

MINUTE ITEM
This Calendar Item No. 29
was approved as Minute Item
No. 29 by the State Lands
Commission by a vote of 3
to 0 at its 1/23/87
meeting.

CALENDAR ITEM

A 26
S 5

29

01/22/87
W 40501 PRC 7037
Hamilton

ISSUANCE OF NEGOTIATED SUBSURFACE OIL AND GAS LEASE

APPLICANT: Santa Fe Energy Company
4900 California Avenue, Suite 400-A
Bakersfield, California 93309

AGENT: Stockdale Energy Company
1400 Easton Drive, Suite 135-A
Bakersfield, California 93309

AREA, TYPE LAND AND LOCATION:
A 150.72-acre parcel of tide and submerged
land, located in the bed of Little Potato
Slough and White Slough, San Joaquin County.

LAND USE: The surface of the State parcel is submerged
and not available for oil and gas operations.
However, the subsurface commercial development
of oil and gas resources that may underlie the
State parcel may be accomplished by directional
drilling from adjacent private lands.

P.R.C. Section 6815 authorizes the Commission
to negotiate and enter into oil and gas leases
on State-owned lands in situations, where wells
drilled upon private lands are draining or may
drain oil or gas from State-owned lands, or
where the lands are determined by the
Commission to be unsuitable for competitive
bidding because of their irregular
configuration or their inaccessibility from
drill sites reasonably available or obtainable.

TERMS OF PROPOSED OIL AND GAS LEASE:

The subject State parcel is surrounded by
private lands under lease to Stockdale Energy

(ADDED 01/20/87)

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Company, agent for Santa Fe Energy Company. As their agent, Stockdale has received a permit from San Joaquin County to drill well "Bouldin 1-14" from a surface drill site located about 1300 feet south of the State parcel on these private lands. Staff has examined available geological data and concludes that a negotiated subsurface oil and gas lease is the best instrument to protect the State from possible drainage from wells drilled on these adjacent private lands and to develop any oil and gas resources that may underlie the State parcel. Staff has negotiated a lease with Stockdale and Santa Fe, and the parties have agreed to terms among which are the following:

1. Lessee shall pay in advance a rental of \$35 per acre per year (\$5,285 per year); and
2. Lessee shall pay a flat rate royalty of 20 percent on all oil and gas produced from the State lands.

AB 884: 04/01/87.

OTHER PERTINENT INFORMATION:

1. The San Joaquin County Department of Planning and Building Inspection has approved an Application No. DP-87-36 to drill for gas and/or oil on private property located within San Joaquin County. Development plans are processed as ministerial projects by San Joaquin County.
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 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.

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3. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370 et seq. Based upon the staff's consultation with the persons nominating the lands and through the CEQA process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBITS:

- A. Land Description.
- B. Location Map.
- C. Site 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. FIND THAT THIS ACTIVITY AS PROPOSED IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED FOR THE LAND PURSUANT TO P.R.C. 6370, ET SEQ.
3. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE.
4. AUTHORIZE THE ISSUANCE TO SANTA FE ENERGY COMPANY OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE (ROYALTY) FOR A 150.72-ACRE PARCEL OF TIDE AND SUBMERGED LAND IN THE BED OF LITTLE POTATO SLOUGH AND WHITE SLOUGH IN SAN JOAQUIN COUNTY, CALIFORNIA.

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EXHIBIT "A"

LAND DESCRIPTION

W 40501

A parcel of tide and submerged land in the bed of Little Potato Slough and White Slough, San Joaquin County, California, said parcel being bounded on the north by the Highway 12 crossing of Little Potato Slough at Terminus; bounded on the east and west by the ordinary high water marks along the right and left banks of said Little Potato and White Sloughs; and bounded on the south by the southerly prolongation of Correia Road across said White Slough and by the southeasterly prolongation of the southwesterly line of Camp 23, Bouldin Island, across said Little Potato Slough.

END OF DESCRIPTION

PREPARED NOVEMBER 14, 1986 BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.

0248b

THE ABOVE PARCEL OF TIDE AND SUBMERGED LAND CONTAINS

150.72 ACRES, MORE OR LESS.

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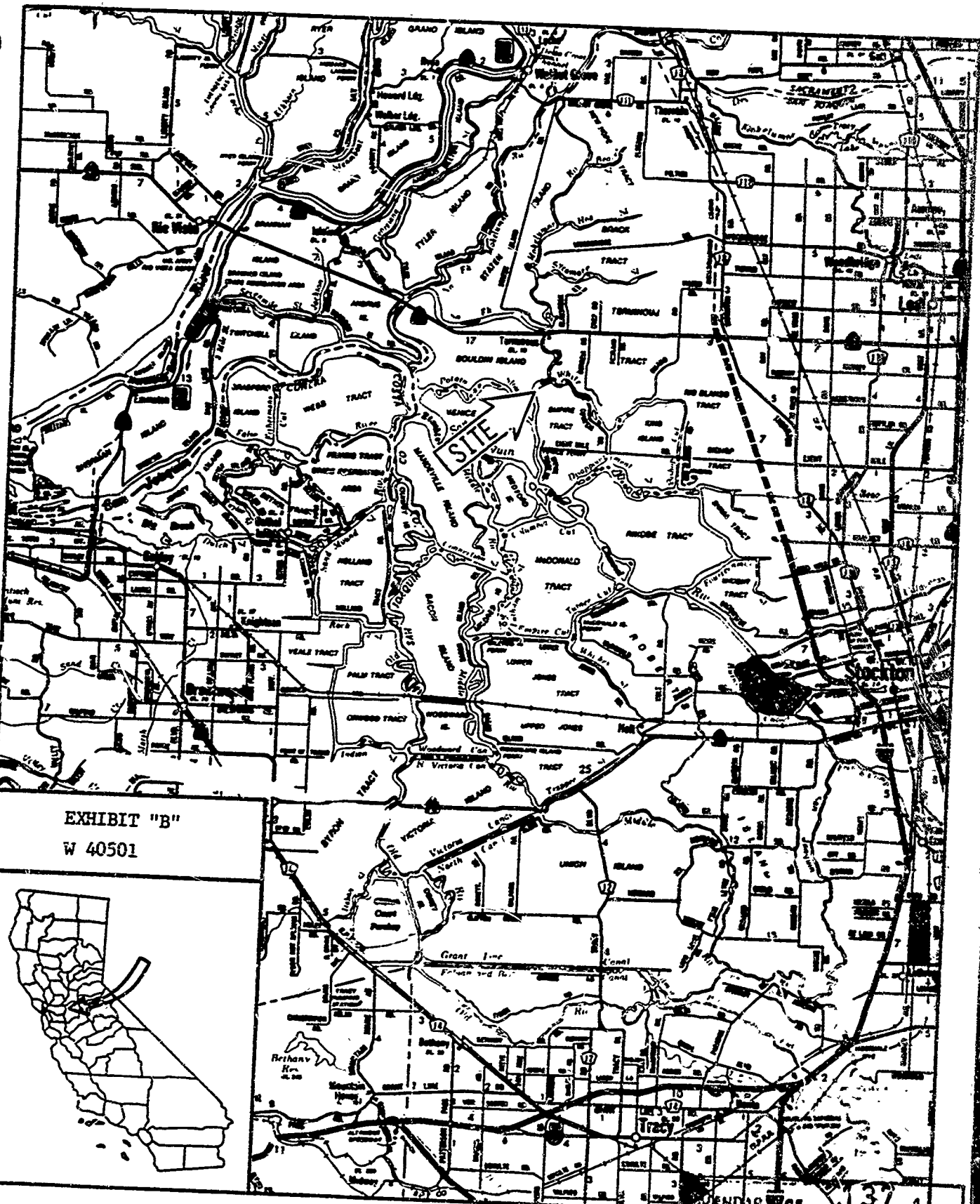
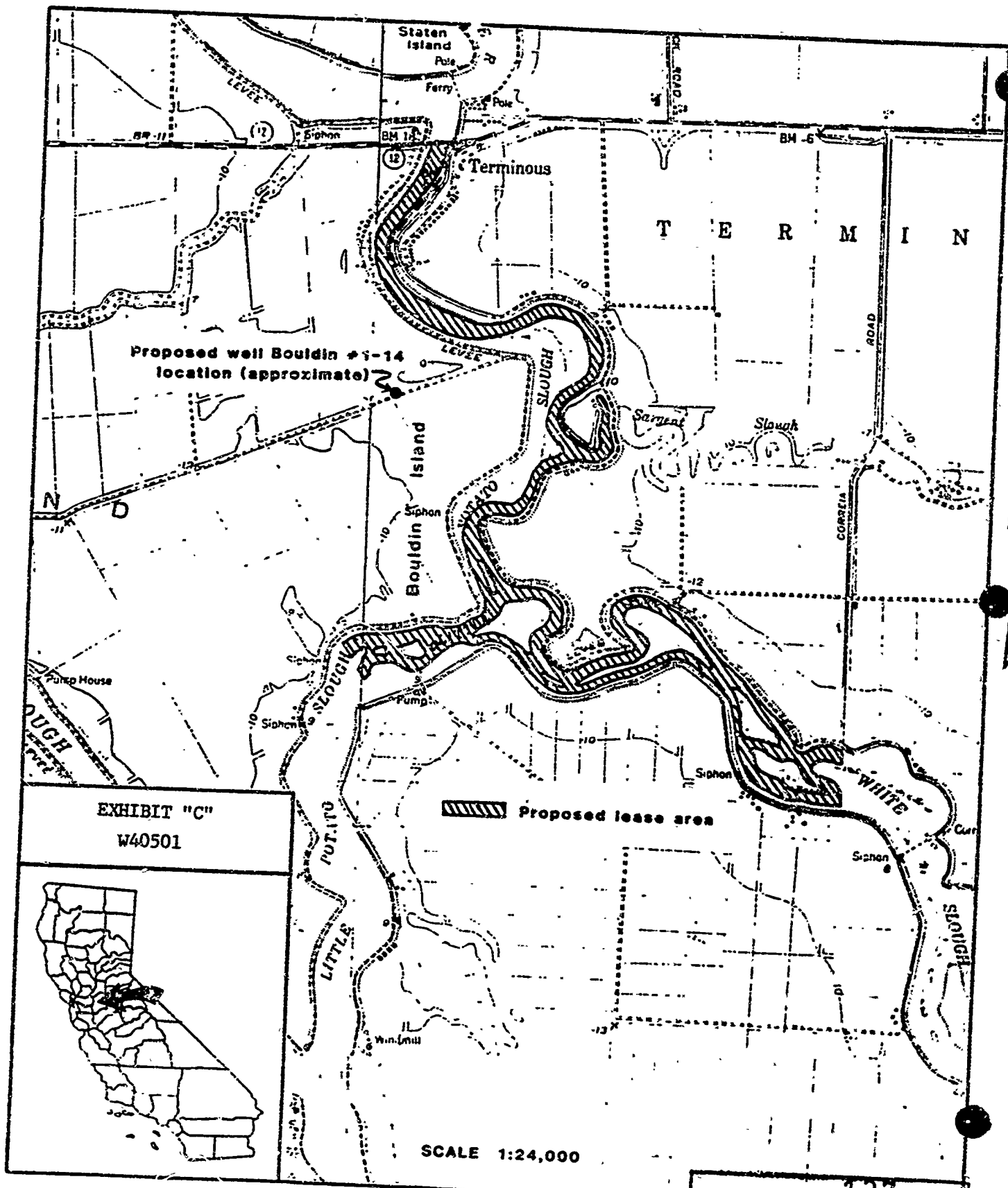


EXHIBIT "B"
W 40501



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Proposed well Bouldin #1-14
location (approximate)

 Proposed lease area

EXHIBIT "C"
W40501



SCALE 1:24,000

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