

MINUTE ITEM

This Calendar Item No. 33
was approved as Minute Item
No. 33 by the State Lands
Commission by a vote of 2
to 0 at its 6/30/87
meeting.

CALENDAR ITEM

A 4
S 2

33

06/30/87
W 40520 PRC 7102
Hamilton
Grabner

ISSUANCE OF NEGOTIATED
SUBSURFACE OIL AND GAS LEASE

APPLICANTS:

Mr. Russell H. Green, Jr.
P. O. Box 965
Healdsburg, California 95448

Rio Delta Resources, Inc.
3500 American River Dr., Suite 214
Sacramento, California 95825

AREA, TYPE LAND AND LOCATION:

A 42-acre parcel of State tide and submerged
land in the bed of Prospect Slough near Liberty
Island, Solano County.

LAND USE:

The State parcel is tide and submerged land.
Subsurface 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 State 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;
or where a negotiated lease is in the best
interests of the State.

CALENDAR ITEM NO. 33 (CONT'D)

TERMS OF PROPOSED OIL AND GAS LEASE:

The subject State parcel is surrounded by private lands under lease to Russell H. Green, Jr. and Robert D. Reedy (a.k.a. Rio Delta Resources, Inc.). Mr. Green has received from Solano County Department of Environmental Management a permit to drill well "Fahn" No. 1 from a surface drill site located about 200 feet north 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 adjacent private lands and provide for development of any oil and gas resources that may underlie the State parcel. Staff has negotiated a lease with Russell H. Green, Jr. and Rio Delta Resources, Inc., and the parties have agreed to terms among which are the following:

1. Lessee shall pay in advance an annual rental of \$30 per acre for a total of \$1,260 per year for 42 acres; and
2. Lessee shall pay a flat rate royalty of 25 percent on all gas produced from the State leased lands and a sliding scale royalty on oil with a minimum of 16 2/3 percent and a maximum of 50 percent.

AB 884:

10/01/87.

OTHER PERTINENT INFORMATION:

1. The Solano County Department of Environmental Management has granted an oil and gas well drilling permit (WD-87-01) to drill exploratory well "Fahn" No. 1 on private property located within Solano County 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

CALENDAR ITEM NO. 33 (CONT'D)

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. Staff believes there is no possibility that this project will have a significant effect on the environment.

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

3. The proposed project is situated on lands identified as Class B (P.R.C. 6370), limited use, possessing environmental values. However, this project has been determined to be compatible with the provisions of 2 Cal. Adm. Code Div. 3 Chapter 1, Article II.

EXHIBITS:

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

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY WILL HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL. ADM. CODE 15061(b)(3)).
2. FIND THAT GRANTING OF THE LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. 6370.
3. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE AND THAT IT IS IN THE BEST INTERESTS OF THE STATE TO ENTER INTO A NEGOTIATED SUBSURFACE OIL AND GAS LEASE.
4. AUTHORIZE THE ISSUANCE TO RUSSELL H. GREEN, JR. AND RIO DELTA RESOURCES, INC. OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE FOR A 42-ACRE PARCEL OF TIDE AND SUBMERGED LAND IN THE BED OF PROSPECT SLOUGH NEAR LIBERTY ISLAND, SOLANO COUNTY, CALIFORNIA. LESSEE SHALL PAY IN ADVANCE AN ANNUAL RENTAL OF \$30 PER ACRE FOR A TOTAL OF \$1,260 PER YEAR FOR 42 ACRES; A FLAT ROYALTY OF 25 PERCENT ON ALL GAS PRODUCED FROM THE STATE LEASED LANDS; AND A SLIDING SCALE ROYALTY ON ALL OIL PRODUCED FROM THE STATE LEASED LANDS.

EXHIBIT "A"

LAND DESCRIPTION

W 40520

A parcel of tide and submerged land in the bed of Prospect Slough near Liberty Island, Solano County, California, said parcel being that portion of the bed of Prospect Slough lying within the NE 1/4 of projected Section 17, the SE 1/4 of projected Section 8, and the SW 1/4 of projected Section 9, all of T5N, R3E, MDM, said parcel being more particularly described as follows:

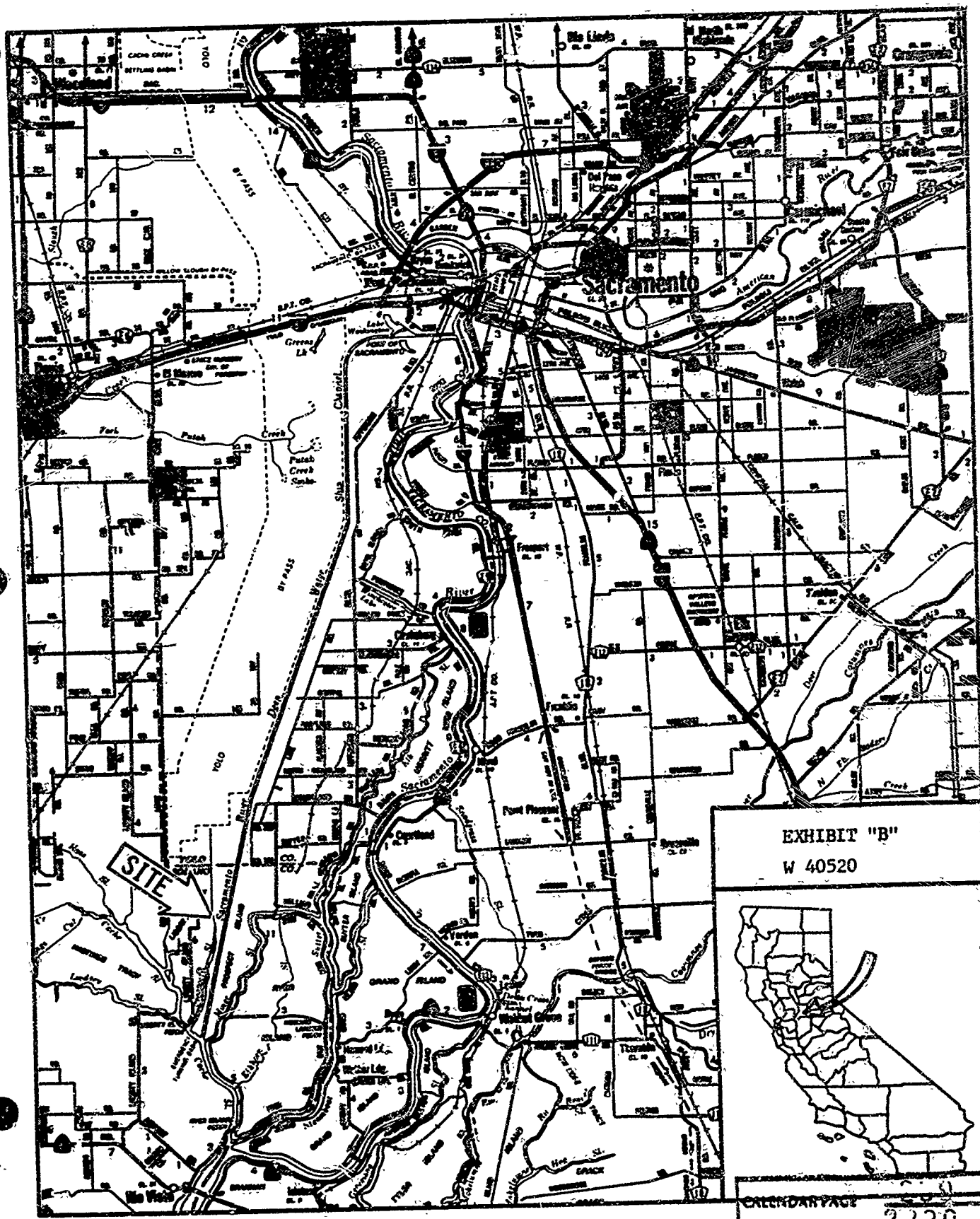
Bounded on the right and left banks of Prospect Slough by the ordinary high water marks of said Prospect Slough, bounded on the south by the south line of the North 1/2 of said Section 17, bounded on the northeast by the northeasterly line and its southeasterly prolongation of Exhibit "B" as described in the Partial Quitclaim dated May 19, 1986 and recorded in Book JUL 22 1986, Page 77311, Official Records of Solano County, California.

END OF DESCRIPTION

PREPARED MARCH 30, 1987 BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.

0403b

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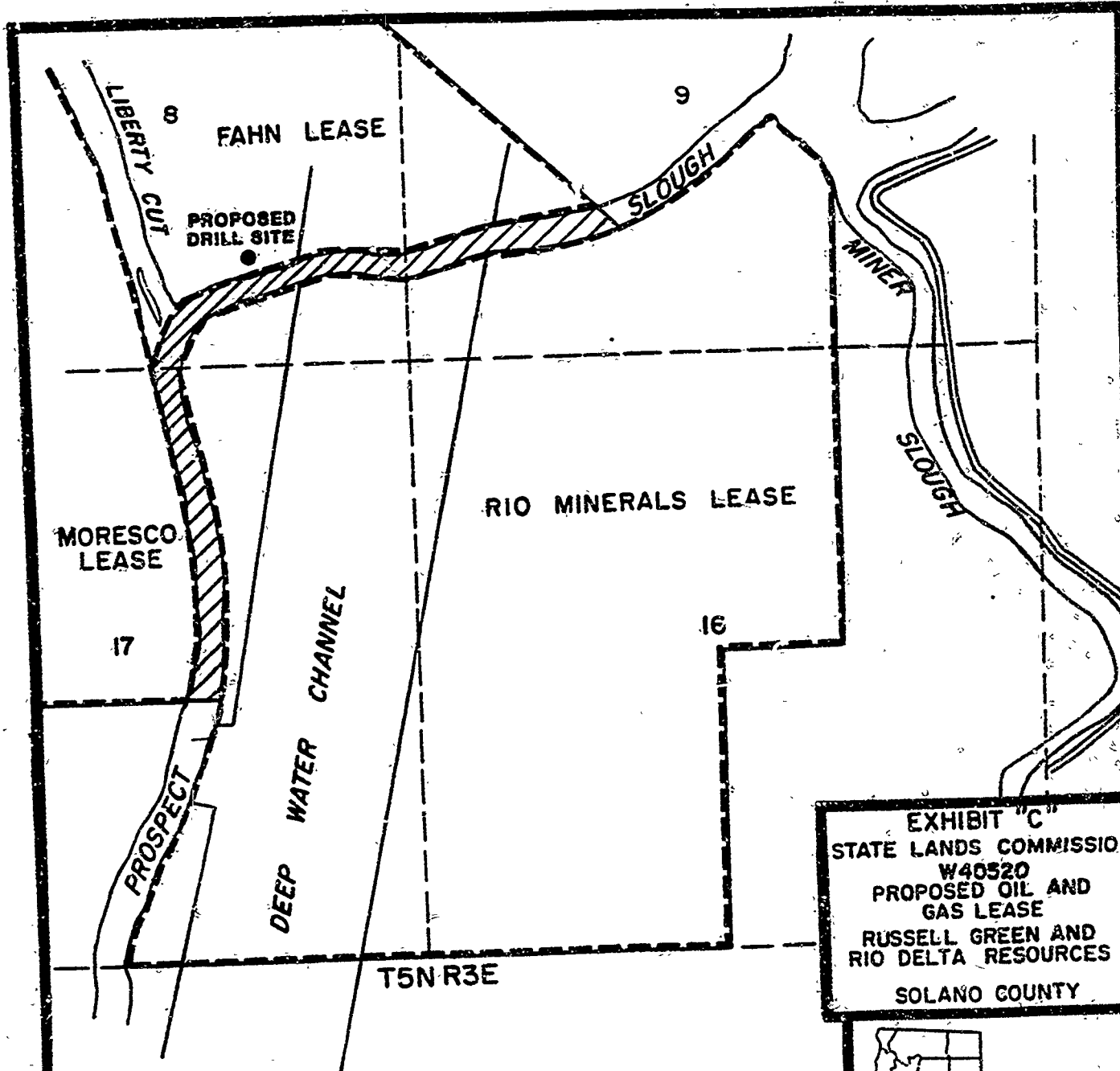




SITE

EXHIBIT "B"
W 40520



CALENDAR PAGE
 MINUTE PAGE **2230**



-  STATE OWNED LANDS
-  PRIVATE LANDS UNDER LEASE TO RUSSELL H. GREEN JR. AND ROBERT D. REEDY

SCALE: 1" = 1200'
 0 600 1200
 Feet

EXHIBIT "C"
 STATE LANDS COMMISSION
 W40520
 PROPOSED OIL AND
 GAS LEASE
 RUSSELL GREEN AND
 RIO DELTA RESOURCES
 SOLANO COUNTY

