

CALENDAR ITEM
C82

MINUTE ITEM
This Calendar Item No. C82
was approved as Minute Item
No. 82 by the State Lands
Commission by a vote of 3
to 0 at its 11-26-01
meeting

A 8, 10, 15, 17

S 4, 5, 7

11/26/01
PRC 7542.1
A. Nitsche

**CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST
IN OIL AND GAS LEASE NO. PRC 7542.1, ISLETON GAS UNIT,
SACRAMENTO COUNTY**

ASSIGNOR:

EOG Resources, inc.
Attn.: Ms. Teresa Dean
600 17th Street, Suite 1100N
Denver, CO 80202

ASSIGNEE:

Towne Exploration Company
Attn.: Mr. Ted Towne
582 Market Street, Suite 1500
San Francisco, CA 94104

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 7542.1 (Isleton Gas Unit) encompasses a portion of Agreement for Easement No. E-415.1, in the beds of the Sacramento River and Georgiana Slough, which lands are in Sacramento County.

BACKGROUND:

On June 3, 1940, an Agreement for Easement No. E-415.1, covering approximately 2,827 acres of sovereign land of the State in the Rio Vista Gas Field in Contra Costa, Sacramento, San Joaquin and Solano counties was issued, pursuant to competitive public bidding, for a term of 20 years to the Standard Oil Company of California. The agreement was modified on November 1, 1950, by the formation of the Isleton Gas Field Unit. The Isleton Gas Field Unit was created for the purpose of producing natural gas from the "Midland" and "Capay" zones underlying unit lands, including that portion of the lands covered

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by E-415.1 included within the unit. The State land and zones committed to the Isleton Gas Field Unit are described and defined in Exhibit A, attached. Gas Lease E-415.1 superceded the Agreement for Easement No. 415.1 and was issued on December 20, 1963, to Standard Oil Company of California. Section 2(o) of the lease of Easement No. E-415.1. Section 2(o) of the agreement provides, in part, that the holder of the easement may not assign, transfer or sublet its interest, without the prior consent of the State.

On May 26, 1964, the California State Lands Commission (Commission) approved the assignment of a portion of E-415.1, insofar as it pertains to lands and zones included in the Isleton Gas Unit, to Casex Company (Casex). A new file reference of Public Resources Code No. PRC 7542.1 was assigned to that portion of E-415.1, committed to the Isleton Gas Unit for royalty accounting purposes. On November 7, 1997, the Commission approved the assignment of Casex's interest in the Isleton Unit, (Lease No. PRC 7542.1) to Enron Oil and Gas Company, now EOG Resources, Inc. EOG Resources, Inc., is now requesting that the Commission approve assignment of its 100 percent interest in (PRC 7542.1) Isleton Gas Unit to Towne Exploration Company. All wells within PRC 7542.1 are currently idle. Towne Exploration Company plans to return the lease to production. Towne Exploration, Inc. has submitted corporate and financial data, which were reviewed by Commission staff. Based on the results of the reviews, Commission staff has determined that Towne Exploration, Inc., possesses the financial resources to meet the requirements and obligations of Oil and Gas Lease No. PRC 7542.1.

STATUTORY AND OTHER REFERENCES:

- A. Section 2(o) of the Lease.
- B. Public Resources Code section: 6804

OTHER PERTINENT INFORMATION

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

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2. Assignment forms and prerequisite filing fees have been paid by Towne Exploration Company.
3. Performance Bond of \$25,000 is on file at the Long Beach office.
4. Towne Exploration, Inc. has submitted corporate and financial data, which were reviewed by Commission staff. Based on the results of the reviews, Commission staff has determined that Towne Exploration, Inc., possesses the financial resources to meet the requirements and obligations under the terms of Oil and Gas Lease No. PRC 7542.1.

EXHIBITS:

- A. Land Description
- B. Location Map.

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

CONSENT TO THE ASSIGNMENT OF 100 PERCENT INTEREST IN OIL AND GAS LEASE NO. PRC 7542.1 FROM EOG RESOURCES, INC. TO TOWNE EXPLORATION COMPANY, WITH THE ASSIGNEE TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THE LEASE.

AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THIS ASSIGNMENT.

**EXHIBIT A
LAND DESCRIPTION
E-415 ISLETON GAS UNIT
PRC 7542**

PARCEL 9

All that certain real property situated in the County of Sacramento, State of California, described as follows:

All those certain submerged lands belonging to the State of California and underlying that portion of the Sacramento River which is bounded on the East by a straight line extending southeasterly from United States Geological Survey Pier No. 8, on Grand Island, to United States Engineers' Station "Venice U.S.E. 1931," on Venice Island, and is bounded on the West by a straight line extending southeasterly from a point which is East 750 feet from United States Coast and Geodetic Survey Triangulation Station "Islation, northeast transmission tower" to a point which is East 2250 feet from United States Coast and Geodetic Survey Triangulation Station "Jackson."

PARCEL 10

All that certain real property situated in the County of Sacramento, State of California, described as follows:

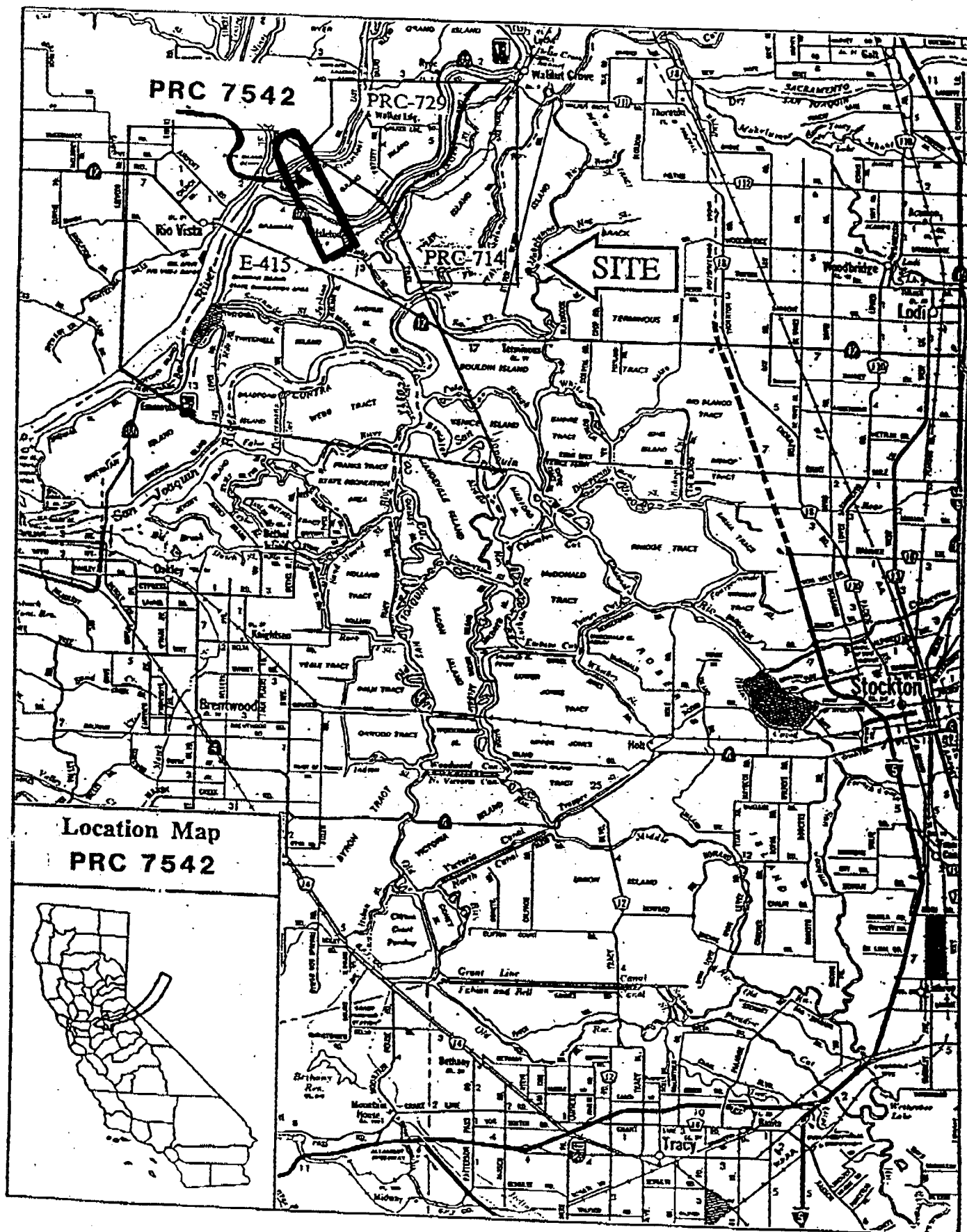
All those certain submerged lands belonging to the State of California and underlying that portion of Georgiana Slough which is bounded on the East by said straight line extending Southeasterly from United States Geological Survey Pier No. 8, on Grand Island, to United States Engineers' Station "Venice U.S.E. 1931," on Venice Island, and on the South by a straight line extending East from a point which is 550 feet North from United States Coast and Geodetic Survey Triangulation Station "Jackson."

The unitized sands are described in article one, unit agreement for the Isleton gas field, November 1, 1950 as follows:

(b) Midland Zone shall mean the sands, shales and other formations, in and under the Area, commonly designated as the "Midland Sand," such zone being more specifically identified as the sands, shales and other formations in and under the Area existing between the markers know as the "Top of Midland Zone" as shown on the electric logs of the wells listed in the table attached hereto marked Exhibit "D" and made a part hereof, and the subsurface depth 4,700 feet.

(c) Capay Zone shall mean the sands, shales and other formations in and under the Area, commonly designated as the "Capay Sand," such zone being more specifically identified as the sands, shales and other formations in and under the Area existing between the markers known as the "Top of Capay Zone" and the "Base of Capay Zone", as shown on the electric logs of the wells listed in the table attached hereto marked "Exhibit D" and made a part hereof.

EXHIBIT B



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