

CALENDAR ITEM

C22

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08/22/08

PRC 8546.1

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J. McComas

**CONSIDER ACCEPTANCE OF LEASE QUITCLAIM DEED
AND TERMINATION OF A GENERAL LEASE – RIGHT OF WAY USE**

LESSEES:

Rio Delta Resources, Inc.
3620 American River Drive, Suite 105
Sacramento, CA 95864

Russell H. Green, Jr.
P. O. Box 965
Healdsburg, CA 95448

AREA, LAND TYPE, AND LOCATION:

0.10 acres, more or less, of sovereign lands in Mallard Slough, near the city of
Pittsburg, Contra Costa County.

AUTHORIZED USE:

Construction, use and maintenance of an access road and natural gas gathering
pipeline.

LEASE TERM:

Ten years, beginning August 1, 2004.

CONSIDERATION:

\$1,710 per year; with the State reserving the right to fix a different rent
periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Liability insurance in the amount of no less than \$1,000,000.

Bond:

Surety bond initially in the amount of no less than \$10,000 to cover
construction of the access road and sheet piling. Surety bond shall be
increased to total amount of no less than \$25,000 prior to the construction
of the pipeline.

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Other:

1. Lessee is to submit to Lessor a geotechnical report certified by a California Registered Geotechnical Engineer that substantiates the road engineering practices and road maintenance on the right of way.
2. Lessee shall, 60 days prior to construction of the pipeline, provide finalized plans for the pipeline, including detailed engineering design and construction information, and construction timeline for Lessor's review and approval.
3. Lessee shall provide Lessor with a copy of the proposed Reclamation and Revegetation Plan, dated January 2004, for the Lessor's review and approval.
4. Lessee shall comply with the recommendation of Garcia and Associates Biological Assessment, dated June 2004.

OTHER PERTINENT INFORMATION:

1. Lessees had the right to use the uplands adjoining the lease premises.
2. On August 17, 2004, the Commission authorized a ten-year General Lease - Right of Way Use, (PRC 8546.1) to Rio Delta Resources, Inc., and Russell H. Green, Jr. for the construction, use, and maintenance of an access road and natural gas gathering pipeline to be installed using a trenching method.
3. The Lessees proposed to drill and test a maximum of eight gas wells, adjacent to Mallard Slough, between September 2004 and February 2005. The gas wells were to be drilled on 335 acres of tide and submerged land located in the bed of Suisun Bay in Solano and Contra Costa counties. This activity was also authorized by the Commission on August 17, 2004, under Negotiated Subsurface Oil and Gas Lease No. PRC 8557.1. This lease is being quitclaimed back to the State under a separate calendar item. If the wells were unsuccessful, the project was to be discontinued and the wells would be abandoned in compliance with the State of California's Department of Conservation's Division of Oil, Gas, and Geothermal Resources regulations. If the test wells were successful, a gathering pipeline would have been installed along the same right of way as the proposed access road to one of three existing pipelines along the Union Pacific Railroad.

Site preparation was to consist of clearing the drill site, access road, and pipeline area, enclosing the area in sheet piling and leveling the site.

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4. Lessees have advised Commission staff that for economic reasons the proposed project did not move forward and that the proposed natural gas wells were not drilled and the gas gathering pipeline and access road were not constructed.
5. 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. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

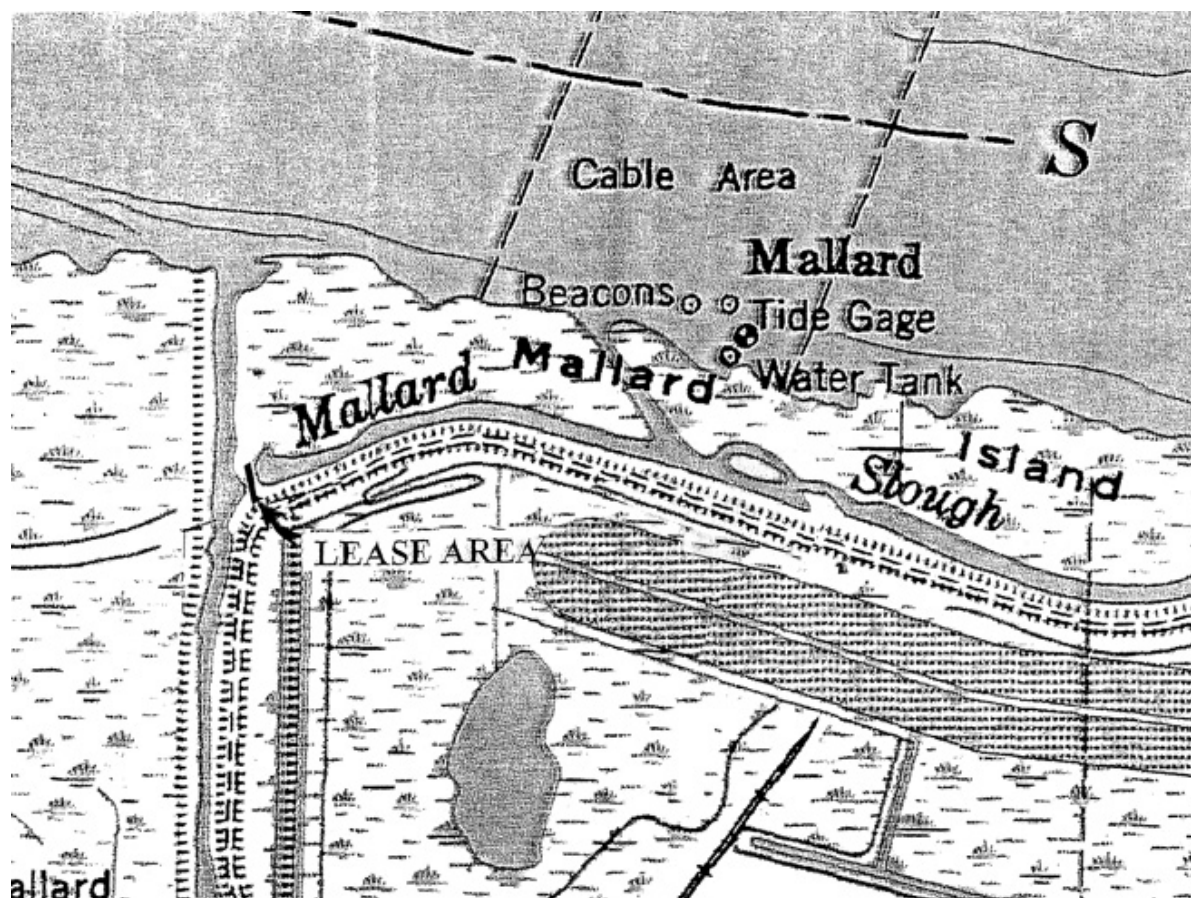
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060 (c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCE CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15376.

AUTHORIZATION:

AUTHORIZE THE ACCEPTANCE OF A LEASE QUITCLAIM DEED AND THE TERMINATION OF LEASE NO. PRC 8546.1, A GENERAL LEASE – RIGHT OF WAY USE, EFFECTIVE JULY 31, 2008.

NO SCALE

SITE



RIO DELTA RESOURCES LEASE, ACROSS MALLARD SLOUGH

NO SCALE

LOCATION



Exhibit A
PRC 8546.1
RIO DELTA RESOURCES
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