

MINUTE ITEM

This Calendar Item No. 22
was approved as Minute Item
No. 22 by the State Lands
Commission by a vote of 4-2
to 0 at its 7/26/85
meeting.

CALENDAR ITEM

22

09/26/85
W 40451 PRC 6896
Hamilton

A 4
S 2

NEGOTIATED SUBSURFACE OIL AND GAS LEASE

APPLICANT: Hershey Oil Corporation
Attn: Mr. Norm Petrowski
101 West Walnut Street
Pasadena, California 91103

OPERATOR: Amerada Hess Corporation
Attn: D. G. Stevenson
1625 Broadway
Dome Tower Suite 2200
Denver, Colorado 80202

AREA, TYPE LAND AND LOCATION:
The proposed negotiated subsurface oil and gas
lease involves the subsurface development of
about 434.64 acres of state tide and submerged
lands underlying the beds of Cache and Shag
Sloughs in Sections 13, 14 and 24, T5N R2E, MDM
and Sections 18, 19 and 30, T5N R3E, MDM Solano
County, California.

LAND USE: Surface drillsites on State lands (within the
beds of Cache and Shag Sloughs) are not
available. However, commercial exploitation of
oil and gas resources that underlie the State
lands may be permitted by slant or directional
drilling from adjacent private lands.
Therefore, the proposed subsurface oil and gas
lease will permit development of the State
lands only from the adjoining non-State
(private) lands.

TERMS OF THE PROPOSED OIL AND GAS LEASE.
P.R.C. Section 6815 authorizes the Commission
to enter into a negotiated lease when no drill

CALENDAR ITEM NO. 22 (CONT'D)

sites are reasonably available on the leased lands; provided all development of those lands be allowed only by drilling from adjacent lands. Most of the area surrounding the State lands is under lease to Hershey Oil Corporation with part of the area under a joint operating agreement with Amerada Hess Corporation. Based on a resource evaluation of the area, staff has negotiated with Hershey Oil Corporation, the following lease terms: the lessee agrees:

1. To pay in advance an annual rental in the sum of \$25 per acre per year (\$10,866 per year) until commercial production is established.
2. To pay a flat rate royalty of 30 percent on all oil and non-oil production from the leased lands; and
3. To an initial drilling term of three years.

OTHER PERTINENT INFORMATION:

1. The Solano County Planning Department has issued an oil and gas drilling permit for the proposed exploratory drilling and has determined all oil and gas drilling to be categorically exempt from CEQA as a Class 3 exemption.
2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes there is no possibility that this project may have a significant effect on the environment.

Authority. 14 Cal. Adm. Code 15061(b)(3).

AB 884:

N/A.

CALENDAR ITEM NO. 22 (CONT'D)

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

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. (14 CAL. ADM. CODE 15061(b)(3))
2. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE.
3. AUTHORIZE THE ISSUANCE TO HERSHEY OIL CORPORATION OF A NEGOTIATED SUBSURFACE OIL AND GAS LEASE WHICH CONTAINS APPROXIMATELY 434.64 ACRES OF STATE TIDE AND SUBMERGED LANDS IN THE BEDS OF CACHE SLOUGH AND SHAG SLOUGH IN SOLANO COUNTY, CALIFORNIA.

EXHIBIT "A"

LAND DESCRIPTION

W 40451

All that California State tide and submerged land in the bed of Cache Slough and Shag Slough in Solano County, California, said tide and submerged land lying within Sections 13, 14, and 24, T5N, R2E, MDM, and Sections 18, 19, and 30, T5N, R3E, MDM. EXCEPTING THEREFROM that portion of Cache Slough lying southerly of the junction of Lindsey Slough and said Cache Slough.

END OF DESCRIPTION

PREPARED AUGUST 21, 1985, BY BOUNDARY SERVICES UNIT, M.L. SHAFER, SUPERVISOR.

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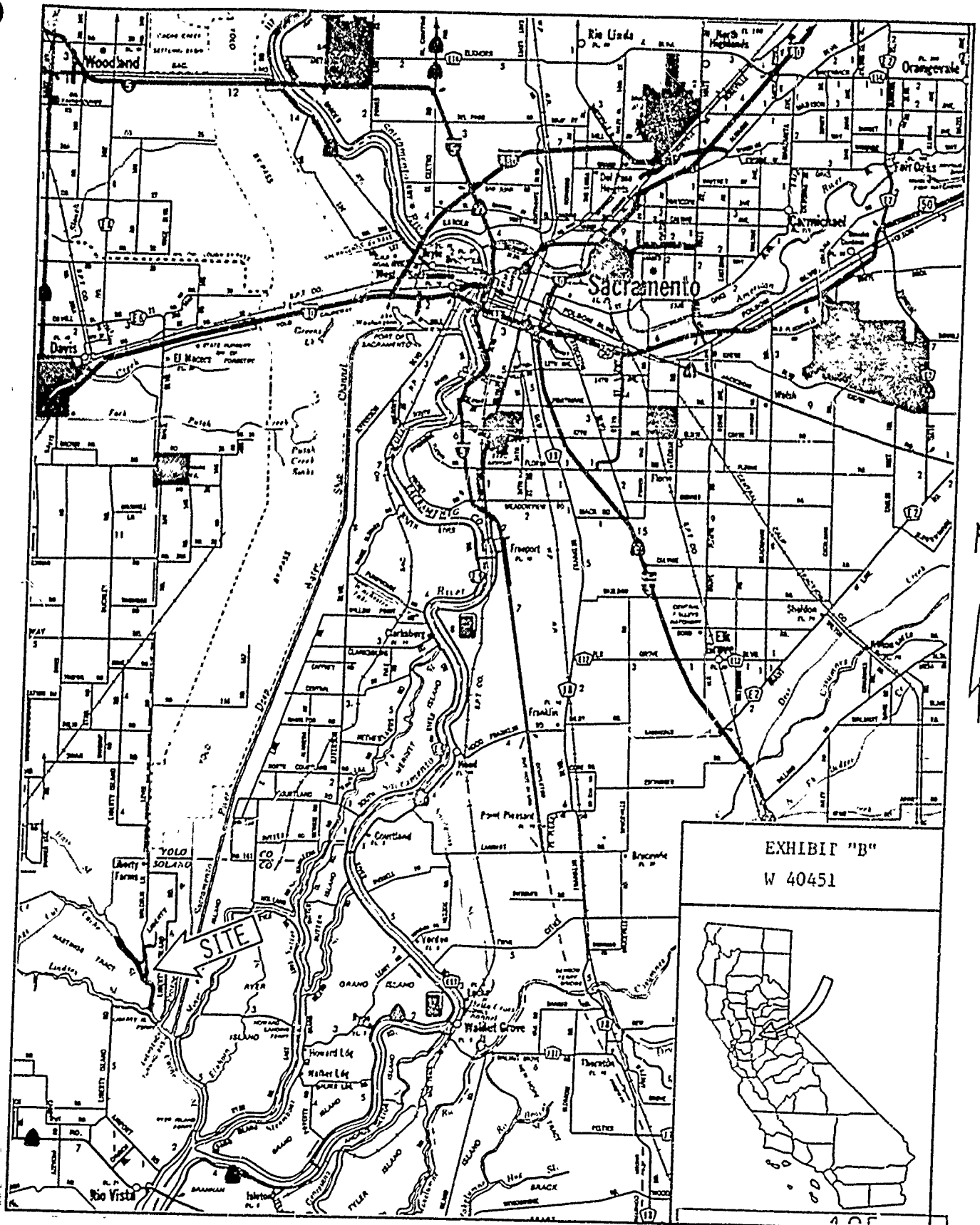
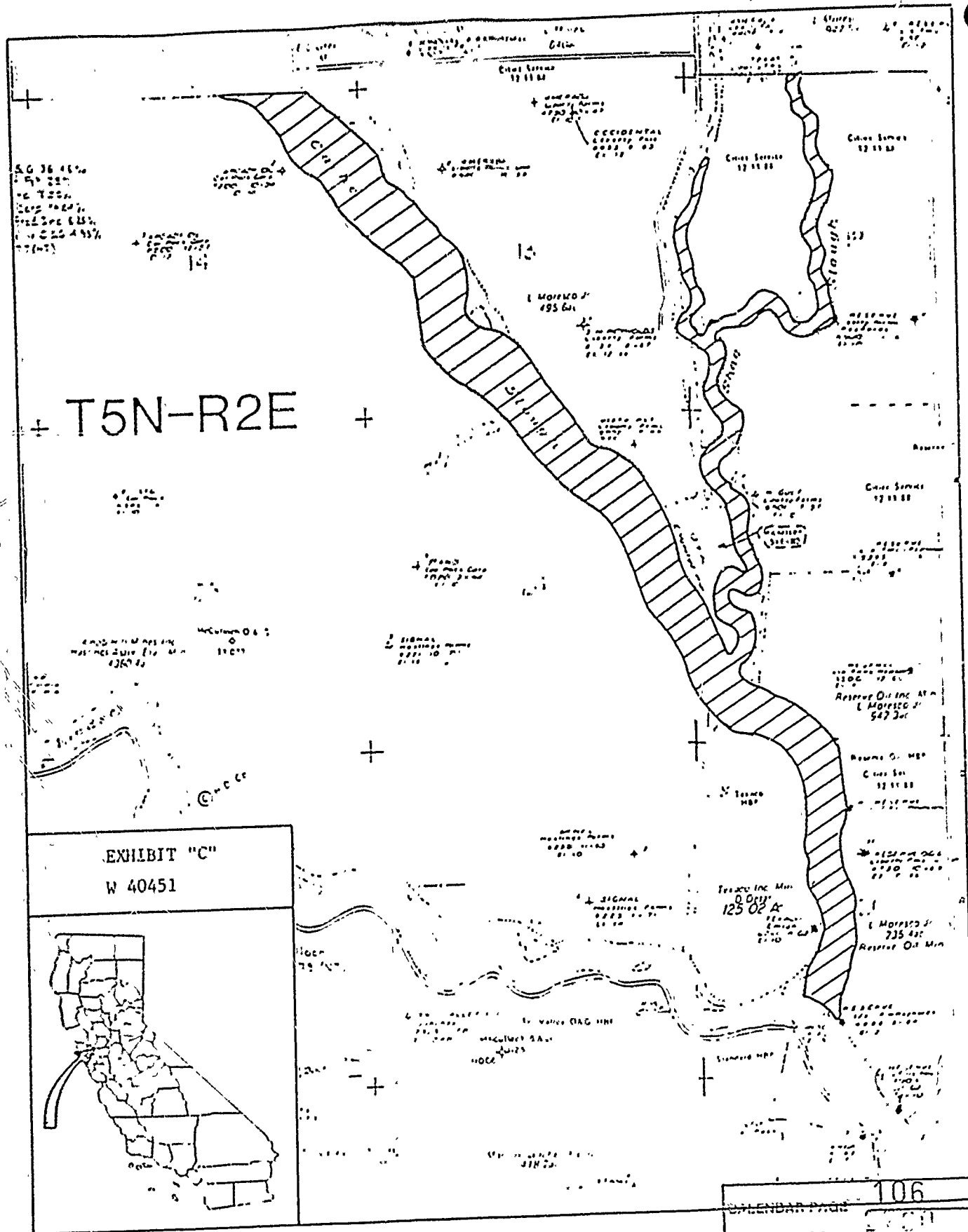


EXHIBIT "B"
W 40451



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+ T5N-R2E +

EXHIBIT "C"
W 40451



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