

MINUTE ITEM

This Calendar Item No. C87 was approved as Minute Item No. 87 by the California State Lands Commission by a vote of 3 to 0 at its 08/21/96 meeting.

**CALENDAR ITEM
C87**

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S 4

08/21/96
P 7908 W 40737
A. Nitsche

**APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE ON 26.4 ACRES
IN THE BED OF THE SACRAMENTO RIVER,
SUTTER AND COLUSA COUNTIES**

PROPOSED LESSEE:

Slawson Exploration Company, Inc.
1625 Broadway, Suite 1450
Denver, Colorado 80202

AREA, TYPE AND LOCATION OF STATE LAND:

Slawson Exploration Company Inc., has submitted a complete application for a negotiated subsurface (no surface use) State Oil and Gas Lease on 26.4 acres, more or less, in the bed of the Sacramento River, Sutter and Colusa Counties, California (see Exhibit "A" for land description).

LAND USE:

Because the State land is a waterway, surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land can be developed and protected pursuant to the Commission's negotiated subsurface (no surface use) State Oil and Gas Lease which would permit Commission-approved slant drilling from a county-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

AUTHORITY:

Public Resources Code Section 6815(a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following exists: (1) wells drilled on private or public lands are draining or may drain oil and gas from the State lands, (2) the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular

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configuration or their inaccessibility from surface drill sites reasonably available or obtainable, (3) the State owns a fractional mineral interest in the lands, or (4) the Commission determines the lease to be in the best interests of the State.

Because the Applicant controls, by lease and agreement, all of the private property adjacent to the State land described in Exhibit "A" and because the Applicant has county (Lead Agency) approval to drill a well near the State land, staff has concluded that the criteria of Public Resources Code Section 6815(a) have been satisfied. A negotiated subsurface (no surface use) State Oil and Gas Lease with the Applicant will protect oil and gas resources that may underlie the State land which is unsuitable for competitive bidding because surface drill sites are not available and wells drilled on the adjacent private property may drain State oil and gas resources.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty years and for so long thereafter as oil and 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.
4. All drilling into the leased lands shall be by slant drilling from surface locations on adjacent lands and shall be on a course and to an objective approved in writing by the Commission's staff 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.

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NEGOTIATED LEASE 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.
2. Annual rental of \$40 per acre (\$1,056 for approximately 26.4 acres).
3. Royalty of 20 percent on gas and oil.
4. Performance bond or other security in the sum of \$5,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

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

AB 884:

12/13/96

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.

2. As Lead Agency, the Sutter County Community Services Department approves Zoning Clearances for the surface drilling of gas wells on private property in the County. Sutter County approved Zoning Clearance No.

CALENDAR ITEM NO. C87 (CONT'D)

2517 on June 14, 1996 for the drilling of the Transamerica No. 1-25
(Permit No. 96-01)

EXHIBITS:

- A. Land Description, Site Map, General Location
- B. Copy of Sutter County Zoning Clearance No. 2517.

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 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL CODES REGS. 15061(b)(3).
2. FIND THAT THIS ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON SUCH LANDS.
3. DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET; THAT 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, THAT THE STATE LAND IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.
4. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH SLAWSON EXPLORATION COMPANY INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 26.4 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$40 PER ACRE (\$1,056 FOR APPROXIMATELY 26.4 ACRES), ROYALTY ON

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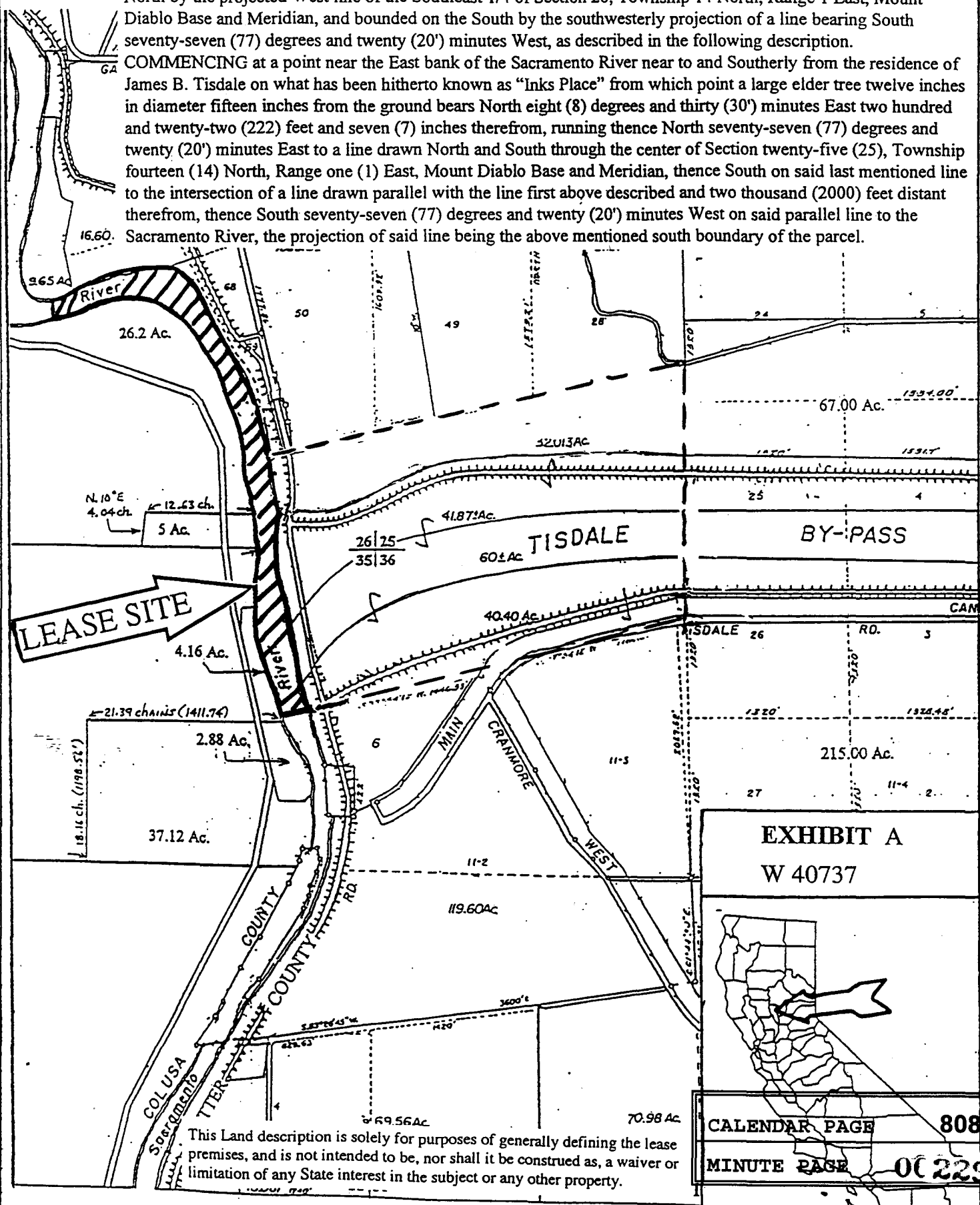
GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.

5. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO AFFECT THE COMMISSION'S ACTION.

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DESCRIPTION That portion of the bed of the Sacramento River to the ordinary low water line, said portion being bounded on the North by the projected West line of the Southeast 1/4 of Section 26, Township 14 North, Range 1 East, Mount Diablo Base and Meridian, and bounded on the South by the southwesterly projection of a line bearing South seventy-seven (77) degrees and twenty (20) minutes West, as described in the following description.

COMMENCING at a point near the East bank of the Sacramento River near to and Southerly from the residence of James B. Tisdale on what has been hitherto known as "Inks Place" from which point a large elder tree twelve inches in diameter fifteen inches from the ground bears North eight (8) degrees and thirty (30) minutes East two hundred and twenty-two (222) feet and seven (7) inches therefrom, running thence North seventy-seven (77) degrees and twenty (20) minutes East to a line drawn North and South through the center of Section twenty-five (25), Township fourteen (14) North, Range one (1) East, Mount Diablo Base and Meridian, thence South on said last mentioned line to the intersection of a line drawn parallel with the line first above described and two thousand (2000) feet distant therefrom, thence South seventy-seven (77) degrees and twenty (20) minutes West on said parallel line to the Sacramento River, the projection of said line being the above mentioned south boundary of the parcel.



This Land description is solely for purposes of generally defining the lease premises, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT A
W 40737

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County of Sutter
COMMUNITY SERVICES DEPARTMENT
1160 Civic Center Boulevard, Suite E
Yuba City, California 95993

EXHIBIT B

ZONING CLEARANCE

No. 2517

Date June 14, 1996

This is to certify that the following has received zoning clearance from this office:

Name: Donald C. Slawson Exploration, c/o Irani Engineering/Thomas E. Frye et al.

Property Location: Located on the east side of Garmire Road, 1000 feet south of Acme Road, Meridian.

Assessor's Parcel No.: 21-100-006

Zoning Classification: AG (General Agricultural) District

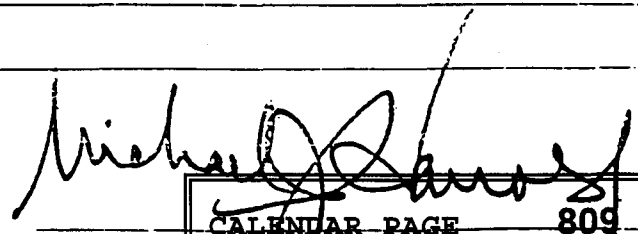
For: /Gas and Oil Well Drilling Permit No. 96-01

Gas Well Name: Transamerica No. 1-25

Conditions:

- ~~1. The project shall be conducted in compliance with the conditions as outlined and acknowledged on the application for gas and oil well drilling and production as attached.~~
- ~~2. The applicant shall complete and return to the Environmental Health Program a GAS WELL WASTE GENERATOR FORM.~~
- ~~3. Applicant shall complete and return to the Sutter County OES a Hazardous Materials Business Plan & Inventory or sign and return an Exemption Statement.~~

Attachments:


CALENDAR PAGE 809
Signature
MINUTE PAGE 002294
Principal Planner
Title



SUTTER COUNTY
COMMUNITY SERVICES DEPARTMENT

Animal Control
Building Inspection
Fire/Emergency Services
Planning
Environmental Health

Rich Hall, Director
Dan McVey, Assistant Director
Community Services
Gary Kraus, Assistant Director
Fire & Emergency Services

May 30, 1996

NOTICE OF DETERMINATION TO ISSUE ZONING CLEARANCE
(Project No. 96-01)

The Sutter County Community Services Department has determined to issue a Gas or Oil Well Zoning Clearance for the drilling and production of a gas or oil well on property described below. Application data is on file in the Community Services Department for review during office hours between 8 a.m. and 5:00 p.m., Monday through Friday, except holidays.

Applicant: Donald C. Slawson Exploration, c/o Irani Engineering

Well Name: Transamerica No. 1-25

Surface Owner: Thomas E. Frye, et al

Assessor's Parcel Number: 21-100-006

Property Location: Located on the east side of Garmire Road, 1,000 feet south of Acme Road, Meridian.

Location of Well Site: Located 1/3 mile east of Garmire Road, and 2,000 feet south of Acme Road, Meridian.

Action of the Community Services Department may be appealed within ten (10) working days of May 30, 1996. Appeals must be made in writing, stating grounds for appeal, along with a check in the amount of \$400, to the Board of Supervisors. Such an appeal must be filed with the Clerk of the Board of Supervisors, 1160 Civic Center Boulevard, (P.O. Box 1555), Yuba City, CA 95993.

Michael J. Harrold, Principal Planner
Community Services Department

A. FORMSIGAS-WELL.NOT

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Sutter County Planning Department
 1160 Civic Center Boulevard
 Post Office Box 1555
 Yuba City, California, 95992
 (916) 741-7400

**APPLICATION FOR GAS AND OIL WELL
 DRILLING AND PRODUCTION**
 Filing Fee - \$400.00

| OFFICE USE ONLY | |
|------------------------------|--------------------------------|
| Application No. <u>96-07</u> | Date Filed <u>May 29, 1996</u> |
| Receipt No. <u>71430</u> | |

Project Location: 800' South and 300' East from NW corner of Sec. 25, T 14N, R 1E

Assessor's Parcel No. 21-10-06

Well Name: Transamerica No. 1-25 (Attach plan & map)

Project Sponsor:
 Donald C. Slawson Exploration
 c/o Irani Engineering

Surface Owner:
 Thomas Frye Trust

3240 Marshall Ave.

3699 Colusa Ave.

Address
Carmichael, CA 95609

Address
Yuba City, CA 95993

City/State/Zip
Saeed Irani 916-482-2847

City/State/Zip
Thomas Frye 916-673-7578

Contact Person (Phone No.)

Contact Person (Phone No.)

The undersigned hereby certifies that the information attached hereto is accurate and that the following conditions shall be met in completion of this project and that failure to comply with said conditions may be punishable by fine and/or imprisonment pursuant to Section 1500-8790 of the Sutter County Zoning Code:

(1) The well location is at least 500 feet from any existing residence and is not on lands controlled by any State or Federal Agency.

(2) The location of the well, access road, pipelines and other appurtenances have been coordinated with the owner of the surface rights to the property to be used as a well site.

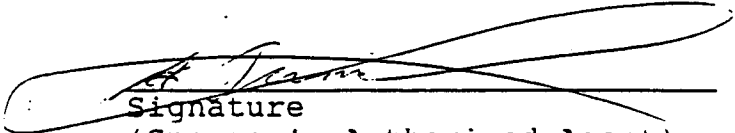
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(3) All facilities except those required for well operation and maintenance will be removed and the site restored to its original condition within ninety (90) days of completion of the drilling process or as otherwise arranged with the surface owner.

(4) The agent submitting the application guarantees to notify the County Planning Department of completion or abandonment of the well within ten (10) days of cessation of drilling operations.

(5) All local and State regulations will be observed including but not limited to requirements of the Sutter County Health Department and the California Division of Oil and Gas for on-site sanitary facilities and waste disposal, the Sutter County Public Works Department for all necessary encroachment permits to make driveway connections to County roads and the California Division of Oil and Gas for all necessary permits.

The undersigned further acknowledges that the Gas and Oil Well Zoning Clearance issued pursuant to this application shall become null and void without further action if no drilling has commenced within one (1) year of issuance or the date of appeal determination, if any.



Signature
(Sponsor's Authorized Agent)

Saeed Irani

Print Name

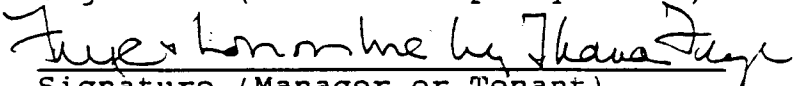
Date May 25, 1996

I have reviewed the project and have no objection to the issuance of a Zoning Clearance:



Signature (Surface Property Owner)

Date



Signature (Manager or Tenant)

Date