

MINUTE ITEM
This Calendar Item No. C66 was approved as
Minute Item No. 66 by the California State Lands
Commission by a vote of 3 to 4 at its
09-13-07 meeting.

**CALENDAR ITEM
C66**

A 10
S 7

09/13/07
PRC 7318.1
PRC 7657.1
J. L. Smith

**CONSIDER ACCEPTANCE OF THE PARTIAL QUITCLAIM DEEDS
OF NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NOS. PRC 7318.1 & PRC 7657.1,
IN THE FALSE RIVER AREA,
CONTRA COSTA COUNTY**

LESSEE:
Tri-Valley Oil & Gas Company
Attn.: Mr. Joseph Kandle, President
4550 California Avenue, Suite 600
Bakersfield, CA 93309

AREA, LAND TYPE, AND LOCATION:
Oil and Gas Lease No. PRC 7318.1 contains approximately 58 acres of tide and submerged lands in the vicinity of the Piper and Taylor Sloughs. Oil and Gas Lease No. PRC 7657.1 contains approximately 195 acres of tide and submerged lands in the vicinity of the False River and Serpent and Short Sloughs. PRC 7318.1 and PRC 7657.1 (the "leases") together contain 253 acres of leased lands in the False River area, Contra Costa County, California and collectively are referred to as the "leased lands".

BACKGROUND:
Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 7318.1 was issued to Tri-Valley Oil & Gas Company (Tri-Valley) on July 10, 1989, and contains two parcels (totaling about 58 acres) of tide, submerged and proprietary lands in the bed of Piper and Taylor Sloughs; Contra Costa County, California. Under the terms of the lease, the lessee is required to pay an annual rental of \$25 per acre (\$1450 for 58 acres) and commence drilling operations on the leased lands within three years.

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 7657.1 was entered into on September 23, 1992 with Sierra Energy Company (Sierra), and

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contains approximately 195 acres of tide, submerged and proprietary lands in the bed of False River, Serpent and Short Sloughs, Contra Costa County, California. On September 9, 1993, the California State Lands Commission (Commission) approved the assignment of PRC 7657.1 from Sierra to Tri-Valley. Under the terms of this lease, the lessee is required to pay an annual rental of \$30 per acre (\$5,850 for 195 acres) and was to commence drilling operations on the leased lands within three years. No wells have been drilled on or into the leased lands.

Public Resources Code section 6804.1 and Lease Paragraph 30 of the leases 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 17, 2007, the Commission's Long Beach office staff received the documents "(Partial) Quitclaim Deed for State Oil and Gas Leases." These documents were dated August 15, 2007 and quitclaim back to the State all of the lessee's right, title and interest in the part of the leased lands described in Exhibits A and B, attached hereto, those being a partial quitclaim (approximately 48%) of Oil and Gas Lease No. PRC 7318.1 dated July 10, 1989, and a partial quitclaim (approximately 28%) of PRC 7657.1 dated September 9, 1993.

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

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1 and Leases 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

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Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Land Description PRC 7318.1
- B. Land Description PRC 7657.1
- C. Location Map PRC 7318.1
- D. Location Map PRC 7657.1

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 TRI-VALLEY OIL & GAS COMPANY (LESSEE) THE (PARTIAL) QUITCLAIM DEED FOR OIL AND GAS LEASE DATED AUGUST 15, 2007, WHEREIN THE LESSEE QUITCLAIMS BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN PART OF THE LEASED LANDS AS DESCRIBED IN EXHIBIT A, ATTACHED HERETO, OF OIL AND GAS LEASE NO. PRC 7318.1 DATED JULY 10, 1989.
2. ACCEPT FROM TRI-VALLEY OIL & GAS COMPANY (LESSEE) THE (PARTIAL) QUITCLAIM DEED FOR OIL AND GAS LEASE DATED AUGUST 15, 2007 WHEREIN THE LESSEE QUITCLAIMS BACK TO THE STATE ALL RIGHT, TITLE AND INTEREST IN PART OF THE LEASED LANDS DESCRIBED IN EXHIBIT B, ATTACHED HERETO, OF OIL AND GAS LEASE NO. PRC 7657.1 DATED SEPTEMBER 23, 1992.
3. RELEASE TRI-VALLEY OIL & GAS COMPANY FROM ALL

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OBLIGATIONS UNDER THE RELEASED PORTIONS OF OIL AND GAS NOS. LEASE PRC 7318.1 AND 7657.1 ACCRUING AFTER AUGUST 17, 2007, THE FILING DATE OF THE QUITCLAIM DEEDS.

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

EXHIBIT A

PRC 7318

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of Taylor Slough Contra Costa County, California, described as Parcel 2 in that certain Subsurface State Oil and Gas Lease approved by the California State Lands Commission as Minute Item No. 50 on July 10, 1989 and filed in said Commission records as PRC 7318.

END OF DESCRIPTION



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EXHIBIT B

PRC 7657

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of False River and in the historical bed of Serpent Slough, and in the historical bed of Short Slough, situated in Contra Costa County, California, said parcel being more particularly described as follows:

That parcel of land being described in Exhibit A and approved in Calendar Item C58, by the California State Lands Commission on September 23rd, 1992 and filed under PRC 7657, in the Official Records of said Commission.

EXCEPTING THEREFROM Those parcels of land as shown on Exhibit B, on calendar page 311, approved in Calendar Item C54, by the California State Lands Commission on May 3rd, 1995 and filed under PRC 7657, in the Official Records of said Commission.

END OF DESCRIPTION

Prepared 04-20-2006 by the Boundary Unit of the California State Lands Commission.

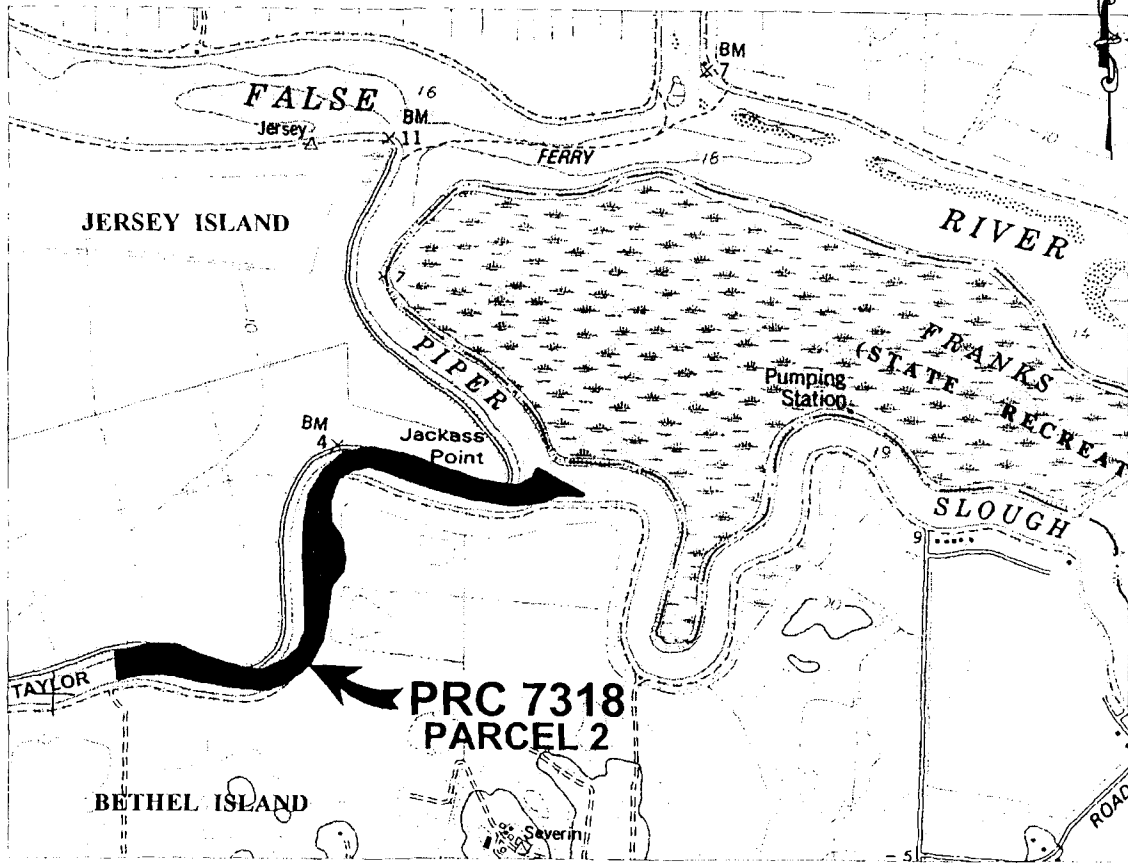


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NO SCALE

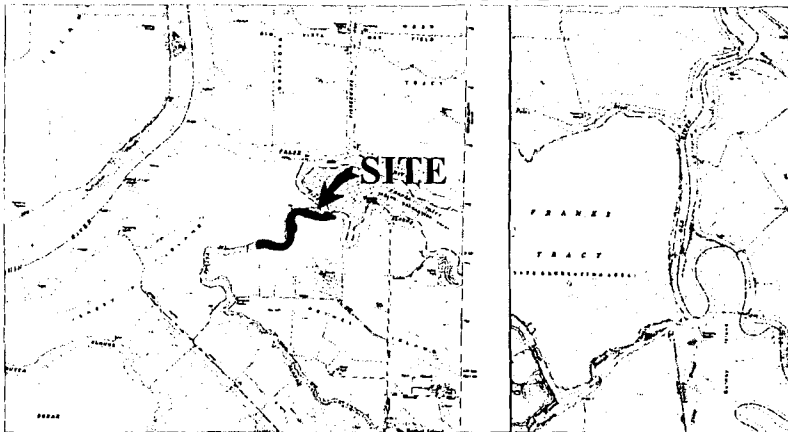
SITE



QUITCLAIM PARCEL 2
TAYLOR SLOUGH

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit C

PRC 7318
OIL AND GAS LEASE
TRI-VALLEY OIL & GAS
TAYLOR SLOUGH
CONTRA COSTA CO.



SCL 7-7-06

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.

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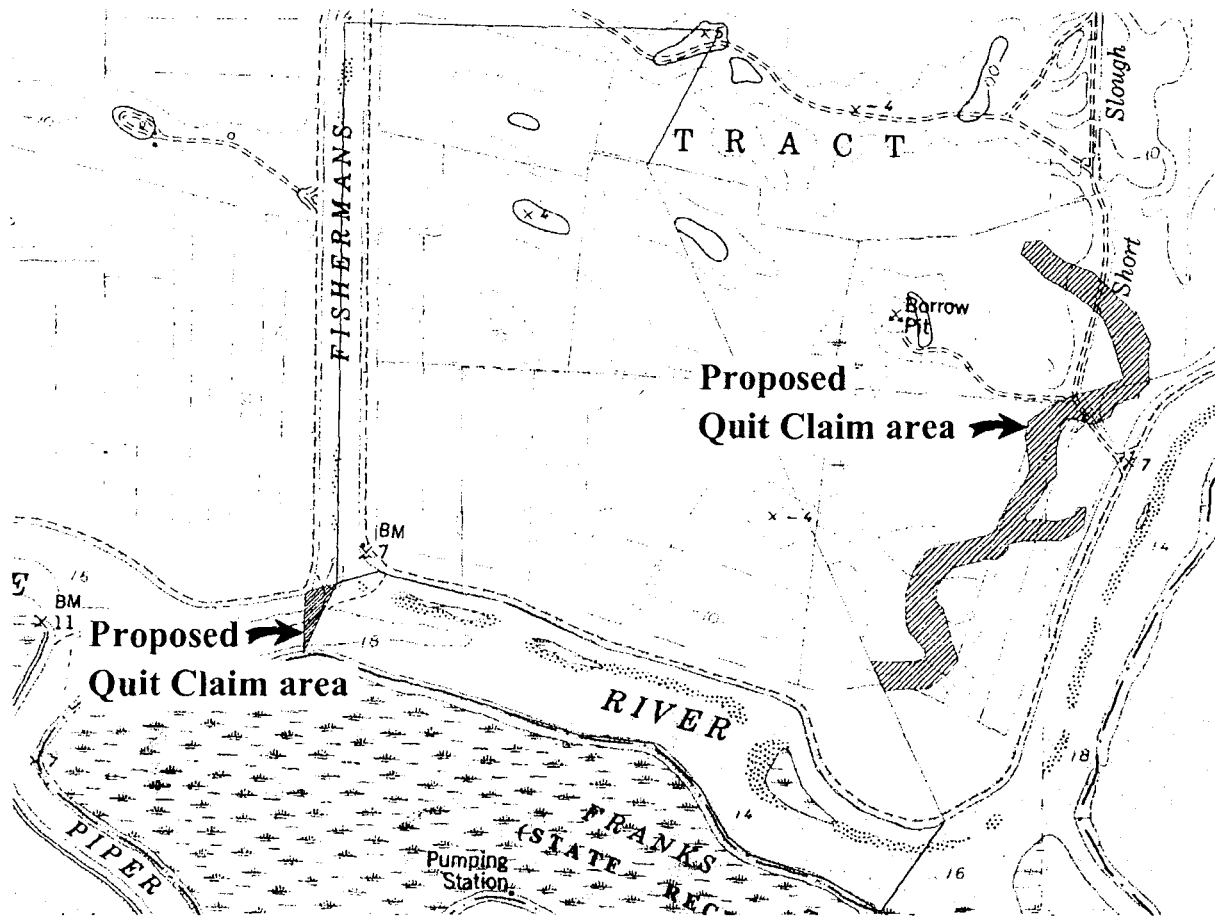
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NO SCALE

SITE



Proposed Quit Claim area near Fisherman's Cut in False River

NO SCALE

LOCATION

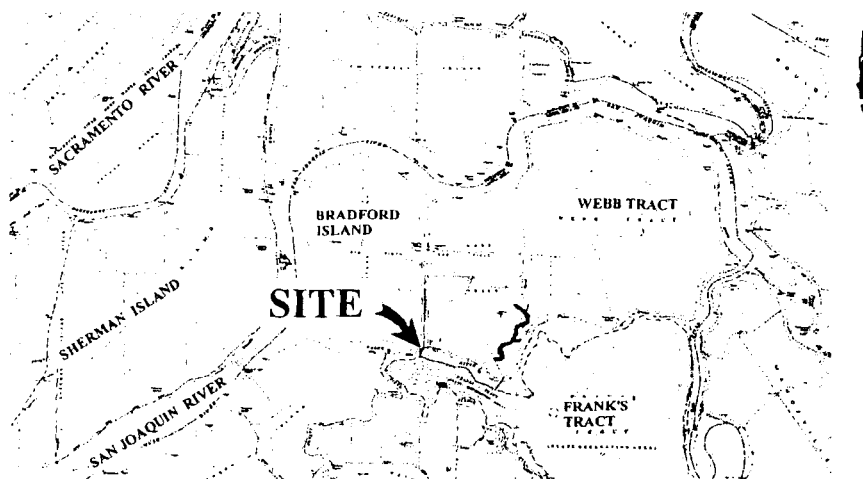


Exhibit D

PRC 7657
 TRI VALLEY
 OIL and GAS COMPANY
 QUIT CLAIM
 CONTRA COSTA 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.

MAP SOURCE: USGS QUAD

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