

MINUTE ITEM
This Calendar Item No. C75
was approved as Minute Item
No. 75 by the State Lands
Commission by a vote of 2
to 0 at its 7/11/97
meeting.

CALENDAR ITEM
C75

A 3, 8
S 1

PRC 7976 07/11/97
W 40754
A. Nitsche

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE
(NO SURFACE USE) OIL AND GAS LEASE
IN THE BED OF NURSE SLOUGH,
SOLANO COUNTY**

BACKGROUND:

McFarland Energy, Inc. and Santa Barbara Resources, Inc., have submitted a completed application for a negotiated subsurface (no surface use) Oil and Gas Lease on about 42 acres in the bed of Nurse Slough, Solano County (see Exhibit A for land description). 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's land can be developed and protected pursuant to the Commission's negotiated subsurface (no surface use) 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.

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: wells drilled on private or public lands are draining or may drain oil and 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 mineral interest in the lands, or the Commission determines the lease to be in the best interests of the State.

Because the Applicant controls by lease or 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) Oil and Gas Lease with the Applicant will protect oil and gas resources that may underlie the State's 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.

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PERMIT STREAMLINING ACT DEADLINE:

October 31, 1997

OTHER PERTINENT INFORMATION:

1. A Negative Declaration was prepared and adopted for this project by Solano County. The California State Lands Commission's staff has reviewed such document.
2. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.
3. 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.
4. Annual rental of \$1050 (\$25 per acre for approximately 42 acres).
5. Royalty of 25 percent on gas and oil.

EXHIBITS:

- A. Land Description
- B. Site Map and General Location

IF IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A NEGATIVE DECLARATION WAS PREPARED AND ADOPTED FOR THIS PROJECT BY SOLANO COUNTY AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

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3. DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) 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) OIL AND GAS LEASE WITH MCFARLAND ENERGY, INC., AND SANTA BARBARA RESOURCES, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A (APPROXIMATELY 42 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE (\$1,050 FOR APPROXIMATELY 42 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.
5. AUTHORIZE THE EXECUTION OF THE DOCUMENT(S) NECESSARY TO EFFECT THE COMMISSION'S ACTION.

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**Exhibit A
Land Description**

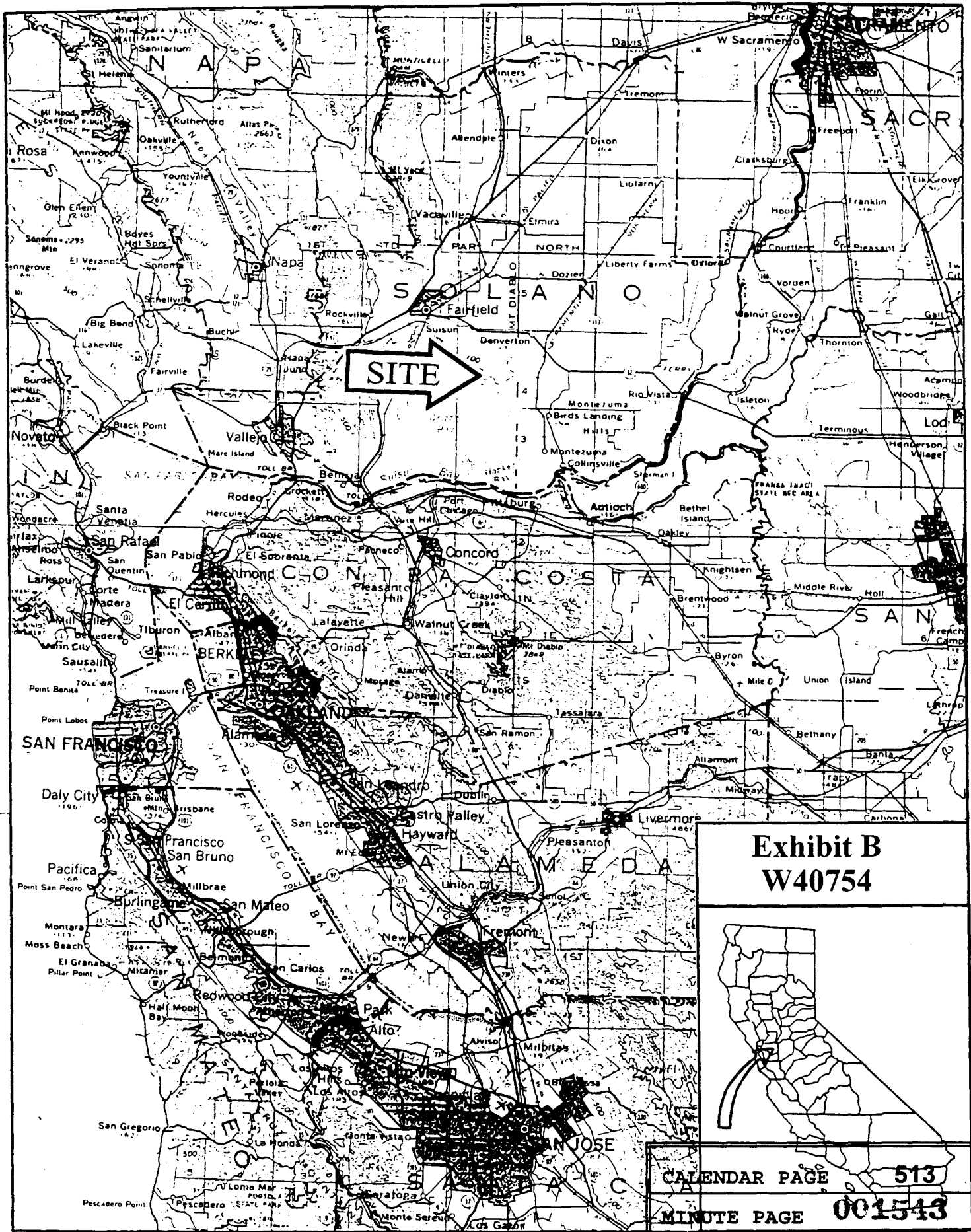
W40754

A parcel of State owned tide and submerged lands lying in the bed of Nurse Slough (Luco Slough) Solano County, California said parcel described as follows:

All that portion of the bed of Nurse Slough bounded on the north by a line parallel with and 3400 feet southerly of the northerly line of Section 3, T04N, R01W, MDM, and bounded on the south by Little Honker Bay.

END OF DESCRIPTION

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SITE

**Exhibit B
W40754**



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