

MINUTE ITEM
This Calendar Item No. C65 was approved as
Minute Item No. 65 by the California State Lands
Commission by a vote of 3 to 0 at its
09-13-07 meeting.

CALENDAR ITEM
C65

A 10, 15

09/13/07

S 5, 14

PRC 6996.1

J. L. Smith

**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM OF
NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 6996.1
(38.56 ACRES UNDER THE BED OF WHITE SLOUGH),
SAN JOAQUIN COUNTY**

LESSEE:

SRK Holdings LLC
Attn.: Mr. Robert Perkins
C/O Romara Energy Inc.
27570 Mooncrest Drive
Carmel, CA 93923

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 6996.1 contains 38.56 acres of tide and submerged lands in the vicinity of White Slough, San Joaquin County, California.

BACKGROUND:

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 6996.1 (Lease) was issued to Corbin J. Robertson on June 26, 1986, and contains 38.56 acres of tide, submerged and proprietary lands in the bed and vicinity of White Slough in San Joaquin County, California (leased lands) (see Exhibits A and B, attached hereto). Through an approved assignment on July 6, 1995, the estate of Corbin J. Robertson assigned its undivided 100 percent (100%) interest in the Lease to the present owner, SRK Holdings LLC (SRK). The Lease has been amended once to change the monthly royalty payment due date. Under the terms of the Lease, the lessee is required to pay an annual rental of \$30 per acre (\$1,170 for 38.56 acres) and commence drilling operations on the leased lands within three years.

When the Lease was approved by the California State Lands Commission (Commission), the Commission also allowed the pooling of all the leased State land in the "Moresco Gas Unit" (Unit). This Unit included the "Moresco et al Unit

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A" and "Piacentine" 1-27 wells. The "Moresco et al Unit A" well was abandoned in August 1997, and the "Piacentine" 1-27 well was shut-in July 2003. Neither well was drilled on, into or through State land. At that time, Sierra Resources, Inc. (Operator for SRK) notified the State of the "Termination of Production" and stated that a quitclaim was imminent. SRK issued a quitclaim for the leases associated with the Unit and recorded it in the County; however, SRK did not send a copy to Staff. SRK now requests that the Commission accept their quitclaim dated July 12, 2007, to have an effective date of December 31, 2003, coinciding with the termination of record with the County and that all rentals billed by the Commission for years 2004 through 2007 be waived.

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.

On July 19, 2007, the Commission's Long Beach office staff received the document "(Full) Quitclaim Deed for State Oil and Gas Lease PRC 6996.1." This document was dated July 12, 2007, 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) with an effective date of December 31, 2003.

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 paid all rentals through 2003 (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.

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EXHIBITS:

- A. Land Description
- B. Location Map

PERMIT STREAMLINING ACT DEADLINE:

N/A (not a "development project" subject to the Act)

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 SRK HOLDINGS LLC (LESSEE) THE (FULL) QUITCLAIM DEED FOR OIL AND GAS LEASE DATED JULY 12, 2007, WHEREIN THE LESSEE QUITCLAIMS BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS DESCRIBED IN EXHIBIT A, ATTACHED HERETO, OF OIL AND GAS LEASE NO. PRC 6996.1 ISSUED JUNE 26, 1986.
2. RELEASE SRK HOLDINGS LLC FROM ALL OBLIGATIONS UNDER OIL AND GAS NO. LEASE PRC 6996.1 ACCRUING AFTER DECEMBER 31, 2003, THE EFFECTIVE DATE OF THE QUITCLAIM DEED.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENTS NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

EXHIBIT A

PRC 6996.1

Land Description

Two parcels of tide and submerged land in the natural bed of White Slough in San Joaquin County, California, said parcels described as follows:

PARCEL 1

That portion of the natural bed of White Slough lying within Sections 22 and 27, T3N, R5E, MDM, bounded on the east by the west line of Parcel One of the Rio Blanco Ranch, a California corporation, said natural bed of White Slough, on said easterly end, extending no further south than the southerly terminous of that course being S 50° 20' E, 440 feet, and no further north than the northerly terminous of that course being S 52° 10' W 300 feet, as described by Deed recorded May 4, 1959, in Book 2173, page 41 of Official Records, San Joaquin County, and on the west by the northerly prolongation of the west line of Parcel One of the Deed to Edward H. Piacentini, et ux, recorded March 10, 1952, in Book 1401, page 95 of Official Records, San Joaquin County.

PARCEL 2

That portion of the natural bed of White Slough lying within Sections 27 and 28, T3N, R5E, MDM, bounded on the east by the northerly prolongation of the west line of Parcel One of the Deed to Edward H. Piacentini, et ux, recorded March 10, 1952, in Book 1401, page 95 of Official Records, San Joaquin County, and on the west by the northerly prolongation of a line parallel with and 3,650 feet west of said westerly line of Parcel One of the Deed to Edward H. Piacentini.

END OF DESCRIPTION

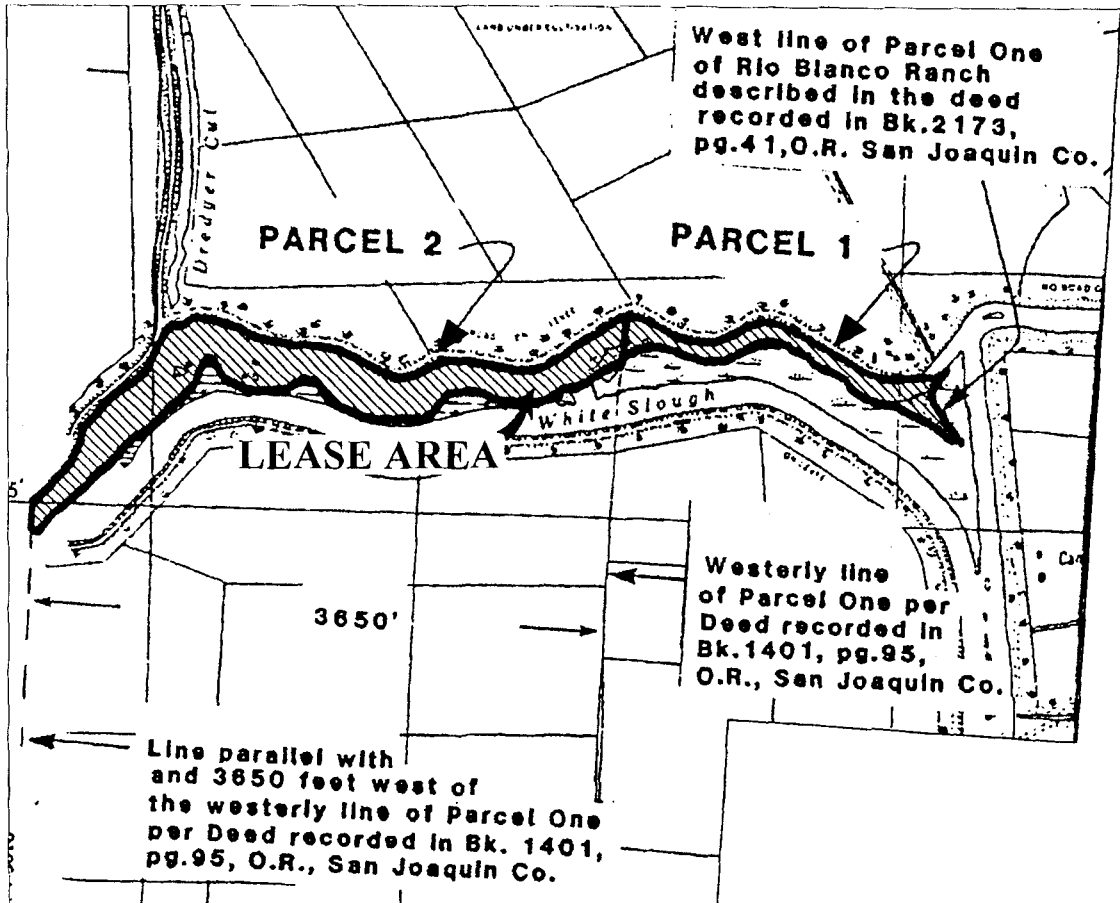
PREPARED JUNE 4, 1986 BY BOUNDARY SERVICES UNIT, M. L. SHAFER,
SUPERVISOR.

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NO SCALE

SITE

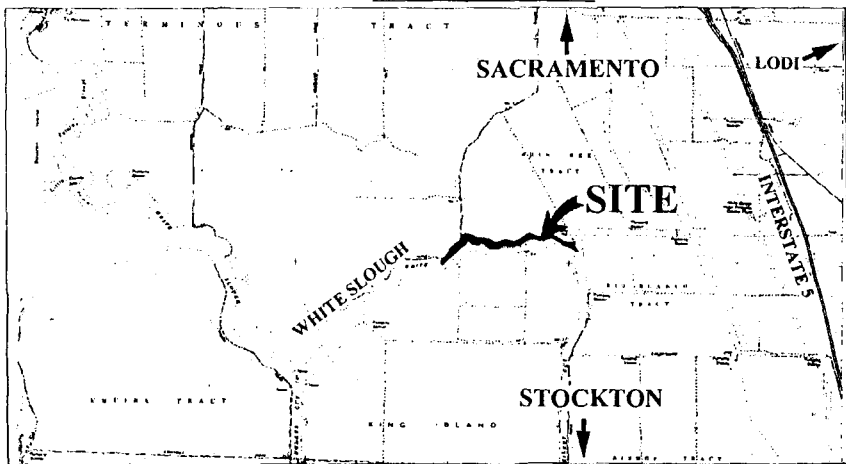


WHITE SLOUGH, 6 MILES SW OF LODI
SAN JOAQUIN COUNTY

MAP SOURCE: SITE MAP

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

WP 6996
 SRK HOLDINGS
 OIL AND GAS LEASE
 WHITE SLOUGH
 SAN JOAQUIN COUNTY



CIH 8/20/2007

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.

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