

This Calendar Item No. C81 was approved as Minute Item No. 81 by the California State Lands Commission by a vote of 3 to 4 at its 06/26/06 meeting.

**CALENDAR ITEM  
C81**

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S 7

06/26/06  
PRC 8693 W 40924  
J. L. Smith

**CONSIDER APPLICATION FOR A NEGOTIATED SUBSURFACE  
(NO SURFACE USE) OIL AND GAS LEASE,  
SAN JOAQUIN RIVER, FALSE RIVER AND PIPER SLOUGH,  
CONTRA COSTA COUNTY**

**APPLICANT:**

ABA Energy Corporation  
Attn.: Mr. Alan B. Adler, President  
7612 Meany Avenue  
Bakersfield, CA 93308

**AREA, LAND TYPE, AND LOCATION:**

Negotiated subsurface (no surface use) Oil and Gas Lease is on about 619 acres in the beds of the San Joaquin River, False River and Piper Slough, Contra Costa County (County), California.

**BACKGROUND:**

ABA Energy Corporation (ABA) has submitted a complete application for a negotiated subsurface (no surface use) Oil and Gas Lease on about 619 acres in the beds of the San Joaquin River, False River and Piper Slough, Contra Costa County (Exhibit A, attached hereto). 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 California State Lands Commission's (Commission) negotiated subsurface (no surface use) Oil and Gas Lease, which would permit Commission-approved directional 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

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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 ABA controls, by lease, the private property adjacent to the State land described in Exhibit B, attached hereto, and intends to drill a well or wells into its adjacent leased property, Commission staff has concluded that the criteria of Public Resources Code section 6815(a) have been satisfied. Commission staff also has determined that it will be economically advantageous to the State to issue a negotiated subsurface (no surface use) Oil and Gas Lease with ABA because it will protect oil and gas resources that may underlie the State land.

**OTHER PERTINENT INFORMATION:**

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under Class 4, Minor Alterations To Land; Title 14, California Code of Regulations, section 15304.

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300.

2. This activity affects the subsurface only, but the surface lands have been identified as possessing significant environmental values pursuant to Public Resources Code section 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 (3) 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 \$20 per acre (\$12,380 for approximately 619 acres).

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5. Royalty of 25 percent on gas and oil.
6. Performance bond or other security in the sum of \$10,000.

**EXHIBITS:**

- A. Land Description
- B. Site Map

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDING:**

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 4, MINOR ALTERATIONS TO LAND; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15304

**ENVIRONMENTALLY SIGNIFICANT LANDS FINDINGS:**

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

**OTHER FINDINGS:**

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, ATTACHED HERETO, 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.

**AUTHORIZATION**

1. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE

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USE) OIL AND GAS LEASE WITH ABA ENERGY CORPORATION. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO, (APPROXIMATELY 619 ACRES), A DRILLING TERM OF THREE (3) YEARS, ANNUAL RENTAL OF \$20 PER ACRE (\$12,380 FOR APPROXIMATELY 619 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

## LAND DESCRIPTION

A parcel of tide and submerged land in the beds of False River, Piper Slough and the San Joaquin River, situated in Contra Costa County, California, said parcel being more particularly described as follows:

BEGINNING at a point on the right bank of False River that intersects with the east line of that parcel of land as described in that certain Grant Deed, recorded August 13<sup>th</sup>, 1991, in Book 16800 Page 333 Official Records of Contra Costa County; thence South along a prolongation of said east line 1,200 feet to a point on the bank, common with the left bank of False River and the right bank of Piper Slough; thence southwesterly and southeasterly along the right bank of Piper Slough 3,351 feet to the mouth of Piper Slough; thence West 400 feet to a point on the left bank of Piper Slough; thence northwesterly and northeasterly and northwesterly along said left bank, 3,646 feet to a point on the left bank of False River; thence westerly, northwesterly and southwesterly along said bank 7,159 feet to a point on the left bank of San Joaquin River; thence southwesterly along said bank 11,743 feet to a point on said bank that intersect the northerly prolongation of the West line of Lot 64 of Jersey Island Farms, as said Lot is shown on the official map filed, August 7, 1923, in Book 18 at Pages 419- 424, Official Records of Contra Costa County; thence North 34° 21' 36" West 2,076 feet to the centerline of said river; thence northeasterly and northerly along said centerline, 14,630 feet to a point that intersects the westerly prolongation of the north property line of parcel two, as described in that certain Oil, Gas and Mineral Lease recorded January 30, 2006, as Document No. DOC-2006-0031246-00, Official Records of Contra Costa County; thence East 1,200 feet to a point on the left bank of the San Joaquin River; thence southerly along said bank 2,259 feet to a point on the right bank of False River; thence easterly, southeasterly and easterly along said bank 6,344 feet, more or less, to the point of beginning.

EXCEPTING THEREFROM any land lying landward of the Ordinary High Water Mark of False River, Piper Slough and the San Joaquin River.

## END OF DESCRIPTION

Prepared 05-30-2006 by the Boundary Unit of the California State Lands Commission.

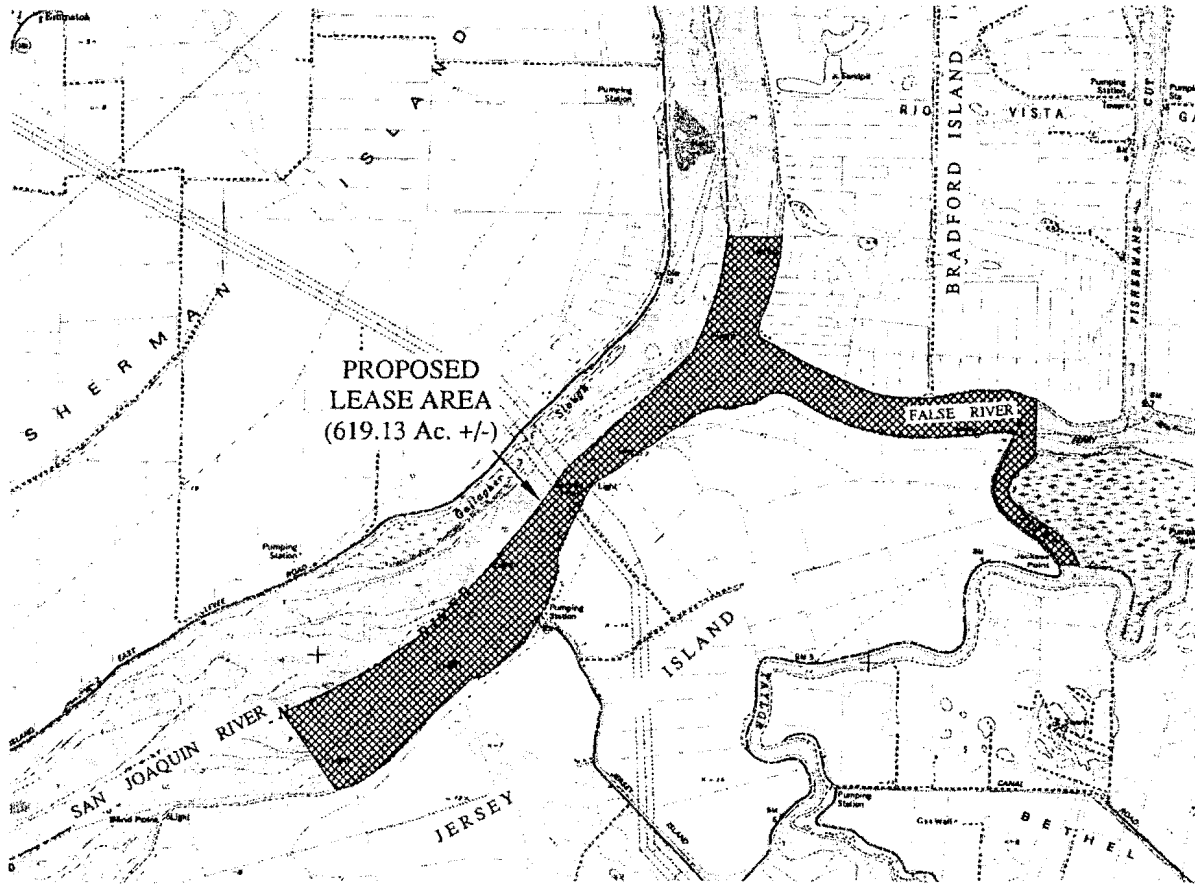


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NO SCALE

### SITE

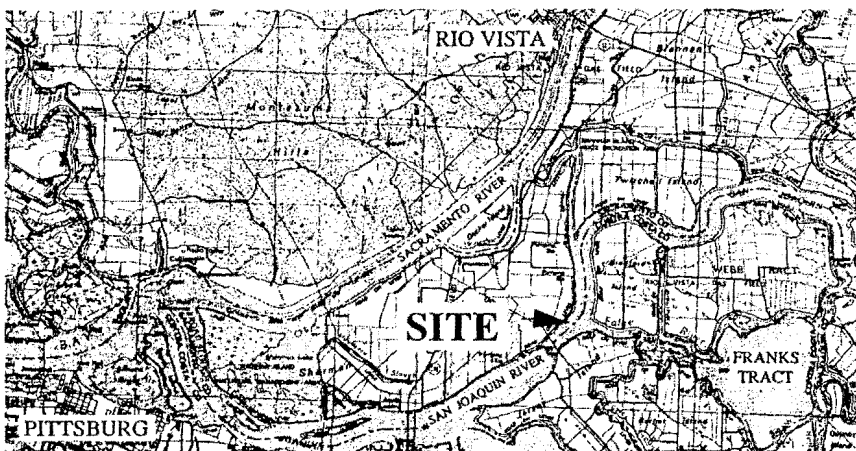


PROPOSED  
LEASE AREA  
(619.13 Ac. +/-)

Proposed oil and Gas Lease in the beds of  
San Joaquin River, False River and Piper Slough

NO SCALE

### LOCATION



### Exhibit B

W 40924  
ABA ENERGY  
CORPORATION  
OIL AND GAS LEASE  
SACRAMENTO COUNTY



SITE

FAB 0506

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. MAP SOURCE: USGS QUAD

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