

MINUTE ITEM
This Calendar Item No. C53 was approved as
Minute Item No. 53 by the California State Lands
Commission by a vote of 3 to 0 at its
11-21-06 meeting.

CALENDAR ITEM
C53

A 15

11/21/06

W 40926

PRC 8605.1

PRC 8654.1

J. L. Smith

S 5

**CONSENT TO THE POOLING OF THE LEASED LANDS
UNDER OIL AND GAS LEASE NO. PRC 8605.1 AND
LEASE NO. PRC 8654.1, SACRAMENTO RIVER,
COLUSA AND SUTTER COUNTIES**

APPLICANT:

Orchard Petroleum, Inc.
Attn.: Mr. Clifford L. Conkle, Agent
3585 Maple St., Ste 284
Ventura, CA 93003

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 8605.1 and Lease No. 8654.1 contain approximately 16.28 acres and 26.36 acres, respectively, of sovereign lands in the bed of the Sacramento River in Colusa and Sutter counties.

BACKGROUND:

On April 26, 2005, the California State Lands Commission (Commission) issued a negotiated subsurface (no surface use) Oil and Gas Lease PRC 8605.1 to Matris Exploration Company (Matris) and Orchard Petroleum, Inc. (Orchard). Matris and Orchard each owned an undivided fifty percent (50%) interest in the Lease. On August 8, 2005, the Commission approved the assignment of Matris's 50 percent (50%) interest in the Lease to Livingstone Energy, Inc. (Livingstone). The Commission approved of the First Amendment to Lease No. PRC 8605.1 on October 20, 2005. The Lease was amended to include a "Pass-Through" provision for wells drilled through the Lease but did not include the lease in a pool or unit. PRC 8654.1 was issued to Orchard on December 8, 2006. Presently, Orchard operates both PRC 8605.1 and PRC 8654.1. (Collectively referred to as Leases) Paragraph 22(b) of the Leases allows the lessee, with the consent of the State and under terms and conditions approved

-1-

000250
CALENDAR PAGE

002399
MINUTE PAGE

CALENDAR ITEM NO. C53 (CONT'D)

by the State, to pool or unitize all or part of the leased lands with lands held by the lessee or others.

Orchard has drilled the Larner 2-12 well from a location on private lands south of Lease No. PRC 8605.1 and completed it near Lease PRC 8654.1. The well is capable of commercial natural gas production. Orchard has formed an operating unit that contains a total of 180.85 acres of State and private leased lands (described in Exhibit A, attached hereto). This unit is called the "Larner 2-12 Unit" and was created for the development and production of natural gas. Orchard has requested that the Commission consent to the pooling of 10.382 acres of leased lands under Oil and Gas Lease No. PRC 8605.1 and 16.049 acres of leased lands under Lease No. PRC 8654.1 by approving Orchard's Declaration of Pooling and pooling map, effective date of March 1, 2006, for the "Larner 2-12 Unit." The State's unit share, which includes a combined 26.431 acres, represents approximately 14.614551 percent of the Unit.

The "Larner 2-12 Unit" will contain portions of two separate State leases with the same royalty rates. The Lessee will be responsible for making payments for the share of the pool in each lease in accordance with the terms of the applicable lease.

The Leases have a fixed rate of 20 percent (20%) on all gas substances and a fixed rate of 20 percent (20%) on all oil.

Gas production sold from the "Larner 2-12" well from March through July 2006 is 64,947 MMBTU, and the leases paid an estimated royalty of \$3,764 for the Gas Lease PRC 8605 portion and \$5,818 for the portion allocated to Lease PRC 8654, for a total of \$9,582.38. These royalty numbers were estimated by Orchard based on the acreage proposed to be unitized.

Commission staff has evaluated the geology and reviewed the proposed unit and has determined that the share of the State's pooled acreage appears to be fair and equitable.

BASIS FOR CONSIDERATION:

1. Public Resources Code section 6829.2, Public Resources Code section 6832 and Paragraph 22(b) of the Oil and Gas Lease No. PRC 8605.1 and Lease No. 8654.1.

CALENDAR ITEM NO. C53 (CONT'D)

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, section 15060 (c)(3)] and 15378.

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Proposed Declaration of Pooling

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

1. 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 THE PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION

1. CONSENT TO THE POOLING OF THE LEASED LANDS (26.431 ACRES UNDER OIL AND GAS LEASE NO. PRC 8605.1 AND LEASE NO. PRC 8654.1) WITH PRIVATE LANDS HELD BY ORCHARD PETROLEUM, INC. CONSENT IS GIVEN BY APPROVING ORCHARD'S DECLARATION OF POOLING, WITH AN EFFECTIVE DATE OF MARCH 1, 2006, WHICH CREATES THE "LARNER 2-12" UNIT " DESCRIBED IN EXHIBIT C, ATTACHED HERETO (APPROXIMATELY 180.854 ACRES, INCLUDING 26.431 ACRES OF LEASED LANDS UNDER OIL AND GAS LEASE NO. PRC 8605.1 AND LEASE PRC 8654.1). THE UNITIZED LEASED LANDS SHALL BE SUBJECT TO THE PROVISIONS OF OIL AND GAS LEASE NO. PRC 8605.1 AND LEASE NO. 8654.1, ANY CONDITIONS IN THE DECLARATION

CALENDAR ITEM NO. **C53** (CONT'D)

OF POOLING TO THE CONTRARY NOTWITHSTANDING.

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

EXHIBIT A

W 40926

LAND DESCRIPTION

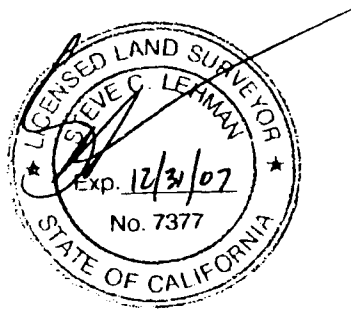
A parcel of submerged land in the bed of the Sacramento River situated adjacent to Sections 6 and 7, T13N, R2E, MDM and Section 12, T13N, R1E, MDM, in Colusa and Sutter Counties, California, more particularly described as follows:

Bounded on the northwest by a line beginning at the southeast corner of the southwest $\frac{1}{4}$ of the of the southwest $\frac{1}{4}$ of the southwest $\frac{1}{4}$ of the southwest $\frac{1}{4}$ of said Section 6 and terminating at the southwest corner of the northwest $\frac{1}{4}$ of the southeast $\frac{1}{4}$ of the southwest $\frac{1}{4}$ of the southeast $\frac{1}{4}$ of the southwest $\frac{1}{4}$ of said Section 6; bounded on the East, southeast, and South by the left bank of said river; bounded on the West by the west line of the northwest $\frac{1}{4}$ of the northeast $\frac{1}{4}$ of the southeast $\frac{1}{4}$ of said Section 12 ; bounded on the North, northwest, and West by the right bank of said river.

EXCEPTING therefrom any lands located landward of the ordinary low water mark of said river.

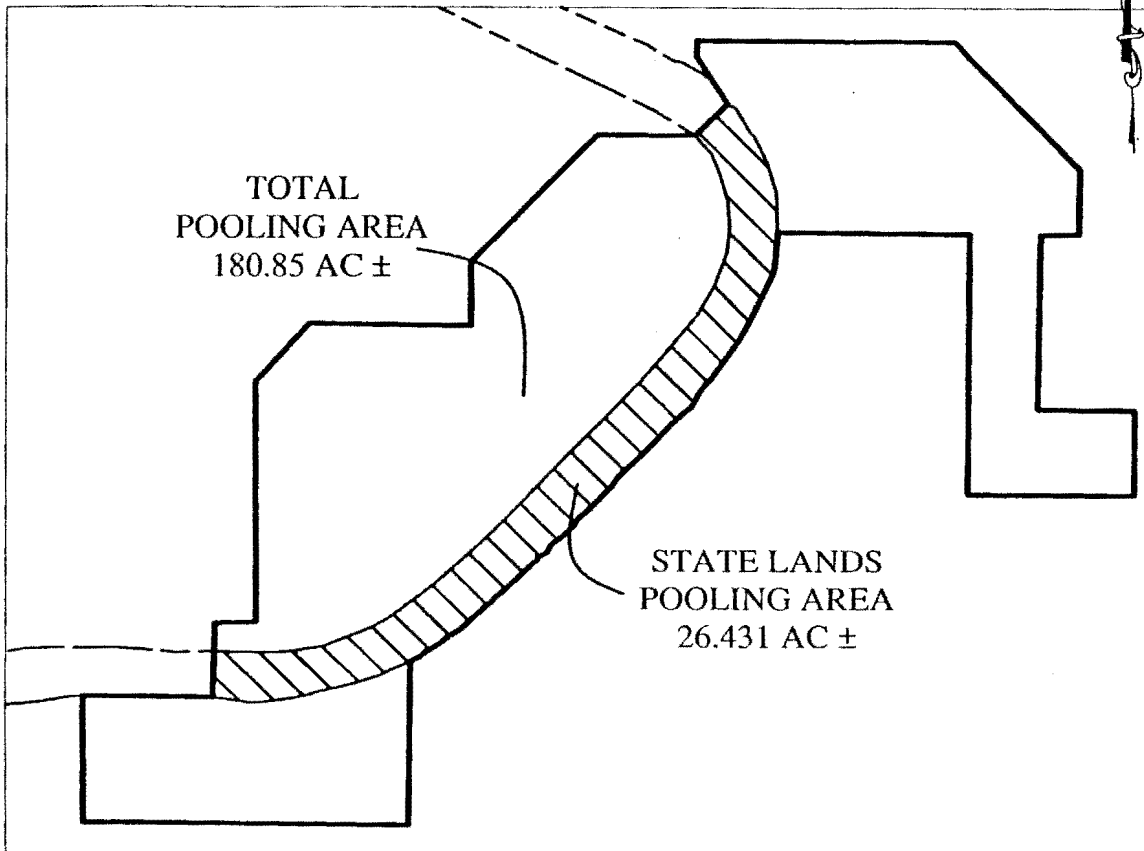
END OF DESCRIPTION

PREPARED 9/21/06 BY THE CALIFORNIA STATE LANDS COMMISSION BOUNDARY UNIT



NO SCALE

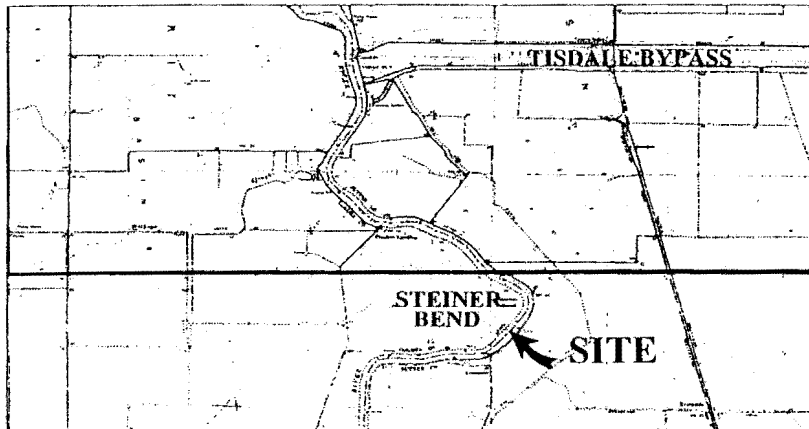
SITE



STIENER BEND, SACRAMENTO RIVER

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

W 40926
 ORCHARD PETROLEUM, INC.
 OIL & GAS LEASE
 AND POOLING AREA
 SACRAMENTO RIVER
 COLUSA & SUTTER COUNTIES



MIF 8/14/06

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.

000255

CALENDAR PAGE

002401

MINUTE PAGE

EXHIBIT C

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO
ORCHARD PETROLEUM, INC.
3585 MAPLE STREET, SUITE 284
VENTURA, CA 93004

(AGREEMENT/DECLARATION)

DECLARATION OF POOLING

(LARNER 2-12 WELL)

000256
CALENDAR PAGE

002407
MINUTE PAGE

AMENDMENT TO DECLARATION OF POOLING

KNOW ALL MEN BY THESE PRESENTS:

THAT, WHEREAS, ORCHARD PETROLEUM, INC., a California corporation, hereinafter referred to as "ORCHARD", is the present Lessee under the following Oil and Gas Leases ("said leases"), to wit:

1. Oil and Gas Lease dated April 13, 2004, a Memorandum of which was recorded in the Official Records of Sutter County on May 25, 2004, Document Number 2004-0013793, by and between Carol Kary, Trustee of the Trust created under the Will of Frank Lamb, deceased, as "Lessor", and Hamar Associates, LLC, as "Lessee", covering lands more particularly described therein;
2. Oil and Gas Lease dated March 26, 2004, a Memorandum of which was recorded in the Official Records of Sutter County on April 28, 2004, Document Number 2004-0010923, by and between Howald Farms, Inc., as "Lessor", and Hamar Associates, LLC, as "Lessee", covering lands more particularly described therein;
3. Oil and Gas Lease dated April 12, 2004, a Short Form of which was recorded in the Official Records of Colusa County on May 13, 2004, Document Number 2004-0005476, by and between Elizabeth Moore, Trustee of the Elizabeth Moore Revocable Trust under Declaration of Trust established November 19, 1993, and Elizabeth Moore, Trustee of the Testamentary Trust established pursuant to the Will of Richard H. Moore, deceased, as "Lessor", and The Nahabedian Exploration Group, LLC, as "Lessee", covering lands more particularly described therein;
4. State Oil and Gas Lease PRC 8654, between the State of California by and through the State Lands Commission as Lessor, and Orchard Petroleum, Inc., as Lessee, made effective December 8, 2005, a Short Form of which was recorded in the Official Records of Colusa County on December 29, 2005, Document Number 2005-0008829, and in the Official Records of Sutter County on December 29, 2005, Document Number 2005-0038628;
5. State Oil and Gas Lease PRC 8605, between the State of California by and through the State Lands Commission as Lessor, and Matris Exploration Company and Orchard Petroleum, Inc., as Lessee, made effective April 26, 2005, a Short Form of which was recorded in the Official Records of Colusa County on June 17, 2005, Document Number 2005-0004030, and in the Official Records of Sutter County on June 21, 2005, Document Number 2005-0018344;
6. Oil and Gas Lease dated December 16, 2003, a Short Form of which was recorded in the Official Records of Sutter County on March 16, 2004, Document Number 2004-0006409, by and between Les and Minnie Butler Limited Partnership, a California Limited Partnership, as "Lessor", and The Nahabedian Exploration Group, LLC, as "Lessee", covering lands more particularly described therein

000257
CALENDAR PAGE

002406
MINUTE PAGE

WHEREAS, ORCHARD has filed in the Official Records of Sutter County that certain Declaration of Pooling for the Larner 2-12 Well made effective March 1, 2006, recorded April 27, 2006, Document Number 2006-0010461, and describing the pooled unit formed as mote particularly set forth therein;

WHEREAS, ORCHARD has determined that it is necessary to revise the above Declaration of Pooling for the Larner 2-12 Unit so as to provide that said Unit is comprised of those lands described on Exhibit "A" attached hereto and made a part hereof in lieu of and replacing the lands described and set forth in the original Declaration of Pooling referenced above, and to make such Amendment effective March 1, 2006;

NOW THEREFORE, ORCHARD hereby amends that certain Declaration of Pooling for the Larner 2-12 Well made effective March 1, 2006, recorded April 27, 2006, Document Number 2006-0010461 so as to consolidate, pool, unitize and combine said leases insofar and only insofar as the same cover those lands described in Exhibit "A" attached hereto and incorporated herein, into an operating unit for exploration for and production of natural gas and associated hydrocarbon substances, such unit to be comprised of 180.854 acres, more or less.

IN WITNESS WHEREOF, ORCHARD has excuted this Amendment to Declaration of Pooling and makes the same effective as of March 1, 2006.

ORCHARD PETROLEUM, INC.

Steve Freeman

By:

Dated: 9-20-06

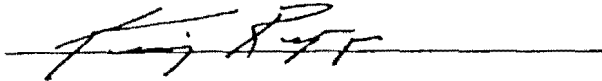
000258
CALENDAR PAGE

002407
MINUTE PAGE

STATE OF California)
) ss.
COUNTY OF Ventura)

On this 19th day of September, 2006, before me, Kevin Rupp, a Notary Public, personally appeared Steve Freeman, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument, the entity, upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Notary Public for said State

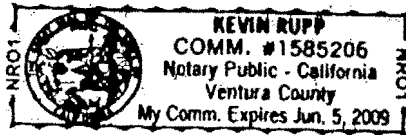


EXHIBIT "A"

Attached to and made a part of that certain Amendment to Declaration of Pooling for the
Larner 2-12 Unit

All that portion of the East 1/2 of Section 12 in Township 13 North, Range 1 East, Mount Diablo Base and Meridian, and all that portion of the South 1/2 of Section 6 and the North 1/2 and Southwest 1/4 of Section 7 in Township 13 North, Range 2 East, Mount Diablo Base and Meridian described as follows:

BEGINNING at the Southeast corner of the North 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 12 in Township 13 North, Range 1 East, Mount Diablo Base and Meridian; thence from said point of beginning running West 1650 feet, more or less, to the Southwest corner of the Northeast 1/4 of the Southeast 1/4 of the Northwest 1/4 of the Southeast 1/4 of said Section 12; thence North 660 feet, more or less, to the Northwest corner of the Southeast 1/4 of the Northeast 1/4 of the Northwest 1/4 of the Southeast 1/4 of said Section 12; thence East 660 feet, more or less, to the Southwest corner of the Northeast 1/4 of the Northwest 1/4 of the Northeast 1/4 of the Southeast 1/4 of said Section 12; thence North 330 feet, more or less to the Northwest corner of the Northeast 1/4 of the Northwest 1/4 of the Northeast 1/4 of the Southeast 1/4 of said Section 12; thence East 165 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Southeast 1/4 of the Southwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of said Section 12; thence North 1320 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Southeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of said Section 12; thence Northeasterly in a straight line 466.69 feet, more or less, to the Northwest corner of the Northeast 1/4 of the Southwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of the Northeast 1/4 of said Section 12; thence East 495 feet, more or less, to the Northeast corner of the Southeast 1/4 of the Southeast 1/4 of the Northeast 1/4 of the Northeast 1/4 of said Section 12, said point being on the East line of Section 12 in said Township 13 North, Range 1 East, Mount Diablo Base and Meridian, said point also being on the West line of Section 7 in Township 13 North, Range 2 East, Mount Diablo Base and Meridian; thence running East 330 feet, more or less, to the Southwest corner of the Northeast 1/4 of the Southwest 1/4 of the Northwest 1/4 of the Northwest 1/4 of said Section 7; thence North 330 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Northwest 1/4 of the Northwest 1/4 of the Northwest 1/4 of said Section 7; thence Northeasterly in a straight line 1068.986 feet, more or less, to the Northwest corner of the Northeast 1/4 of the Northeast 1/4 of the Northeast 1/4 of the Northwest 1/4 of the Northwest 1/4 of said Section 7; thence East 330 feet, more or less, to the Southeast corner of the Southwest 1/4 of the Southwest 1/4 of the Southwest 1/4 of the Southeast 1/4 of the Southwest 1/4 of said Section 6, said point also being on the Section line between Sections 6 and 7 in Township 13 North, Range 2 East, Mount Diablo Base and Meridian; thence Northeasterly in a straight line 233.345 feet to the Southwest corner of the Northwest 1/4 of the Southeast 1/4 of the Southwest 1/4 of the Southeast 1/4 of the Southwest 1/4 of said Section 6; thence Northwesterly in a straight line 233.345 feet, more or less, to the Southwest corner of the Northwest 1/4 of the Southeast 1/4 of the Northwest 1/4 of the Southwest 1/4 of the Southwest 1/4 of said Section 6; thence Northeasterly in a straight line 116.673 feet, more or less to the Southwest corner of the

Southeast 1/4 of the Northeast 1/4 of the Northwest 1/4 of the Southwest 1/4 of the Southeast 1/4 of the Southwest 1/4 of said Section 6; thence East 1237.50 feet, more or less, to the Northwest corner of the Southeast 1/4 of the Northwest 1/4 of the Southwest 1/4 of the Southwest 1/4 of the Southeast 1/4 of said Section 6; thence Southeasterly in a straight line 700.035 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Southwest 1/4 of the Southeast 1/4 of said Section 6, said point also being on the line between said Section 6 and said Section 7; thence continuing Southeasterly in a straight line 233.345 feet, more or less, to the Southeast corner of the Northwest 1/4 of the Northwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of the Northeast 1/4 of said Section 7; thence South 330 feet, more or less, to the Southeast corner of the Northwest 1/4 of the Southwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of the Northeast 1/4 of said Section 7; thence West 165 feet, more or less, to the Southwest corner of the Northwest 1/4 of the Southwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of the Northeast 1/4 of said Section 7; thence South 825 feet, more or less, to the Northwest corner of the Northwest 1/4 of the Northeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 7; thence East along the North line of the Northeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 7 to the Northeast corner of the West 4.0427 acres of the West 1/2 of the Northeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 7; thence South 660 feet, more or less, to the Southeast corner of the West 4.0427 acres of the West 1/2 of the Northeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 7; thence West to the Southwest corner of the West 1/2 of the Northeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 7; thence continuing West 330 feet, more or less, to the Southwest corner of the East 1/2 of the Northwest 1/4 of the Southwest 1/4 of the Northeast 1/4 of said Section 7; thence North 1485 feet, more or less, to the Northeast corner of the South 1/2 of the Southwest 1/4 of the Northwest 1/4 of the Northwest 1/4 of the Northeast 1/4 of said Section 7; thence West 990 feet, more or less, to the Northwest corner of the South 1/2 of the Southwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of the Northwest 1/4 of said Section 7; thence South 165 feet, more or less, to the Southwest corner of the Southwest 1/4 of the Northeast 1/4 of the Northeast 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 368.951 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 368.951 feet, more or less, to the Southwest corner of the Southwest 1/4 of the Southeast 1/4 of the Southwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 466.69 feet, more or less, to the Southwest corner of the Northwest 1/4 of the Northwest 1/4 of the Southeast 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 466.69 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 466.69 feet, more or less, to the Southwest corner of the Northwest 1/4 of the Southeast 1/4 of the Southwest 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 466.69 feet, more or less, to the Southwest corner of the Southeast 1/4 of the Southwest 1/4 of the Southwest 1/4 of the Northwest 1/4 of said Section 7; thence Southwesterly in a straight line 368.951 feet, more or less, to the Southwest corner of the North 1/2 of the Northwest 1/4 of the Northwest 1/4 of the Northwest 1/4 of the Southwest 1/4 of said Section 7, said point being on the West line of

Section 7 in said Township 13 North, Range 2 East, Mount Diablo Base and Meridian, said point also being on the East line of said Section 12 in Township 13 North, Range 1 East, Mount Diablo Base and Meridian; thence South along the line between said Sections 7 and 12 a distance of 825 feet, more or less, to the point of beginning.

END OF EXHIBIT

000252

CALENDAR PAGE

002411

MINUTE PAGE