

CALENDAR ITEM

C 6 1

MINUTE ITEM
This Calendar Item No. C61
was approved as Minute Item
No. 61 by the State Lands
Commission by a vote of 3
to 0 at its 9/23/92
meeting.

A 3, 8

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09/23/92
W 40636
Nitsche
PRC 7658

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL & GAS LEASE
(539 ACRES UNDER THE SACRAMENTO RIVER)
YOLO AND SUTTER COUNTIES

APPLICANT:

Black Mountain Oil Company
Attn: Mr. Arthur R. Boehm, Jr.
214 West Aliso Street
Ojai, California 930230

AREA, TYPE LAND AND LOCATION:

The State land contains about 539 acres in the bed of the Sacramento River in Yolo and Sutter counties, California (see Exhibits "A", and "B" for the description and approximate location of the State land). Black Mountain Oil Company has completed the application requirements for a negotiated subsurface (no surface use) State oil and gas lease on this State land.

LAND USE:

Because the State land is a waterway, staff has determined that surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land would be protected from drainage and could be developed pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease. Under the terms of the lease, the Commission would approve all directional drilling into the State land from county-approved drill sites and any pooling or unitization of the State land.

Black Mountain Oil Company has oil and gas leases on all of the private property adjacent to the State land and has approval from Yolo County (Lead Agency) to drill oil and gas wells on the private property adjacent to the State land.

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AUTHORITY:

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

Because the State land is a waterway and because Black Mountain Oil Company controls, by lease, all of the drill sites adjacent to the State land and has county (Lead Agency) approval to drill for oil and gas near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been met; that is, the State land is unsuitable for competitive bid leasing because surface locations for oil and gas operations (drill sites) are not available and a negotiated subsurface (no surface use) oil and gas lease will provide protection from wells drilled on private property which may drain oil and gas from the State land.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty (20) 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 adjacent lands.

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4. All drilling into the leased lands shall be by directional drilling from surface locations on adjacent lands and shall be on a course and to an objective approved in writing by the Commission 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 LEASE PROVISIONS:

1. Drilling term of three (3) years. However, if all or part of the leased lands is included in a Commission-approved pooled area or unit, then drilling operations on and production from the pool or unit will be deemed to be drilling operations on and production from the pooled or unitized leased lands.
2. Annual rental of \$25 per acre (\$13,475 for 539 acres).
3. Royalty of twenty-five percent (25%) on gas and oil.
4. Performance bond or other security in the sum of \$15,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Filing fee, processing costs, first year's rental and duly executed State Oil and Gas Lease (Negotiated-Subsurface-Royalty) form have been received and are on file in the Commission's Long Beach office.

AB 884:

03/21/93

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 property within the county, that county will have jurisdiction by law and will be the Lead Agency over the project pursuant to CEQA Guidelines Section 15366.

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2. Yolo County is the Lead Agency for approving oil and gas well drilling in the County. Development of oil and gas wells in an agricultural area of the county is governed by Section 8-2.2610 of the County Ordinance Code. Drilling a gas well in an agricultural area does not require the granting of a land use permit.

For the purposes of complying with the California Environmental Quality Act, the County has adopted a categorical exemption (Class 3) for this type of project in agricultural areas of the County.

Black Mountain Oil Company has drilled the #1 River Garden Farms well and the #3 River Garden Farms well on private upland adjacent to the proposed Sacramento River lease. All County and Division of Oil and Gas drilling requirements have been met.

3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 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 Alteration to Land, 14 Cal. Code Regs. 15304.

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

4. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370 et seq. but will not affect those significant values because the surface of the State land is not included within the project site.

EXHIBITS:

- A. Land Description
- B. Site Map

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY (ISSUANCE OF A NEGOTIATED SUBSURFACE OIL AND GAS LEASE) IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 4, MINOR ALTERATIONS TO LAND, 14 CAL. CODE REGS. 15304.

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2. FIND THAT SIGNIFICANT ENVIRONMENTAL VALUES ORIGINALLY IDENTIFIED PURSUANT TO P.R.C. 6370, ET SEQ., ARE NOT WITHIN THE PROJECT SITE AND WILL NOT BE AFFECTED BY THE PROPOSED PROJECT.
3. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET, THAT IS, A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE IS THE BEST INSTRUMENT TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND DESCRIBED IN EXHIBIT "A" AND THE STATE LAND IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND BECAUSE WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.
4. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH BLACK MOUNTAIN OIL COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 539 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE (\$13,475 FOR 539 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$15,000.
5. AUTHORIZE THE EXECUTION OF THE DOCUMENTS NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

W 40636

LAND DESCRIPTION

THOSE PARCELS OF STATE OWNED LAND IN YOLO AND SUTTER COUNTIES, CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

PARCEL 1

ALL THAT SUBMERGED LAND IN THE BED OF THE SACRAMENTO RIVER IN SECTIONS 2, 3, 11, 14, T11N, R2E; SECTIONS 12, 13, 24, 25, T12N, R1E; SECTIONS 7, 18, 19, 21, 22, 26, 27, 28, 29, 30, 34, 35, T12N, R2E, MDM

EXCEPTING THEREFROM THAT PORTION WITHIN THE N1/3 OF SECTION 12, T12N, R1E, MDM, AND THAT PORTION WITHIN PRC 7282 IN SECTION 14, T11N R2E, MDM, FILED IN THE RECORDS OF THE STATE LANDS COMMISSION. SAID PRC 7282 WAS RECORDED FEBRUARY 24, 1989 IN BOOK 1290 PAGE 542, OFFICIAL RECORDS OF SUTTER COUNTY; AND RECORDED MARCH 22, 1989 IN BOOK 2011 PAGE 383, OFFICIAL RECORDS OF YOLO COUNTY.

ALSO EXCEPTING THEREFROM ANY PORTION LYING LANDWARD OF THE ORDINARY LOW WATER MARKS OF SAID RIVER.

PARCEL 2

ALL THAT LAND AS DESCRIBED IN THE DEED RECORDED IN BOOK 539, PAGE 352 ON APRIL 15, 1958, FILED IN THE COUNTY RECORDER'S OFFICE OF YOLO COUNTY, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WESTERLY LINE OF CALIFORNIA STATE HIGHWAY NO. 45 RIGHT OF WAY, SAID POINT BEING A DISTANCE OF 40 FEET MEASURED AT RIGHT ANGLES FROM THE INTERSECTION OF THE CENTERLINE OF SAID RIGHT OF WAY OF STATE HIGHWAY AND THE CENTERLINE OF SYCAMORE SLOUGH, AS DEFINED BY GRANT OF RIGHT OF WAY BY RIVER GARDEN FARMS OF CALIFORNIA DATED SEPTEMBER 8, 1938 AND RECORDED SEPTEMBER 22, 1938, IN BOOK 117 AT PAGE 335, OF OFFICIAL RECORDS OF THE COUNTY OF YOLO; THENCE FROM SAID POINT OF BEGINNING N 38° 07' 30" W, 83.00 FEET; THENCE ALONG A CURVE TO THE LEFT, HAVING A RADIUS OF 410.00 FEET, THROUGH A CENTRAL ANGLE OF 32° 02', FOR AN ARC LENGTH OF 229.23 FEET; THENCE TANGENT TO THE PRECEDING CURVE N 70° 09' 30" W, 166.93 FEET TO THE INTERSECTION OF THE SOUTHWESTERLY LINE OF SAID STATE HIGHWAY RIGHT OF WAY AND THE EASTERLY LINE OF THE ABANDONED RIVER FARMS BRANCH OF THE SOUTHERN PACIFIC RAILROAD RIGHT OF WAY; THENCE CONTINUING ALONG SAID SOUTHWESTERLY LINE N 70° 09' 30" W, 113.0 FEET; THENCE S 68° 30' W, 55 FEET; THENCE ALONG A CURVE TO THE LEFT, HAVING A CHORD BEARING OF S 15° 24' E, HAVING A RADIUS OF 1507.69 FEET, FOR AN ARC LENGTH OF 314.00 FEET; THENCE S 24° 17' E, 235.00 FEET, TO THE CENTERLINE OF SYCAMORE SLOUGH; THENCE IN AN EASTERLY DIRECTION ALONG THE CENTERLINE OF SYCAMORE SLOUGH, A DISTANCE OF 450.00 FEET, TO THE WESTERLY LINE OF CALIFORNIA STATE HIGHWAY NO. 45 RIGHT OF WAY AND THE POINT OF BEGINNING.

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PARCEL 3

A PORTION OF THAT TRACT OF LAND SITUATED IN LOT 37 OF JIMENO RANCHO, NEAR A BEND IN THE SACRAMENTO RIVER. LOCALLY KNOWN AS "COLLINS EDDY", SAID PORTION OF LAND BEING A PART OF SAID LOT LYING ON THE WESTERLY SIDE OF THE GENERAL COURSE OF THE SACRAMENTO RIVER, BETWEEN THE RECLAMATION LEVEE OF RECLAMATION DISTRICT NO. 108, AND SAID "COLLINS EDDY", AT THE EXTREME EASTERLY END THEREOF, BEING IN THE COUNTY OF YOLO, STATE OF CALIFORNIA, AS DELINEATED ON THAT CERTAIN MAP ENTITLED "PORTION OF RIVER GARDEN FARMS COMPANY'S TRACT AT COLLINS EDDY ON THE SACRAMENTO RIVER, CALIFORNIA, SHOWING LANDS FOR WHICH TITLES, EASEMENTS, ETC., ARE REQUIRED FOR RECTIFICATION OF THE CHANNEL UNDER THE SACRAMENTO RIVER FLOOD CONTROL PROJECT SCALE 1"=400' ENGINEER OFFICE, U. S. ARMY, THIRD SAN FRANCISCO DISTRICT, SAN FRANCISCO, CALIFORNIA, MARCH 17, 1917", AND COMBINING AND INCLUDING ALL OF THE FOUR PARCELS SHOWN THEREON AS PARCELS "A", "B", "C" AND THAT PARCEL OF LAND IN SEVERANCE, EASTERLY OF PARCEL "C" AND BOUNDED ON THE REMAINING SIDES BY THE RIGHT BANK OF THE SACRAMENTO RIVER, AND BEING DESCRIBED AS FOLLOWS:

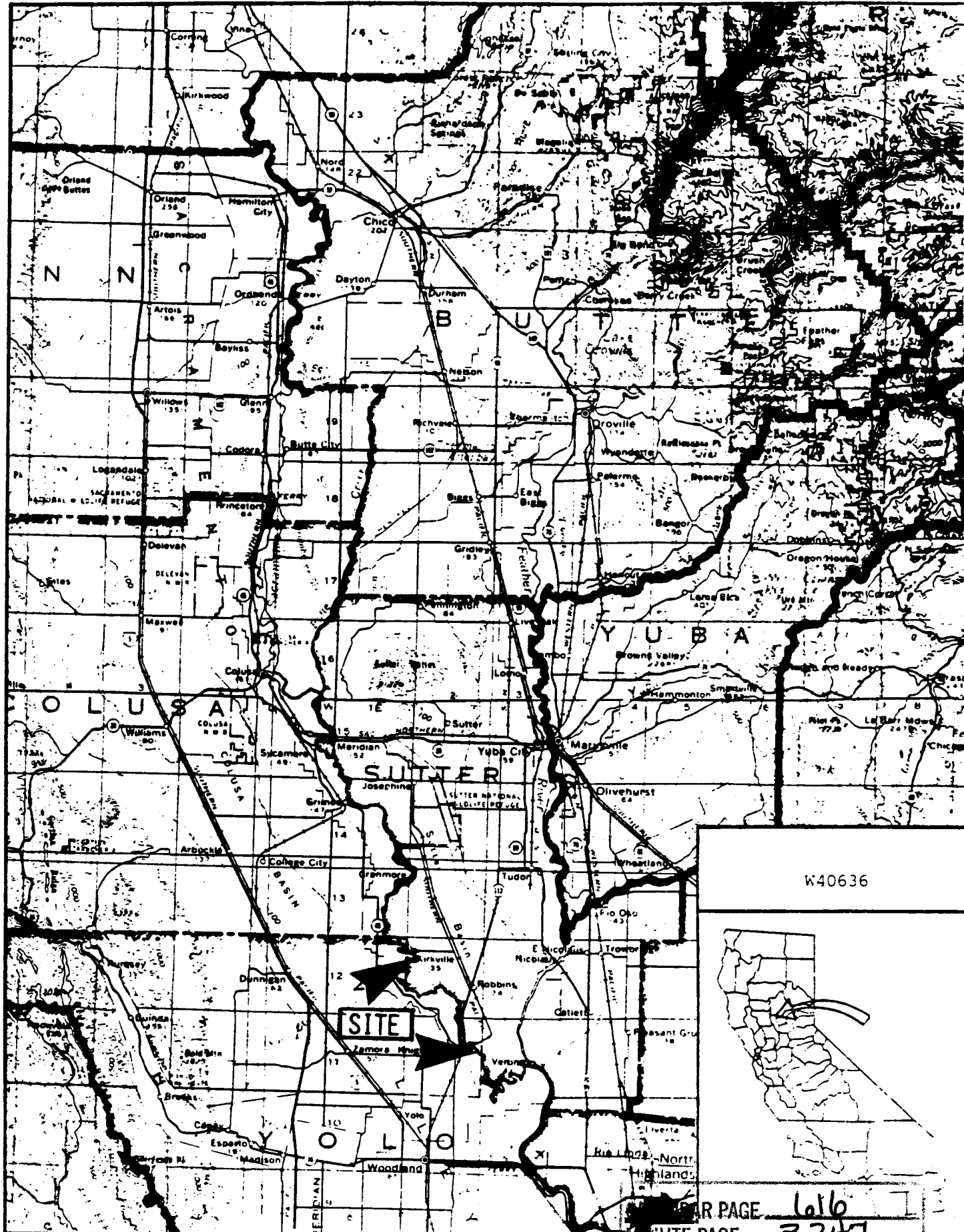
COMMENCING AT A POINT (ON THE TOP OF THE RIGHT BANK OF THE SACRAMENTO RIVER ABOUT 260 FEET SOUTHEAST OF BEAVER LAKE AND ABOUT ONE HALF MILE DOWN STREAM FROM COLLINS EDDY, WHICH BEARS N 67° 21' 30" E, 2732.06 FEET FROM STONE MONUMENT NO. 54, AND WHICH ALSO BEARS, S 24° 14' 45" W, 4264.59 FEET FROM THE UNITED STATES ENGINEER DEPARTMENT BENCH MARK NO. 325; AND WHICH ALSO BEARS, N 23° 07' W, 2751.31 FEET FROM THE SW CORNER OF THE SE1/4 OF SE1/4 OF SECTION 13, T12N, R1E, MDM, THENCE FROM SAID POINT OF COMMENCEMENT, S 40° 01' E, 10.0) FEET TO THE POINT OF BEGINNING ON THE LOW WATER SHORE LINE; THENCE FOLLOWING ALONG THE IRREGULAR LOW-WATER SHORE LINE ON THE RIGHT BANK OF THE SACRAMENTO RIVER, UP STREAM, BY THE FOLLOWING COURSES AND DISTANCES; N 61° 57' 30" E, 398.20 FEET; THENCE N 69° 58' E, 351.78 FEET; THENCE N 80° 11' 30" E, 193.69 FEET; THENCE S 89° 58' 15" E, 290.01 FEET; THENCE S 85° 30' E, 802.00 FEET; THENCE S 68° 10' E, 392.00 FEET; THENCE N 14° 10' E, 145.00 FEET; THENCE N 53° 45' W, 518.00 FEET; THENCE N 39° 00' W, 590.00 FEET; THENCE N 29° 45' 45" W, 287.12 FEET; THENCE N 23° 02' 30" W, 292.75 FEET; THENCE N 02° 38' 15" W, 469.00 FEET; THENCE N 02° 54' 45" E, 322.92 FEET; THENCE LEAVING SAID ABOVE MENTIONED LOW-WATER SHORE LINE, S 35° 15' 45" W, 525.60 FEET; THENCE ALONG A CURVE TO THE RIGHT, FROM A TANGENT WHICH BEARS, S 09° 55' W, HAVING A RADIUS OF 2500.00, THROUGH A CENTRAL ANGLE OF 40° 04', FOR AN ARC LENGTH OF 1748.24 FEET (LONG CHORD BEARING S 29° 57' W, 1712.83 FEET); THENCE S 20° 19' W, 454.59 FEET TO THE POINT OF BEGINNING, AND BEING THAT TRACT CONVEYED BY RIVER FARMS COMPANY OF CALIFORNIA, TO THE STATE OF CALIFORNIA, BY DEED DATED OCTOBER 19, 1917, AND RECORDED NOVEMBER 19, 1917, IN BOOK 93 OF DEEDS, AT PAGE 265.

END OF DESCRIPTION

SCANNED AND FORMATTED DECEMBER, 1991 BY LLB

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EXHIBIT B



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