

MINUTE ITEM

This Calendar Item No. 24
was approved as Minute Item
No. 24 by the State Lands
Commission by a vote of 3
0 at its 1/17/1990
meeting.

CALENDAR ITEM

A 26, 10
S 5

24

01/17/90
W 40593 PRC 7375
Hamilton

ISSUANCE OF A NEGOTIATED SUBSURFACE
STATE OIL AND GAS LEASE,
SAN JOAQUIN COUNTY

APPLICANT/PROPOSED LESSEE:

Sun Operating Limited Partnership
c/o Oryx Energy Company
P.O. Box 2880, Attention C & LA
Dallas, Texas 75221-2880

AREA, TYPE AND LOCATION OF STATE LANDS:

Sun Operating Limited Partnership has applied
for a negotiated subsurface (no surface use)
State oil and gas lease on the parcel of State
land described in Exhibit "A". The State
parcel proposed for lease contains
approximately 33 acres of tide and submerged
land in the bed of Beaver Slough in San Joaquin
County, California.

PROPOSED LAND USE:

Because the State parcel is a waterway, surface
locations for oil and/or gas operations (drill
sites) are not available. However, the State
parcel can be developed by slant drilling from
approved drill sites located on the adjacent
lands or by inclusion in a Commission-approved
pooled area or unit as provided under the
Commission's negotiated subsurface State oil
and gas lease.

(ADDED pgs. 145-145.11)

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0.969

Sun Operating Limited Partnership has oil and gas leases and a farmout agreement on all of the private lands adjacent to the State parcel (see Exhibit "C") and has received approval (Exhibit "D") from San Joaquin County Department of Planning and Building Inspection to drill for gas and/or oil from a drill site located on private lands about 200 feet north of the State Parcel.

STATUTORY AUTHORITY:

P.R.C. 6815(a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following circumstances exists: wells drilled on private or public lands are draining or may drain oil and/or gas from the State lands, the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular configuration or their inaccessibility from surface drill sites reasonably available or obtainable, the State owns a fractional interest in the lands, or the Commission determines a negotiated oil and gas lease to be in the best interests of the State.

Because the State parcel can be developed only from adjacent lands that are currently under lease to the applicant (drill sites are not available on the State parcel because it is a waterway) and because the applicant intends to drill a well near the State parcel, staff has concluded that the criteria of P.R.C. 6815(a) would protect oil and gas resources that may underlie the State parcel and be in the best interests of the State.

AB 884:

05-01-90.

PREREQUISITE CONSIDERATIONS:

Filing fee, processing costs, first year's rental, performance bond or other security and executed negotiated subsurface State oil and gas lease have been received and are on file in the Commission's Long Beach office.

NON-NEGOTIABLE PROVISIONS:

1. The lease will be for a primary term of twenty years and for so long thereafter as oil or gas is produced in paying quantities from the leased lands, or so long as the lessee is diligently conducting producing, drilling, deepening, repairing, redrilling or other necessary lease or well maintenance operations in the leased lands.
2. No right to use any portion of the leased lands to a depth of 500 feet for drilling locations, producing facilities or related oil and gas operations.
3. All development of the leased lands shall be accomplished from surface locations on the adjacent lands.
4. All drilling into the leased lands shall be by slant drilling from surface locations on the adjacent lands and shall be on a course and to an objective approved in writing by the State prior to the commencement of drilling.
5. Compliance with all applicable laws, rules and regulations of Federal, State and local governments and receipt of all necessary permits or approvals prior to slant drilling into the leased lands.

NEGOTIATED PROVISIONS:

1. Drilling term of three years. However, if all or part of the leased lands are included in a Commission-approved pooled area or unit, then drilling operations on, and production from lands pooled or unitized with the leased lands shall be deemed to be drilling operations on and production from, the leased lands that are included in the Commission-approved pooled area or unit.

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2. Annual rental of \$125 per acre (\$4,125 for approximately 33 acres).
3. Royalty of 22-1/2% on gas and oil.
4. Performance bond or other security in the sum of \$5,000.

OTHER PERTINENT INFORMATION:

1. CEQA Guidelines Section 15378(a)(3) identifies an activity involving the issuance to a person of a lease as a "project". However, if the site of the project or area in which the major environmental effects will occur is located on private lands within the county, that county will have jurisdiction by law over the project pursuant to CEQA Guidelines Section 15366.
2. As Lead Agency under CEQA, the San Joaquin County Department of Planning and Building Inspection approves development plans to drill for gas and/or oil on property located in the County. Development plans are processed by San Joaquin County as ministerial projects.
3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 4, Minor Alterations to Land, 14 Cal. Code Regs. 15304.

Authority: P.R.C. 21084 and 14 Cal. Code Regs. 15300.

APPROVALS REQUIRED AND OBTAINED:

On September 14, 1989, the San Joaquin County Department of Planning and Building Inspection (Lead Agency) approved Oryx Energy Company's (managing general partner of Sun Operating Limited Partnership) Development Plan No. DP-90-14 (Exhibit "D") to permit Sun to

drill for gas and/or oil from a drill site located on private property about 200 feet north of the State parcel (see Exhibit "C").

EXHIBITS:

- A. Land Description.
- B. General Location.
- C. Site Map.
- D. Development Plan No. DP-90-14.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 4, MINOR ALTERATION TO LAND, 14 CAL. CODE REGS. 15304.
2. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET, THAT THE STATE LAND DESCRIBED IN EXHIBIT "A" IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE, THAT WELLS DRILLED UPON THE ADJACENT PRIVATE LANDS MAY DRAIN OIL AND/OR GAS FROM THE STATE LAND DESCRIBED IN EXHIBIT "A" AND THAT A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE WILL PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE STATE LANDS DESCRIBED IN EXHIBIT "A".
3. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE WITH SUN OPERATING LIMITED PARTNERSHIP. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 33 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$125 PER ACRE (\$4,125 FOR APPROXIMATELY 33 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 22-1/2 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.
4. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"
LAND DESCRIPTION

W 40593

All that tide and submerged land in the bed of Beaver Slough, San Joaquin County, California, bounded on the north and south by the ordinary high water marks of said slough; bounded on the east by the west quarter quarter section lines of Sections 9 & 16, T 4 N, R 5 E, M.D.M.; and bounded on the west by the southerly prolongation of the line described as "running South 1478.0, feet more or less, to the right bank of Beaver Slough;" in Document Number 85003296 Recorded January 17, 1985 in the Office of the County Recorder of said county.

END OF DESCRIPTION

PREPARED JULY 28, 1989 BY RJU 1.

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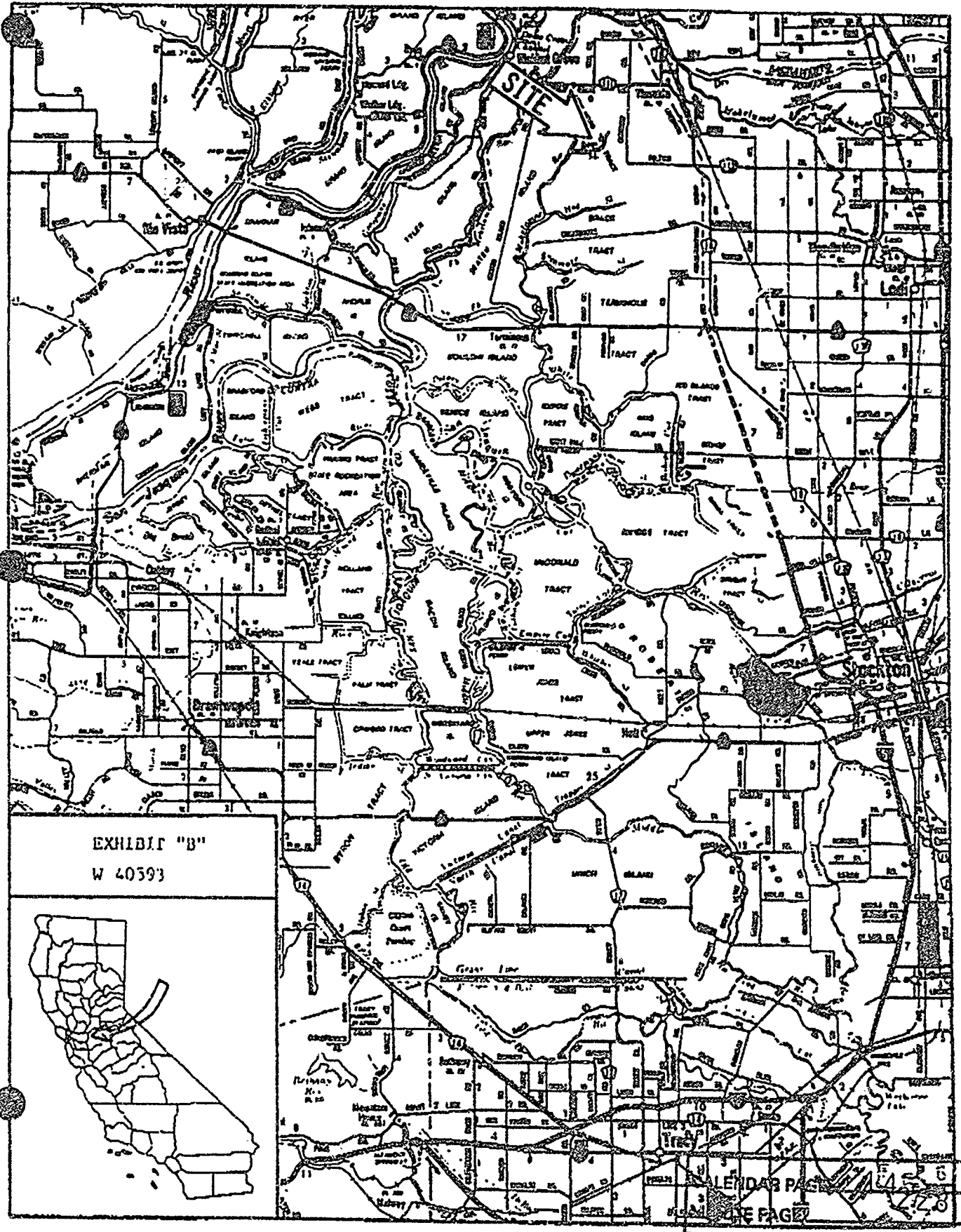


EXHIBIT "B"
W 40593



LENDAS PACT
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EXHIBIT "C"

LOCATION MAP

STATE LANDS COMMISSION

Proposed Negotiated Subsurface
State Oil & Gas Lease

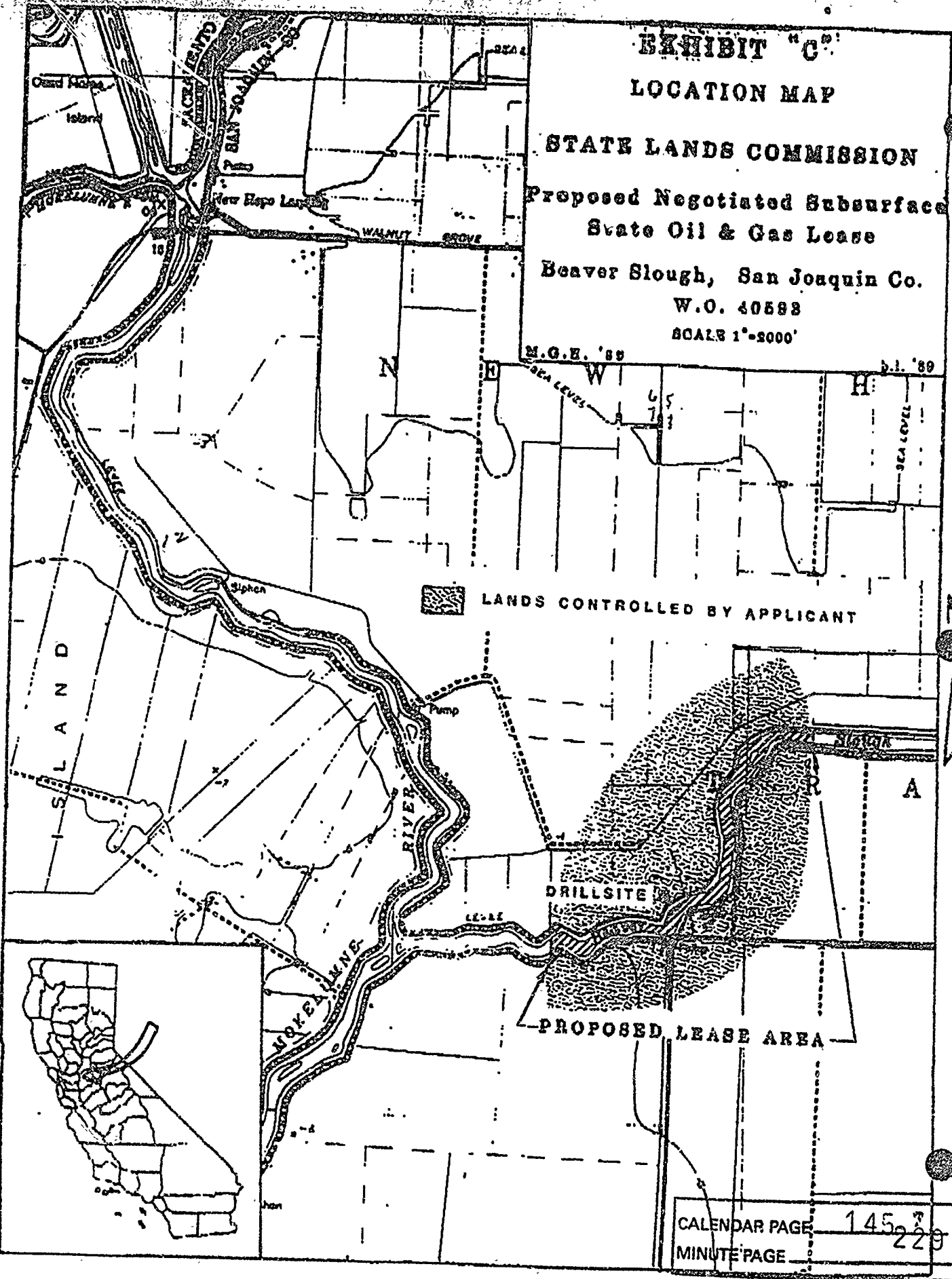
Beaver Slough, San Joaquin Co.

W.O. 40588

SCALE 1"=2000'

M.G.E. '88

d.l. '89



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SAN JOAQUIN COUNTY
DEPARTMENT OF PLANNING AND BUILDING INSPECTION

EXHIBIT "D"

W 40593

1810 E HAZELTON AVE., STOCKTON, CA 95205
PLANNING PHONE, 209/468-3120
BUILDING PHONE, 209/468-3123
NEIGHBORHOOD PRESERVATION PHONE 209/468-3021

September 14, 1989

CHEY DAVISSON
Director
JERRY HERZICK
Deputy Director
RENE JACKSON
Deputy Director
TOM WALKER
Deputy Director

State of California
State Division of Oil and Gas
1416 Ninth Street, Room 1316
Sacramento, CA 95814

Gentlemen:

RE: Development Plan No. DP-90 14

On SEPTEMBER 14, 1989, the San Joaquin County Department of Planning and Building Inspection approved an Application No. DP-90-14 to drill for gas and/or oil on property located 285.12' east and 2545.98' north of the southwest corner of Section 17, T4N, R5E, MDS&M, southwest of Thornton (12525 W. Nile Road). The property is owned by Bank of Stockton, and the applicant was Oryx Energy Company, P.O. Box 55060, Valencia, CA 91355-0560

Development plans are processed as ministerial projects by San Joaquin County.

If you have any questions, please do not hesitate to contact this office.

Sincerely,
Dom De La Torre
DOM DE LA TORRE
Senior Planner

DLT:gt

Attachments: Conditions of Approval & Map

cc: Local Health District
Department of Public Works *Risner*
Building Inspection Division *DW*
Bureau of Fire Prevention
Air Pollution Control District
Bank of Stockton
Oryx Energy Company

460-3000 12/14/89

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DEVELOPMENT PLAN CONDITIONS
FOR
GAS AND OIL

W 40593

CONDITIONS OF APPROVAL:

APPLICATION NO: DP-90-14

DATE APPROVED: 9-14-89

1. There must be proof that the applicant has posted the surety bond as required by the State of California Division of Oil and Gas.
2. An application for a drilling permit for test holes shall be submitted to the Local Health District before drilling commences. The application shall contain a map showing test hole location, depth, and method of test hole destruction.
3. The site plan shall show all structures, equipment, sumps, and access roads.
4. The project shall conform to the approved site plan.
5. The permit shall become void should the use of the property become a nuisance as defined by Section 9-3113 of the Planning Title.
6. Unattended slumps shall be enclosed by a six-foot (6') high chain link fence.
7. Secure encroachment permits for any access points to the public right-of-way from the Department of Public Works.
8. The permit shall expire eighteen (18) months after the date of approval unless all permits necessary to complete the project have been secured and actual drilling shall be diligently pursued to completion, or the permit shall become void. Any cessation for one-hundred-eighty (180) days or more shall void this permit.
9. This permit may be transferred provided:
 - a. The transferee provides the Planning Division with proof of a surety bond, as required by the California Division of Oil and Gas, two weeks prior to the transfer.
 - b. The transferee complies with all conditions of the approved permit.

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DEVELOPMENT PLAN CONDITIONS
FOR GAS AND OIL WELL
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10. Provide sanitary facilities for all employees, as required by the California Occupational Safety and Health Administration.
11. Provide a potable water supply approved by the San Joaquin County Local Health District for all employees.
12. All unused or abandoned holes shall be filled with bentonite or other approved grout material as specified in San Joaquin County Ordinance 1862, and the surface is to be left in its original condition.
13. All gas or oil drilling operations shall be performed in accordance with the rules and regulations set forth by the California Division of Oil and Gas.
14. Adequate fire fighting equipment shall be maintained on the premises in conformity with all State and local regulations.
15. Mud and wastes from the drilling and production shall be disposed of at a site approved by the San Joaquin County Local Health District.
16. Any derricks shall be removed within ninety (90) days of completion or abandonment of the well unless a greater time is approved by the Planning Director in writing, based on a showing of good cause.
17. The surety bond shall remain in force until drilling is completed and the site is restored. On completion or abandonment of the well, all sumps shall be filled to natural grade and site restored to its original condition.
18. Secure a permit from the San Joaquin County Bureau of Fire Prevention before drilling commences.
19. Secure an Authority to Construct from the San Joaquin County Air Pollution Control District or a variance from the San Joaquin County Air Pollution Control District Hearing Board.

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(PV)

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APPLICATION CONTROL SHEET

STAFF USE ONLY

File No. DP-90-14 Fee 570.⁰⁰ Receipt No. 16572

Pre-App. Receipt _____

Description of Project: DRILL FOR GAS AND/OR OIL

Location: 785.12' EAST AND 2545.98' NORTH OF THE SOUTHWEST CORNER OF SECTION 17, T4N, R5E, MDB&M, SOUTHWEST 1/4 THIRTYNINE

Address: 13525 W. KILE ROAD, THIRTYNINE
Number Street City Zip

Assessor Parcel Number(s) C001-050-07

General Plan Designation: AGRICULTURE Community: _____

Zoning: AG-40 Zoning Map: C-3 Overlay Zone: _____

	Zoning	General Plan
also zoning: North:	<u>AG-40</u>	<u>AGRICULTURE</u>
South:	"	
East:	"	
West:	"	

100 Year Flood: No Yes

Williamson Act: No Yes Supervisorial District: 4

Specific Road Plan: No Yes Name: _____

History: No Yes Files: _____

Current Services	Proposed Services
Water Supply: <u>WELL</u>	<u>NO CHANGE</u>
Sewage Disposal: <u>SEWER SYSTEM</u>	" "
Storm Drainage: <u>NATURAL</u>	" "

Remarks: _____

Enforcement File: _____ CALENDAR PAGE 145 MINUTE PAGE 233