

MINUTE ITEM 43
This Calendar Item 43
was approved as Minute Item
No. 43 by the State Lands
Commission by a vote of 2
to 0 at its 12/13/88
meeting.

CALENDAR ITEM.

A 10

43

12/13/88

W 40567

Nitsche

S 7

REQUEST FOR EXEMPTION FROM COMPETITIVE BID PROCEDURES
FOR A SUBSURFACE OIL AND GAS LEASE ON COUNTY PROPERTY,
CONTRA COSTA COUNTY

APPLICANT: County of Contra Costa
Public Works Department
255 Glacier Drive
Martinez, California 94553-4897

AREA AND TYPE LAND:
A 2.458 acre parcel of county land in
Section 2, Township 1 North, Range 2 East,
MDM, Contra Costa County.

BACKGROUND INFORMATION:
The TXO Production Corporation has requested
Contra Costa County to enter into a subsurface
oil and gas lease for County owned lands
underlying Fairview Avenue near Brentwood. TXO
Production Corp. has leased and has an option
to lease acreage surrounding the 2.458-acre
parcel of county land. Contra Costa County has
requested to be exempted from competitive
bidding procedures in order to negotiate a
lease with TXO Production Corp. TXO Production
Corp. has offered to lease this parcel of land
and has agreed to pay Contra Costa County a
royalty of 1/6th for any hydrocarbons produced
from this lease, and \$50.00 per acre per year
rent. Staff believes that the proposed terms
are fair and reasonable.

STATUTORY AND OTHER REFERENCES:

P.R.C. Section 7052 states in part:

"The State Lands Commission may in its discretion exempt particular leases or operating agreements from the procedure required by this section and Section 7053 [competitive bidding procedures] where by reason of the small size of the property such procedure would in the judgment of the State Lands Commission in the particular case be impractical".

Staff has reviewed the application of Contra Costa County for a subsurface negotiated oil and gas lease with TXO Production Corp. and has determined that it would be impractical for Contra Costa County to follow the competitive bidding procedures as outlined in Sections 7052 and 7053 of the California P.R.C. Because the parcel is small in size and its present use (county road) would not permit a drill site location, development would be required from adjoining lands.

AB 884:

N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority, staff concurs with the determination of Contra Costa County that this activity is exempt from the requirement of CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal.
Code Regs. 15378.

CALENDAR ITEM NO. 43 (CONT'D)

EXHIBITS: A. Location Map.
 B. Legal Description.
 C. Local Approval.

IT IS RECOMMENDED THAT THE COMMISSION:

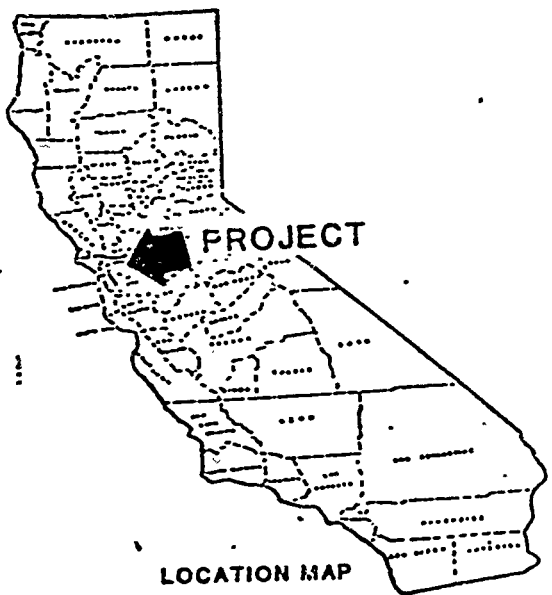
1. FIND THAT THE COUNTY OF CONTRA COSTA, THE CEQA LEAD AGENCY, HAS DETERMINED THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378 AND THAT THE COMMISSION CONCURS.
2. APPROVE THE REQUEST OF THE COUNTY OF CONTRA COSTA FOR AN EXEMPTION FROM THE COMPETITIVE BIDDING REQUIREMENTS AS OUTLINED IN P.R.C. SECTIONS 7052 AND 7053, FOR A SUBSURFACE OIL AND GAS LEASE ON A COUNTY-OWNED 2.458 ACRE PARCEL LOCATED UNDER FAIRVIEW AVENUE, SECTION 2, TOWNSHIP 1 NORTH RANGE 2 EAST, MDM, CONTRA COSTA COUNTY.

COUNTY OWNED LAND

PROPOSED WELL INFORMATION :

APPROXIMATE BOTTOM HOLE LOCATION

APPROXIMATE SURFACE LOCATION



LOCATION MAP

EXHIBIT "A"

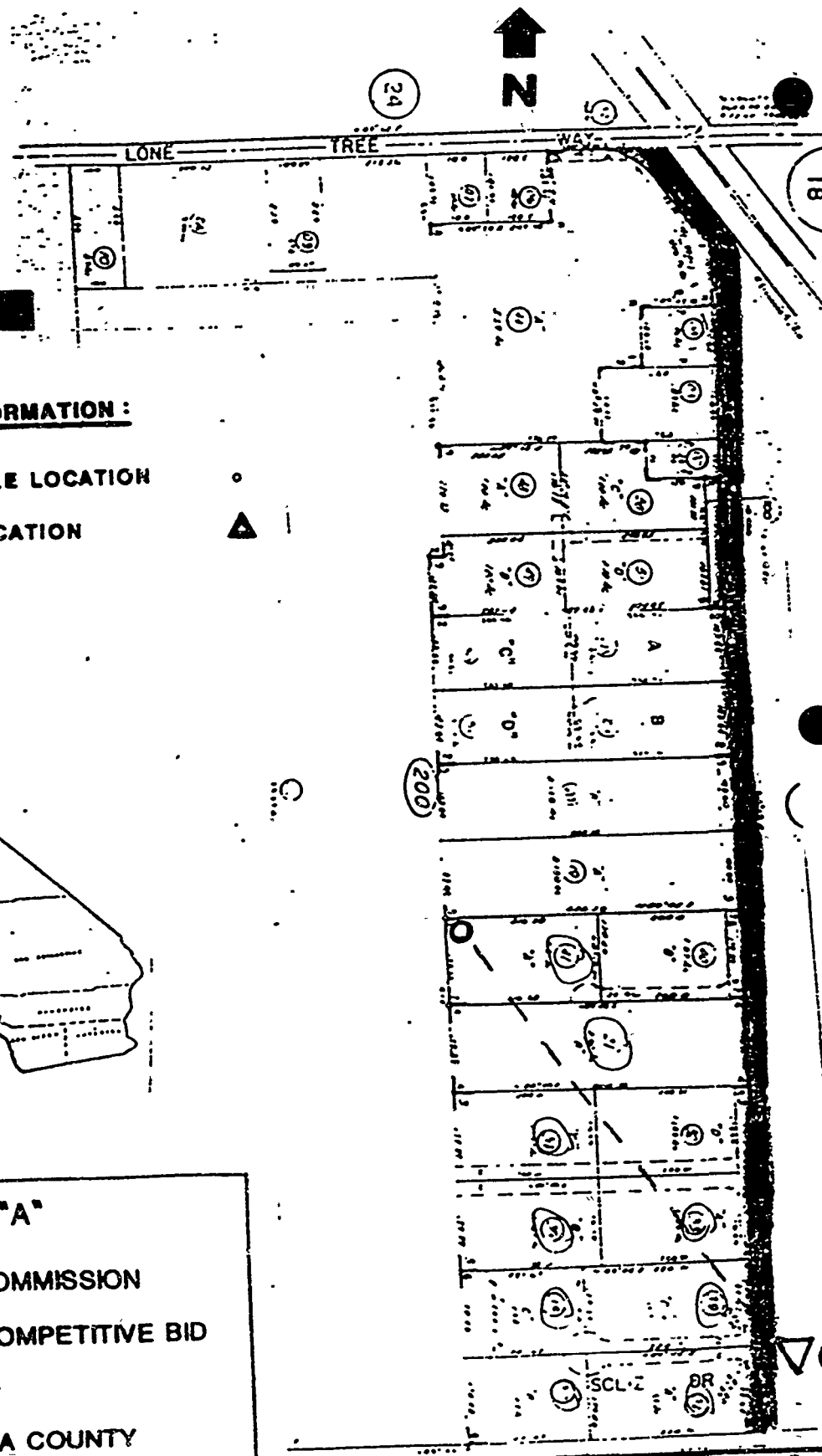
STATE LANDS COMMISSION
EXEMPTION FROM COMPETITIVE BID

W 40567

CONTRA COSTA COUNTY

OCTOBER 1988

A.F.N.



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EXHIBIT "B""Parcel description furnished by Contra Costa County"

Attached to and made a part of that certain Oil, Gas and Mineral Lease, dated _____, 1987, between the COUNTY OF CONTRA COSTA, a political subdivision of the State of California, Lessor, and TXO Production Corporation, Lessee.

All that certain lot, piece, parcel or tract of land, situate, lying and being in the County of Contra Costa, State of California, and particularly described as follows; to wit:

Beginning at the South quarter corner of Section 2, Township 1 North, Range 2 East, M.D.B.&M., and running thence West 20.00 feet, thence N. 00° 04' East parallel to and 20.00 feet Westerly from the line between the lands of Cakebread and Gann, 2,450.39 feet, thence North 35° 38' West 228.86 feet, thence East 49.21 feet, thence South 35° 38' East thence South 00° 04' East 213.07 feet, West 2,463.27 feet, thence West 20.00 feet to the point of beginning containing 2.458 acres more or less.

Notwithstanding any provisions to the contrary contained herein this lease and all rights granted to Lessee thereunder are expressly limited to those depths lying below 500 feet below the surface of the leased land and Lessee shall not have the right to enter upon or use any portion of said lands lying above said depth.

0831C

EXHIBIT "C"

Contra
Costa
County

Public Works Department

255 Glacier Drive
Martinez, CA 94553 4897

J. Michael Walford
Public Works Director

Milton F. Kubie
Deputy Director

Maurice E. Mitchell
Deputy Director

November 14, 1988

Mr. Arthur Nitsche
Mineral Resources Engineer
State Land Commission
245 West Broadway, Suite 425
Long Beach, CA 90802

R/P - Fairview Avenue
Oil and Gas Lease Proposal
TXO Production Corp.

Dear Mr. Nitsche:

The leasing of the rather small area of land (2.5 acres) to TXO would not be considered a project subject to C.E.Q.A. requirements. When TXO files for an Oil and Gas Well Permit the County will file a Notice of Exemption for the drill site and subsequent operations under Categorical Exemption Class 3. My understanding from TXO is that this event is at least a month away.

Very truly yours,



Roger H. Frost
Real Property Agent

RF:rs
nitsche.t11