Section 6815 provides that the Commission may negotiate and enter into leases for compensation to the State for the development of State lands through drilling from adjoining lands in three situations. First, where it appears that wells drilled upon private or public lands are draining or may drain oil or gas from lands owned by the State. Second, where the competitive bid provisions of P.R.C. Section 6827 are impracticable by reason of the small size or irregular configuration of the property, and third because of the property's inaccessibility from surface drill sites reasonably available or obtainable.

The staff believes that a negotiated lease is appropriate here because of the property's potential for drainage from adjacent private lands. And its inaccessibility from surface drill sites reasonably available or obtainable.

The State parcel is surrounded by lands under lease to the applicant (see Exhibit "A"). Surface drillsites on the State parcel are inaccessible, because the land is beneath the San Joaquin and

A 4, 10, 11

S 3, 9,

-1-

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False River. The applicant proposes to directionally drill from two sites south of the confluence, northward into or through State lands. An alternative site would be northwest of the confluence drilling southeast into or through the State parcel.

2. Under the proposed negotiated oil and gas lease, Wolter Associates agrees to pay in money to the State annually in advance as rental the sum of \$20 per acre, 16 2/3 percent royalty and 30 percent of net profits on all oil and gas produced from State-owned lands, as specified in the lease on file in the office of the State Lands Commission.

The area is considered a natural gas prospect with little likelihood of encountering oil. The lease shall also provide for a primary drilling term of one year.

3. In accordance with Section 6873.2 of the P.R.C. "Notice of Public Hearing with Respect to the Policies of the State Lands Commission Relating to the Leasing of State Owned Tide and Submerged Lands in the San Joaquin River and Confluence of False River at Jersey Island, Contra Costa and Sacramento Counties for Oil and Gas Extraction" was published July 24, 27, and 31, 1981. The hearing was held October 8, 1981, in City Council Chambers, City Hall, Rio Vista, California. No comments were received at the hearing.
4. In accordance with Section 6818 of the P.R.C., the Director of Parks and Recreation was notified of the proposed lease and has determined the project will not interfere with recreational use of the littoral lands.
5. The proposed lease has been reviewed by Staff Council who have advised that the proposed negotiated lease will comply with the requirements of P.R.C.

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Section 6815, and other applicable provisions of law and the rules and regulations of the Commission.

6. The proposed lease was reviewed by the Office of the Attorney General in accordance with P.R.C. Section 6818, who has advised that the proposed lease complies with applicable provisions of law and the rules and regulations of the Commission.

ENVIRONMENTAL IMPACT:

The State Lands Commission staff, in accordance with Article 10, Section 2906(b) of the Cal. Adm. Code, has conducted an initial study and has concluded that the project will not have a significant effect on the environment. Therefore, in compliance with subsection (c) of Section 2906, a Negative Declaration was prepared and filed with the State Clearinghouse.

This project is situated beneath the San Joaquin River and False River, which at this point has been identified as possessing significant environmental values pursuant to P.R.C. 6370.1 and is classified in use category Class B, which authorizes limited use. Inasmuch as this lease involves a subsurface extractive activity from adjacent property, the significant environmental values at this location will not be impacted.

EXHIBIT:

- A. Site Map.
- B. Land Description.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS PROJECT BUT THAT A NEGATIVE DECLARATION HAS BEEN PREPARED BY COMMISSION STAFF.
2. CERTIFY THAT THE NEGATIVE DECLARATION (EIR ND 290) HAS BEEN COMPLETED IN COMPLIANCE WITH CEQA OF 1970, AS AMENDED, AND THE STATE GUIDELINES, AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

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3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
4. FIND THAT GRANTING OF THE LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1, OF THE P.R.C..
5. FIND THAT, IN ACCORDANCE WITH SECTION 6815, OF THE P.R.C., AS TO THE 400 ACRES OF TIDE AND SUBMERGED LANDS, CONTRA COSTA AND SACRAMENTO COUNTIES, THE PROVISIONS OF SECTION 6827 ARE IMPRACTICAL BY REASON OF ITS POTENTIAL DRAINAGE FROM ADJACENT PRIVATE LANDS AND ITS INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE.
6. AUTHORIZE THE ISSUANCE OF A SUBSURFACE OIL AND GAS LEASE ON 400 ACRES OF TIDE AND SUBMERGED LANDS DESCRIBED IN EXHIBIT "B" ATTACHED, AND BY REFERENCE MADE A PART HEREOF, PURSUANT TO DIVISION 6, OF THE P.R.C.; TO RUSSELL H. GREEN, JR. AND ROBERT D. REEDY FOR CONSIDERATION OF AN ANNUAL RENTAL OF \$20 PER ACRE, 16 2/3 PERCENT ROYALTY AND 30 PERCENT OF NET PROFITS ON ALL OIL AND GAS PRODUCED FROM STATE LANDS AND 5 PERCENT OF THE VALUE OF ALL OIL AND GAS PRODUCED BY WELLS DRILLED THROUGH STATE LANDS INTO ADJACENT PRIVATE LANDS WHICH HAVE NOT BEEN INCLUDED IN A POOLING OR UNITIZATION AGREEMENT APPROVED BY THE STATE.

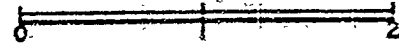
SCALE OF EXHIBIT 1"=2355'

STATE LANDS COMMISSION
W 40257

AREA	Sq. IN.	ACRES
1	5.90	751.18
2	3.10	394.69
3	2.75	350.13
4	1.00	127.32
TOTAL	12.75	1623.32
TOTAL CHECK	12.75	1623.32

PROJECT LOCATION MAP
R. GREEN, R. REEDY: APPLICANTS

1" = 2000'

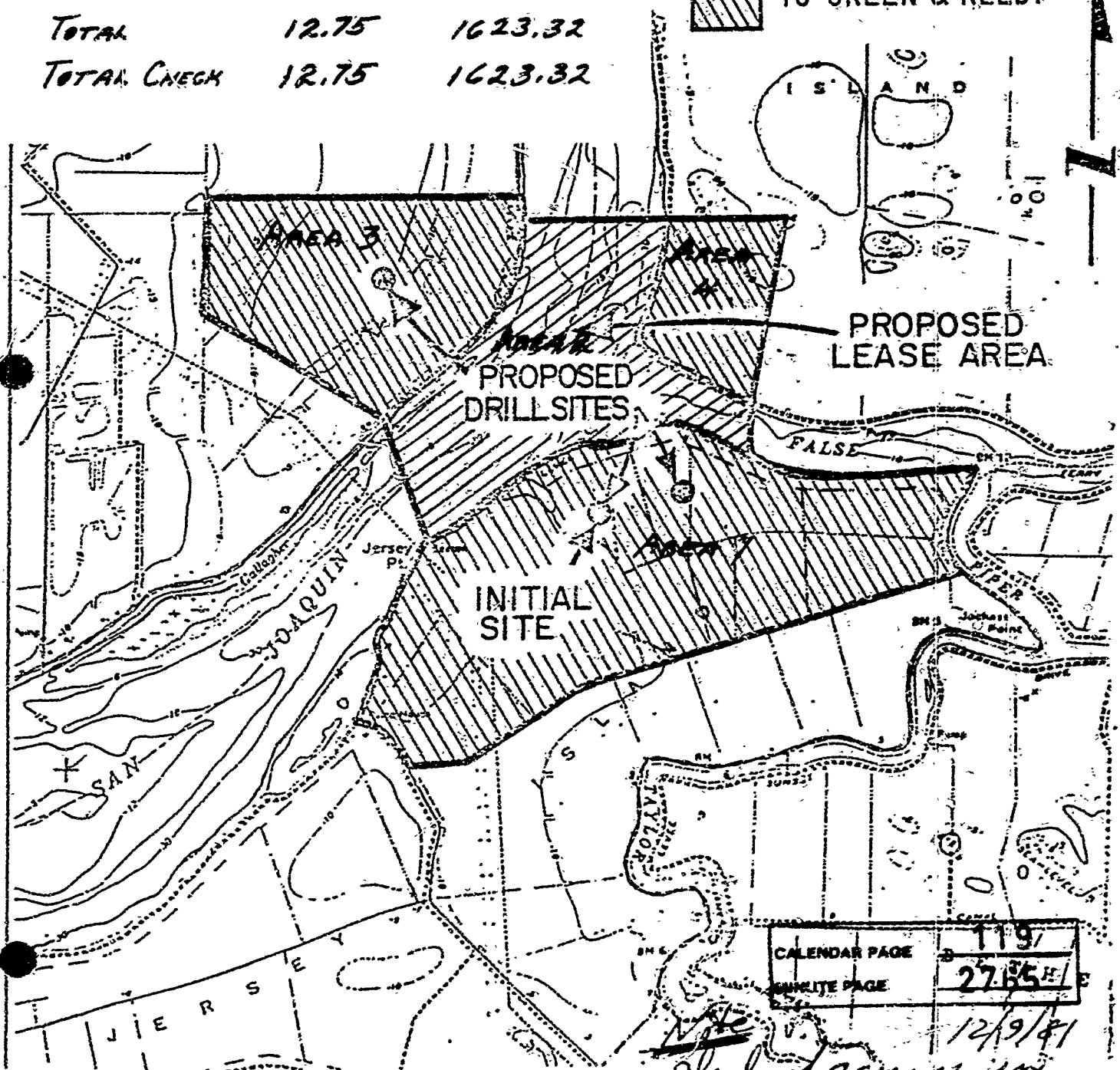


NOV. 1981

JAG



AREA UNDER LEASE
TO GREEN & REEDY



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WHITE PAGE	27.85

Note
Check of accuracy in parcel 1 through 4
12/9/81

2517

EXHIBIT "B"

LAND DESCRIPTION.

A parcel of tide and submerged land in the bed of the San Joaquin River and False River, situate in Contra Costa and Sacramento Counties, California and lying within projected Sections 31 and 32, T3N, R3E; and projected Section 6, T2N, R3E, all M.D.M.; said parcel being at the junction at said San Joaquin River and False River and more particularly described as follows:

BEGINNING at the intersection of the northerly line of that certain parcel of land described in deed recorded Dec. 8, 1960 in Volume 3759 of Official Records page 103, Contra Costa County Records with the Ordinary High Water Mark of the San Joaquin River on the westerly side of Bradford Island, Contra Costa County; thence westerly along the westerly prolongation of said northerly line to the Ordinary High Water Mark of the San Joaquin River on the easterly side of Sherman Island, Sacramento County, thence southerly and southwesterly along last said Ordinary High Water Mark to its intersection with the southwesterly line of that certain 341.63 acre parcel of land described in Decree of Distribution recorded January 9, 1959 in Volume 3673, page 542 Official Records of Sacramento County; thence southeasterly across the San Joaquin River to the intersection of the Ordinary High Water Mark the San Joaquin River on the northwesterly side of Jersey Island, Contra Costa County with the northwesterly prolongation of the southwesterly line of Lot 4 as said lot is shown on Map of Jersey Island Farms, filed for record August 7, 1923 in Book 18 of Maps, pages 419 through 424 Contra Costa County Records; thence northeasterly along last said Ordinary High Water Mark and the Ordinary High Water Mark of False River on the northwesterly and northerly side of Jersey Island to the southerly prolongation of the easterly line of said parcel of land described in deed recorded December 8, 1960, Contra Costa County Records; thence northerly along said prolongation to its intersection with the Ordinary High Water Mark of False River on the southerly side of said Bradford Island; thence along last said Ordinary High Water Mark and the Ordinary High Water Mark of the San Joaquin River on the southerly and westerly sides respectively of said Bradford Island in a westerly and northerly direction to the point of beginning.

END OF DESCRIPTION

(Added 12/16/81)

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