

CALENDAR ITEM

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MINUTE ITEM
This Calendar Item No. C62
was approved as Minute Item
No. 62 by the State Lands
Commission by a vote of 3
to 0 at its 9/23/92
meeting.

09/23/92
PRC 7282
Nitsche

CONSENT TO POOL AND APPROVE REVISED LAND DESCRIPTION
OF NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE PRC 7282
(320 ACRES IN THE BED OF THE SACRAMENTO RIVER),
YOLO AND SUTTER COUNTIES

APPLICANT:

Black Mountain Oil Company
Attn: Arthur R. Boehm, Jr.
214 West Aliso Street
Ojai, California 93023

AREA, TYPE LAND AND LOCATION:

A parcel containing approximately 320 acres of State land in
the bed of the Sacramento River, Knights Landing Area, Yolo
and Sutter counties.

BACKGROUND:

Negotiated subsurface (no surface use) State oil and gas lease
PRC 7282 was entered into on February 6, 1989, between the State
Lands Commission (State) and Black Mountain Oil Company (Black
Mountain). The lease contains approximately 320 acres in the bed
of the Sacramento River in Yolo and Sutter counties.

Paragraph 22(b) of the lease allows the lessee, with the consent
of the State and under terms and conditions approved by the
State, to pool or unitize all or part of the leased lands with
lands held by the lessee or others.

Black Mountain proposes to form an operating unit that contains a
total of 495.37 acres of State and private leased lands. Black
Mountain's unit is called "Knights Landing Unit B" and is created
for the development and production of natural gas. Black
Mountain has requested that the Commission consent to the pooling
of 54.06 acres of leased lands under State oil and gas lease PRC
7282 by approving Black Mountain's Declaration of Pooling dated
November 1, 1991, which created the Knights Landing Unit B.

CALENDAR ITEM NO C 6 2 (CONT'D)

The staff has evaluated the geologic and reservoir data and has determined that the unit will be economically advantageous to the State to share in the production from the proposed unit.

In addition, Black Mountain has requested additional acreage for State oil and gas lease PRC 7282. The original lease acreage contained 110 acres with annual rental of \$25/per acre (\$2,750 a year). The revised acreage for State oil and gas lease PRC 7282 is 320 acres with an annual rental of \$25/per acre (\$8,000 a year). This additional acreage meets all requirements for a negotiated lease as did original lease acreage of PRC 7282. All other lease terms and conditions remaining unchanged including a gas royalty of 20 percent.

BASIS FOR CONSIDERATION:

P.R.C. 6829.2, P.R.C. 6832 and Paragraph 22(b) of State oil and gas lease 7282.

AB 884:

N/A

OTHER PERTINENT INFORMATION:

1. 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 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.

EXHIBITS:

- A. Amended Lease Land Description
- B. Map of Knights Landing Unit B.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY, CONSENT TO THE POOLING OF A PORTION OF LEASED LANDS UNDER STATE OIL AND GAS LEASE PRC 7282, IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.

CALENDAR ITEM NO. C 6 2 (CONT'D)

2. CONSENT TO THE POOLING OF 54.06 ACRES OF LEASED LANDS UNDER STATE OIL AND GAS LEASE PRC 7282 WITH OTHER PRIVATE LEASED LANDS HELD BY BLACK MOUNTAIN OIL COMPANY. CONSENT IS GIVEN BY APPROVING BLACK MOUNTAIN'S DECLARATION OF POOLING DATED NOVEMBER 1, 1991, WHICH CREATES THE KNIGHTS LANDING UNIT B (APPROXIMATELY 495.37 ACRES INCLUDING 54.06 ACRES OF LEASED LANDS UNDER STATE OIL AND GAS LEASE PRC 7282) AS SHOWN IN EXHIBIT "B". THE UNITIZED AND NON-UNITIZED LEASED LANDS SHALL BE SUBJECT TO THE PROVISIONS OF STATE OIL AND GAS LEASE PRC 7282, ANY CONDITIONS IN THE DECLARATION OF POOLING TO THE CONTRARY NOTWITHSTANDING.
3. APPROVE THE REVISED LAND DESCRIPTION DESCRIBED IN EXHIBIT "A" ADDING ACREAGE TO STATE OIL AND GAS LEASE PRC 7282 BRINGING THE TOTAL TO 320 ACRES IN THE BED OF THE SACRAMENTO RIVER, YOLO AND SUTTER COUNTIES.
4. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

PRC 7282

**AMENDED LEASE
LAND DESCRIPTION**

Two parcels of State owned land in Yolo and Sutter Counties, California, more particularly described as follows:

PARCEL NO.1:

All that submerged land in the bed of the Sacramento River downstream from the southeasterly right-of-way of the Southern Pacific Railroad in the town of Knights Landing within the projected Sections 13, 14, 24, 25 T11N, R2E, and Sections 18, 19, 30, 31, 32 T11N, R3E, MDM.

EXCEPTING THEREFROM that portion in Section 31, 32 T11N, R3E, MDM, as described in PRC 6078, filed in the office of the State Lands Commission, more particularly described as follows: All those State owned submerged lands in the bed of the last natural channel of the Sacramento River at Grays Bend, Sutter and Yolo Counties, State of California, lying within T10N and T11N, R3E, MDM, Bounded on the north by California Coordinate System Zone 2 Coordinates of X=2094600 and Y=398250; thence running downstream southwesterly, southerly, easterly, northerly and northeasterly and terminating at coordinates X=2096000 and Y=396850. ALSO EXCEPTING THEREFROM any portion lying landward of the ordinary low water marks of said river.

PARCEL NO. 2

All that State owned land in the bed of the cut-off loop of the Sacramento River, known as Mary Lake, Sutter County, State of California, described as follows: The northwest-quarter (NW1/4) of Section 19, T11N, R3E, MDM.

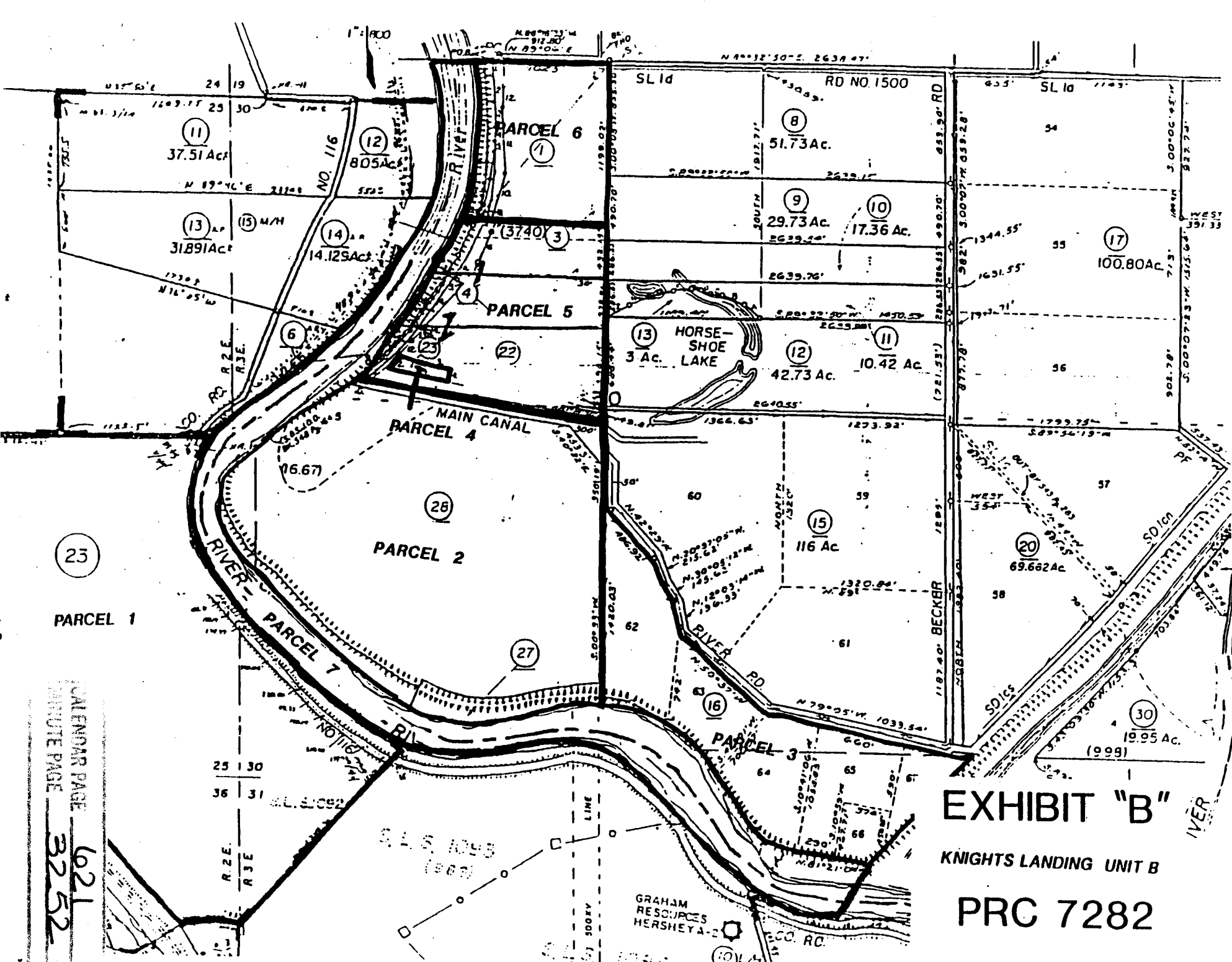
EXCEPTING THEREFROM the following:

1. All that portion conveyed by patent from the State of California to James Waters, recorded April 24, 1917, in Book "E" of Patents, page 164, records of Sutter County.
2. All that portion conveyed by patent from the State of California to William McGriff, recorded January 2, 1874 in Book "C" of Patents, page 296, records of Sutter County.
3. All that portion conveyed by patent from the State of California to L. Johnson, recorded January 4, 1911 in Book "E" of Patents, page 121, records of Sutter County.

END OF DESCRIPTION

PREPARED DECEMBER, 1991 BY LLB

CALENDAR PAGE	<u>620</u>
MINUTE PAGE	<u>3251</u>



23

PARCEL 1

CALENDAR PAGE 6021
 MINUTE PAGE 3252

25 30
 36 31

EXHIBIT "B"

KNIGHTS LANDING UNIT B

PRC 7282

GRAHAM
 RESOURCES
 HERSHEY A-2

EXHIBIT "A"

PRC 7282

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CALENDAR PAGE	622
MINUTE PAGE	3253

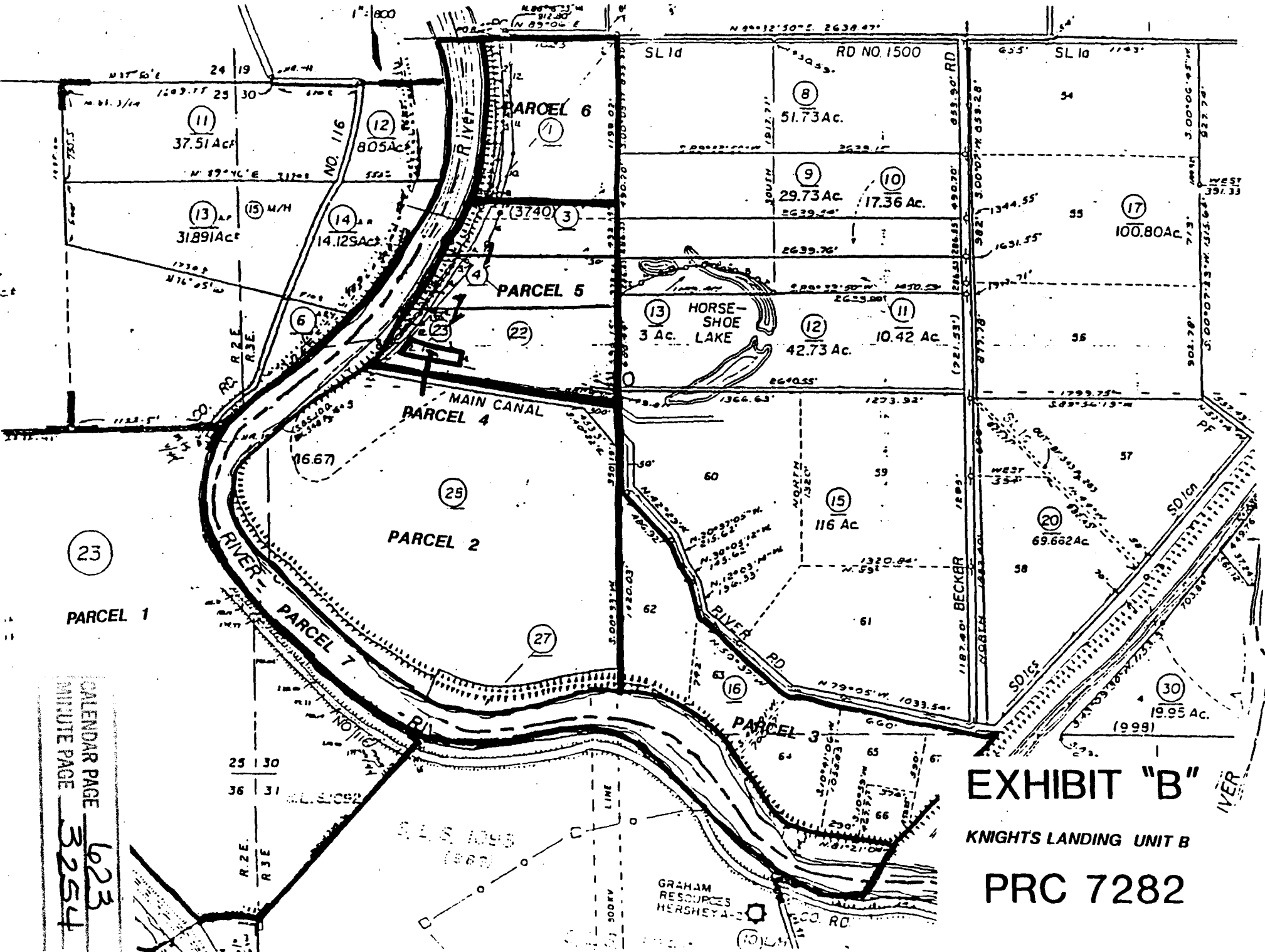


EXHIBIT "B"
KNIGHTS LANDING UNIT B
PRC 7282

CALENDAR PAGE 623
 MINUTE PAGE 3254

GRAHAM
 RESOURCES
 HERSHEY, PA