

MINUTE ITEM

This Calendar Item No. 24
was approved as Minute Item
No. 24 by the State Lands
Commission by a vote of 3
to 0 at its 9/28/83
meeting.

CALENDAR ITEM

24

9/28/83
W 40302
Livenick
PRC 6498

AWARD OF
NEGOTIATED OIL AND GAS LEASE

APPLICANT: Chevron U.S.A., Inc.
P. O. Box 8000
Concord, California 94520
Attn: Ralph E. Mayo

AREA, TYPE LAND AND LOCATION:
A 112 acres of proprietary uplands, located
in the City of Stockton, San Joaquin County.

LAND USE: Subsurface oil and gas lease.

AB 884: 2/5/84.

PERTINENT INFORMATION:
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 only where
the competitive bid provisions of P.R.C.
Section 6827 are impracticable by reason
of the property's inaccessibility from
surface drill sites reasonably available
or obtainable.

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These conditions exist in the proposed lease area:

- A. The Department of Developmental Disabilities has been advised of the proposed project and advised that drillsites are not available within the State Hospital grounds.
- B. The State parcel is surrounded by lands under lease to the applicant which prohibits reasonable development of the prospect by any other party.
- C. For these reasons, in a Minute Item dated May 31, 1983, the Commission authorized Staff to process an application and to negotiate for Commission review oil and gas lease terms with Chevron on the Stockton State Hospital grounds.

Staff recommends award of a negotiated oil and gas lease to Chevron U.S.A. Under the proposed oil and gas lease, the applicant plans to drill from private lands and to bottom under State lands. If production from adjoining lands results in drainage of State lands, the lease provides for unitization or drilling of offset wells.

As a consideration of the lease, the applicant agrees to pay in money to the State, annually in advance, \$15 per acre, a sliding scale royalty on oil, and a 30 percent flat rate royalty on all gas produced from State-owned lands, as specified in the lease, on file in the office of the State Lands Commission. Chevron also agrees to pay to the State five percent of the value of all oil or gas produced by wells drilled through the parcel into adjacent lands.

PREREQUISITE ITEMS:

1. The proposed lease has been reviewed by Staff Counsel who has advised that the proposed negotiated lease will comply with the applicable provisions of the law and the rules and regulations of the Commission.

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2. The City of Stockton prepared an EIR, SCH No. 82011453, which examined the environmental effects of drilling an exploratory well in the immediate vicinity of the State Hospital. This EIR was certified by the City of Stockton on November 9, 1982, in compliance with the requirements of CEQA and State CEQA Guidelines. A Notice of Determination has been received. The potential environmental impacts of developing the State parcel have been adequately addressed. The project, as presented to the State Lands Commission incorporates measures to minimize the potential impacts of noise.

EXHIBITS: A. Land Description.
 B. Site Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. CERTIFY THAT AN EIR (SCH NO. 82011453) FOR THIS PROJECT WAS PREPARED BY THE CITY OF STOCKTON AND CERTIFIED BY THE STOCKTON CITY COUNCIL ON NOVEMBER 9, 1982, IN COMPLIANCE WITH THE REQUIREMENTS OF CEQA AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN PRIOR TO APPROVAL OF THE PROJECT.
2. DETERMINE THAT THE PROJECT WILL HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT BUT, THE CHANGES OR ALTERATIONS WHICH ARE REQUIRED TO MITIGATE THE SIGNIFICANT ENVIRONMENT OF THE PROPOSED PROJECT ARE WITHIN THE RESPONSIBILITY AND JURISDICTION OF ANOTHER PUBLIC AGENCY AND SUCH CHANGES HAVE BEEN ADOPTED BY SUCH OTHER AGENCY.
3. FIND THAT IN ACCORDANCE WITH P.R.C. SECTION 6815, AS TO THE 112 ACRES OF UPLANDS, SAN JOAQUIN COUNTY, THE PROVISIONS OF SECTION 6827 ARE IMPRACTICAL BY REASON OF ITS INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE.
4. AUTHORIZE, PURSUANT TO P.R.C. DIV. 6, THE ISSUANCE OF AN OIL AND GAS LEASE TO CHEVRON U.S.A. INC., OF 112 ACRES OF STATE-OWNED LANDS DESCRIBED IN EXHIBIT "A", ATTACHED AND BY REFERENCE MADE A PART HEREOF;

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SUCH LEASE IS TO BE ISSUED ON THE TERMS AND CONDITIONS DESCRIBED IN THE LEASE FOUND IN FILE W 40302 LOCATED IN THE OFFICES OF THE COMMISSION, INCLUDING BUT NOT LIMITED TO THE FOLLOWING TERMS: AN ANNUAL RENTAL RATE OF \$15 PER ACRE, A SLIDING SCALE ROYALTY ON ALL OIL PRODUCED FROM STATE LANDS, A 30 PERCENT FLAT RATE ROYALTY ON ALL GAS PRODUCED FROM STATE LANDS, AND FIVE PERCENT ROYALTY RATE ON 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.

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EXHIBIT A

W 40302

DESCRIPTION

Parcel 1

That portion of projected Sections 19 and 31 within Rancho El Campo de Los Franceses and Block 119 of the City of Stockton in the County of San Joaquin as conveyed by Charles M. Weber to the Trustees of the Insane Asylum of California and their successors in office in that certain deed dated January 13, 1854, recorded on January 14, 1854, in Book A Volume 5 of Deeds at Page 108 in the office of the County Recorder of San Joaquin County described as follows:

Commencing at a point bearing South $78^{\circ}15'$ West distant 80 feet from the City of Stockton's Northeastern corner; running thence North $11^{\circ}45'$ West 3.45 chains to a stake; thence North $78^{\circ}15'$ East 5.80 chains to a stake; thence North $11^{\circ}45'$ West 32 chains to a stake; thence South $78^{\circ}15'$ West 27.76 chains to a stake; thence South $11^{\circ}45'$ East 32 chains to a stake; thence North $78^{\circ}15'$ East 5.80 chains to a stake; thence South $11^{\circ}45'$ East 5.45 chains to a stake; thence North $78^{\circ}15'$ East 5.80 chains to a stake; thence South $11^{\circ}45'$ East 5.45 chains to a stake; thence North $78^{\circ}15'$ East 5.45 chains to a stake; thence North $11^{\circ}45'$ West 5.45 chains to a stake; thence North $78^{\circ}15'$ East 5.74 chains to the point of beginning. Compass variation $16^{\circ}05'$ East containing an area of 100 acres more or less.

EXCEPTING THEREFROM all those streets conveyed in Parcel 7 of that certain deed by Charles M. Weber to the Mayor, Recorder, and Common Council of the City of Stockton as trustees of the public property of the City and the legal representatives of its inhabitants dated August 28, 1851 recorded on February 14, 1852, in Book A Volume 2 of Deeds at Page 449 in the office of the County Recorder of San Joaquin County.

ALSO EXCEPTING all that portion conveyed by the State of California to the County of San Joaquin in that certain quitclaim deed dated September 3, 1980, recorded on October 3, 1980, in Book 80 of Official Records, Page 066540 in the office of the County Recorder of San Joaquin County. Reserving therefrom all mineral deposits as defined in Section 6407 of the Public Resources Code below a depth of 500 feet, without surface rights of entry.

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Parcel 2

All mineral deposits below a depth of 500 feet as reserved in that certain quitclaim deed, without surface rights of entry, executed by the State of California to the County of San Joaquin dated September 3, 1980, recorded on October 3, 1980, in Book 80 of Official Records at Page 066540 in the office of the County Recorder of San Joaquin County described as follows:

COMMENCING at the intersection of the Easterly line of California Street with the Southerly line of Harding Way; running thence along said Easterly line of California Street, South $11^{\circ} 41' 30''$ East, 306.00 feet to the True Point of Beginning; continuing thence along said Easterly line of California Street, South $11^{\circ} 41' 30''$ East, 875.83 feet; thence North $65^{\circ} 40' 30''$ East, 266.90 feet to the back edge of a sidewalk along a private street within the State Hospital Grounds known as North American Street; thence along said back edge of sidewalk the following courses and distances: (1) North $35^{\circ} 40' 30''$ West, 25.66 feet; (2) North $7^{\circ} 25'$ West, 92.92 feet; (3) North $15^{\circ} 38' 30''$ East, 42.45 feet; (4) North $2^{\circ} 28'$ West, 300.97 feet; (5) North $12^{\circ} 05'$ West, 312.17 feet; and (6) North $11^{\circ} 11'$ East, 20.71 feet; thence parallel to the back of a curb and gutter, North $12^{\circ} 07' 20''$ West, 35.59 feet; thence South $78^{\circ} 15' 30''$ West, 330.32 feet to the point of beginning.

Parcel 3

All that certain parcel of land in the City of Stockton, County of San Joaquin as conveyed by Robert K. Reid and Matilda B. Reid to the Trustees of the Insane Asylum and their successors in office in deed dated February 16, 1864, recorded on February 11, 1865 in Book A Volume 15 of Deeds at Page 65 in the office of the County Recorder of San Joaquin County described as follows:

All the following described piece or parcel of land lying and being in the City of Stockton, County of San Joaquin and State of California and known on the official map of said City as Block No. one hundred and eighteen (118) East of Centre Street bounded as follows to wit on the North by Flora Street; on the East by Stanislaus Street; on the South by Park Street and on the West by American Street.

Parcel 4

All that certain parcel of land in the City of Stockton, County of San Joaquin as conveyed by Thomas R. Anthony to the State of California in that certain deed dated December 8, 1863, recorded on December 31, 1863, in Book A Volume 14 of Deeds at Page 182 in the office of the County Recorder of San Joaquin County described as follows:

Block No. one hundred and twenty (120) East of Centre Street described as follows: Commencing at the Northeast corner formed by the intersection of Park and Jose Jesus Streets and running thence Easterly along said Park Street three hundred (300) feet; thence at right angles along Aurora Street Northerly three hundred (300) feet; thence at right angles along Flora Street Westerly three hundred (300) feet; thence Southerly along Jose Jesus Street three hundred (300) feet to the place of beginning.

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Parcel 5

All that certain parcel of land in the City of Stockton, County of San Joaquin as conveyed by William L. Overhiser and Catharine E. Overhiser to the State of California in that certain deed dated April 7, 1896, recorded on April 13, 1896, in Book A Volume 88 of Deeds at Page 508 in the office of the County Recorder of San Joaquin County described as follows:

All of Block No. one hundred and ninety-three (193) East of Centre Street according to the map and survey of the said City of Stockton being bounded on the North by Flora Street, on the East by Sacramento Street, on the South by Park Street and on the West by Aurora Street as said streets are known and designated upon the said map and survey of said City of Stockton.

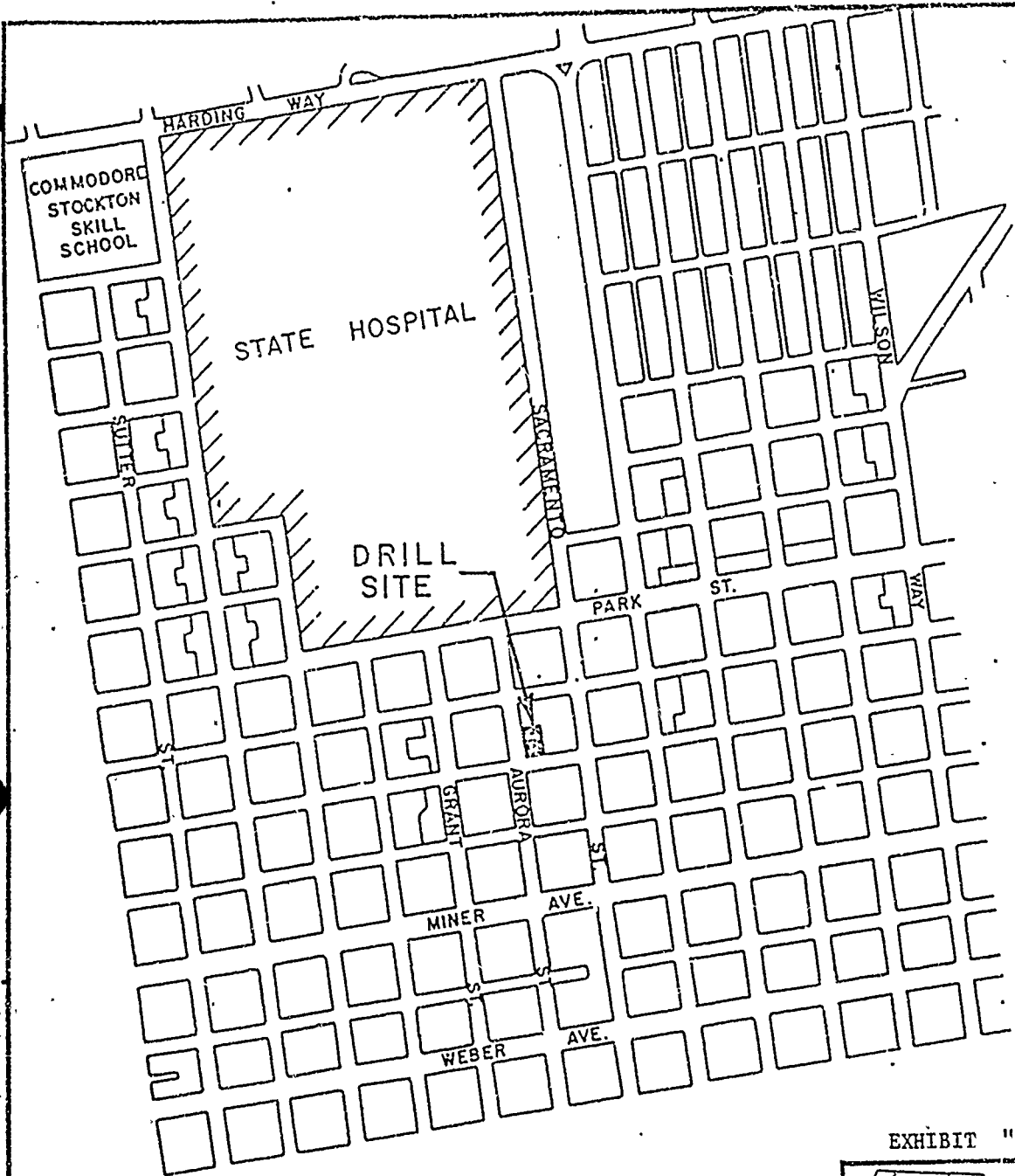
Parcel 6

All that certain parcel of land in the City of Stockton, County of San Joaquin as conveyed in those certain deeds by John Cambetta to the State of California dated March 8, 1889, recorded on March 3, 1889, in Book A Volume 66 of Deeds at Page 295 in the office of the County Recorder of San Joaquin County and by C. E. Williams and Sarah Moore to the State of California dated October 10, 1893, recorded on October 10, 1893, in Book A Volume 79 of Deeds at Page 505 in the office of the County Recorder of San Joaquin County described as follows:


All of Block 187 of the City of Stockton, County of San Joaquin, as per the official plat of the said City of Stockton.

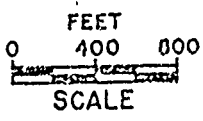
END OF DESCRIPTION

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LOCATION MAP
 OIL & GAS LEASE
 STOCKTON STATE HOSPITAL W 40302

 AREA FOR PROPOSED LEASE



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