

MINUTE ITEM

This Calendar Item No. C57 was approved as Minute Item No. 57 by the California State Lands Commission by a vote of 3 to 4 at its 10/20/03 meeting.

**CALENDAR ITEM
C57**

A 17
S 5

10/20/03
PRC 8348.1
A. Nitsche

**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM DEED OF
NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE
AND RIGHT OF WAY AGREEMENT NO. PRC 8348.1
(44.1 ACRES UNDER THE FOURTEEN MILE SLOUGH),
SAN JOAQUIN COUNTY**

LESSEES:

OXY Resources California, LLC
Attn: Koula Hanges
5 Greenway Plaza, Suite 2400
Houston, TX 77227- 7570

Rising Star Energy, LLC
Attn: Mr. Mike K. Grimm
3141 Hood Street, Suite 350
Dallas, TX 75219

AREA, LAND TYPE, AND LOCATION:

Negotiated Subsurface Oil and Gas Lease and Right of Way Agreement No. PRC 8348.1 contains 44.1 acres of tide and submerged lands in the vicinity of the Fourteen Mile Slough, San Joaquin County, California.

BACKGROUND:

Negotiated subsurface (no surface use) Oil and Gas Lease and Right of Way Agreement No. PRC 8348.1 (Lease) was issued to OXY Resources California, LLC on September 17, 2001. Under the terms of the Negotiated Subsurface Oil and Gas Lease and Right of Way lease, the lessee is required to pay an annual rental of \$20.00 per acre (\$882.00 for 44.1 acres), a 16-2/3 percent (16-2/3%) royalty on gas and oil substances, a four percent (4%) overriding royalty on the pass through provision and commence drilling operations on the leased lands within three years. On February 21, 2003, the California State Lands

CALENDAR ITEM NO. C57 (CONT'D)

Commission (Commission) approved an assignment of 33-1/3 percent (33 1/3%) of OXY Resources California, LLC's 100 percent (100%) interest to Rising Star Energy, LLC. No wells have been drilled on or into the leased lands.

Public Resources Code section 6804.1 and Lease Paragraph 30 permit the lessee to make at any time a written quitclaim of all rights under the lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof in a compact form. The quitclaim will be effective when it is filed with the State subject to the continued obligation of the lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on the leased lands.

On August 15, 2003, the Commission's Long Beach office staff received the document "(Full) Quitclaim Deed for State Oil and Gas Lease" executed by OXY Resources California, LLC and Rising Star Energy, LLC. This document was dated August 14, 2003, and quitclaims back to the State all of the lessee's right, title and interest in the leased lands described in Exhibit A, attached hereto, of Negotiated Subsurface Oil and Gas Lease and Right of Way Agreement No. PRC 8348.1 dated September 17, 2001.

A review of the Commission's files reveals that no default exists on the Lease, that the lessee has complied with all applicable laws and Lease provisions and has paid all rentals (no royalty is due as the leased lands were not developed).

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1 and Lease Paragraph 30.

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.

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:

1. ACCEPT FROM OXY RESOURCES CALIFORNIA, LLC AND RISING STAR ENERGY, LLC (LESSEE) THE (FULL) QUITCLAIM DEED FOR OIL AND GAS LEASE DATED AUGUST 14, 2003, WHEREIN THE LESSEES QUITCLAIM BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS DESCRIBED IN EXHIBIT A, ATTACHED HERETO, OF NEGOTIATED SUBSURFACE OIL AND GAS LEASE AND RIGHT OF WAY AGREEMENT NO. PRC 8348.1, DATED SEPTEMBER 17, 2001.
2. RELEASE OXY RESOURCES CALIFORNIA, LLC AND RISING STAR ENERGY, LLC FROM ALL OBLIGATIONS UNDER NEGOTIATED SUBSURFACE OIL AND GAS AND RIGHT OF WAY AGREEMENT NO. LEASE PRC 8348.1 ACCRUING AFTER AUGUST 15, 2003, THE FILING DATE OF THE QUITCLAIM DEED.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

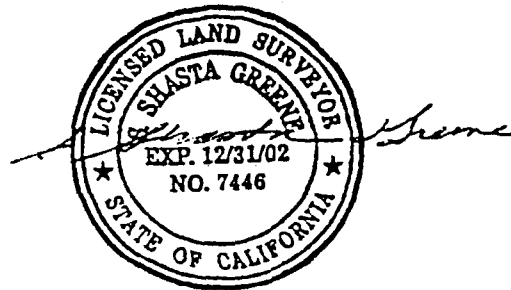
LAND DESCRIPTION

Being a parcel of tide and submerged land in the bed of Fourteen Mile Slough, San Joaquin County, State of California, situate in Township 2 North, Range 5 East, Mount Diablo Meridian, said parcel being bounded on the North by a line having latitude of $38^{\circ} 01' 19''$ North; bounded on the East by a line having a longitude of $121^{\circ} 22' 46''$ West; bounded on the South by the Ordinary High Water Mark of the south bank of said slough, and bounded on the West by a line having longitude of $121^{\circ} 24' 29''$ West.

EXCEPTING THEREFROM any portion thereof landward of the Ordinary High Water Mark of said slough.

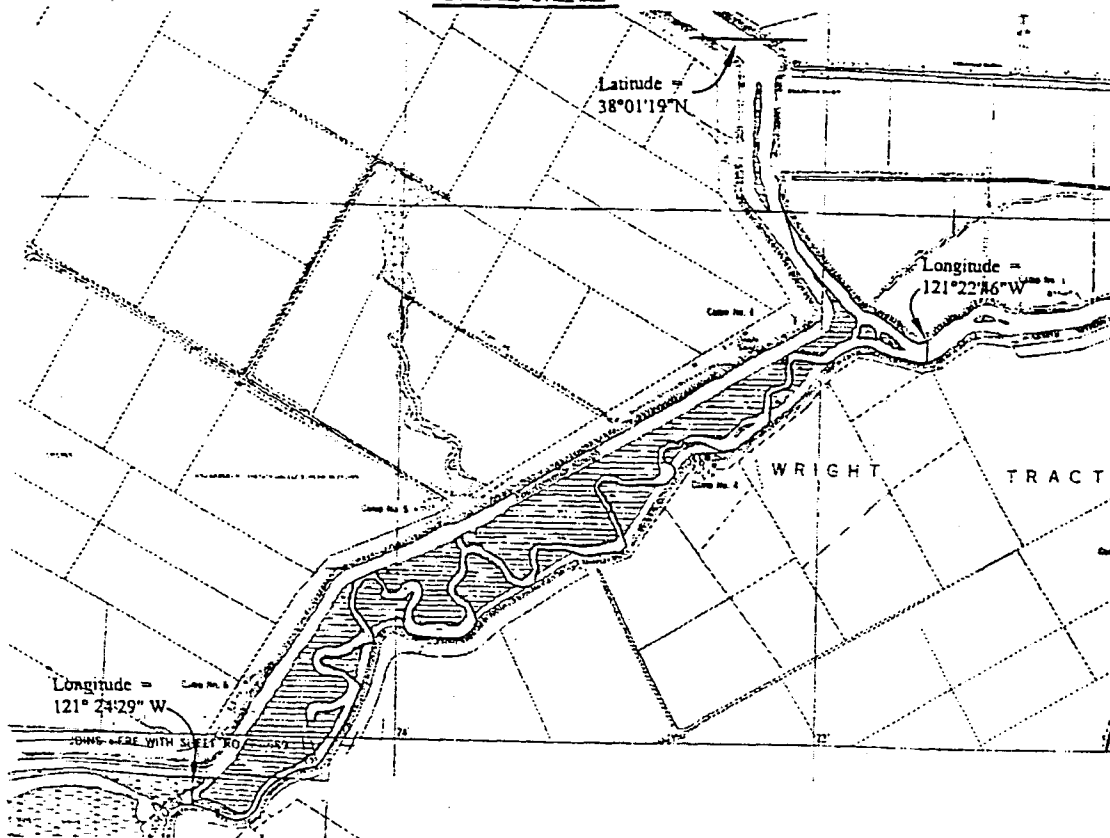
Longitudes shown herein were scaled from that certain map entitled County Survey No. 4623 and are based on the North American Datum of 1927.

This description was prepared by S. Shasta Greene in June, 2001.



NO SCALE

SITE MAP



OIL & GAS LEASE IN 14 MILE SLOUGH

LOCATION MAP

NO SCALE

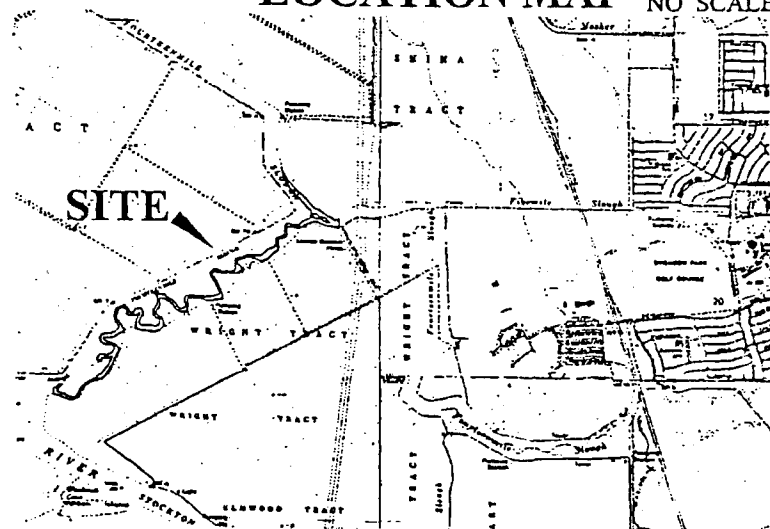
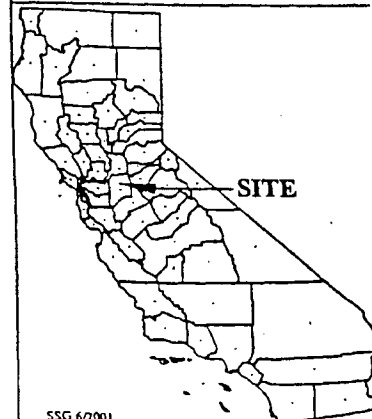


Exhibit B

W 40481
OXY

14 MILE SLOUGH
IN T2N, R5E MDM
SAN JOAQUIN COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the lessee or other parties 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.

SSG 6/2001

000458

CALENDAR PAGE

002170

MINUTE PAGE