

**CALENDAR ITEM
C59**

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06/01/09
PRC 8674.1
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**CONSIDER SURRENDER OF NEGOTIATED SUBSURFACE
(NO SURFACE USE) STATE OIL AND GAS LEASE NO. PRC 8674.1,
SAN JOAQUIN COUNTY**

LESSEES:

Towne Exploration Company
Attn.: Mr. James B. Lynn
P.O. Box 520
San Francisco CA 94104-0520

ABA Energy Corporation
Attn: Mr. Alan B. Adler
P.O. Box 80476
Bakersfield CA 93380-0476

AREA, LAND TYPE AND LOCATION:

Negotiated subsurface (no surface use) State Oil and Gas Lease No. PRC 8674.1 (Lease PRC 8674.1) contains a parcel of tide and submerged land in the bed of the South Fork of the Mokelumne River and Beaver Slough situated in San Joaquin County, California. The parcel contains approximately 13.74 acres, and is located within the California Division of Oil, Gas and Geothermal Resources' (DOGGR) District 6, River Island Gas Field.

BACKGROUND:

Lease PRC 8674.1 was issued on April 17, 2006, to Towne Exploration Company (Towne) for a term of three (3) years. At its meeting on May 10, 2007, the California State Lands Commission (Commission) approved the assignment of an undivided forty percent (40%) interest of Lease PRC 8674.1 to Capitol Oil Company (Capitol) effective June 1, 2007. On May 5, 2008, the Commission approved the assignment of all forty percent (40%) of Capitol's interest in Lease PRC 8674.1 to ABA Energy Corporation (ABA) effective June 1, 2008.

CALENDAR ITEM NO. **C59** (CONT'D)

On March 17, 2006, Towne applied to the DOGGR for a permit to drill well "Gamble" 13-2 in San Joaquin County near Lease PRC 8674.1. However, this well was never drilled and the permit was canceled on April 9, 2008. As a result, Towne and ABA submitted on April 17, 2009, via email, a document entitled "Surrender of State Oil and Gas Lease" quitclaiming Lease PRC 8674.1.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6815.
- B. Lease PRC 8674.1 paragraph 29.

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.

EXHIBITS:

- A. Location Map with Land Description
- B. Surrender of State Oil and Gas Lease PRC 8674.1

PERMIT STREAMLINING ACT DEADLINE:

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

RECOMMEND ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

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

CALENDAR ITEM NO. **C59** (CONT'D)

AUTHORIZATION:

1. ACCEPT FROM TOWNE EXPLORATION COMPANY AND ABA ENERGY CORPORATION (LESSEES) THE DOCUMENT ENTITLED SURRENDER OF STATE OIL AND GAS LEASE DATED MARCH 30, 2009, AND APRIL 6, 2009, RESPECTIVELY, WHERE THE LESSEES FOREVER SURRENDER AND QUITCLAIM UNTO THE STATE ALL OF THEIR RIGHTS, TITLE AND INTEREST IN AND TO THE STATE LANDS HELD BY VIRTUE OF STATE OIL AND GAS LEASE NO. PRC 8674.1 EFFECTIVE APRIL 17, 2009, THE FILING DATE OF THE DOCUMENT.

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

EXHIBIT A

PRC 8674.1

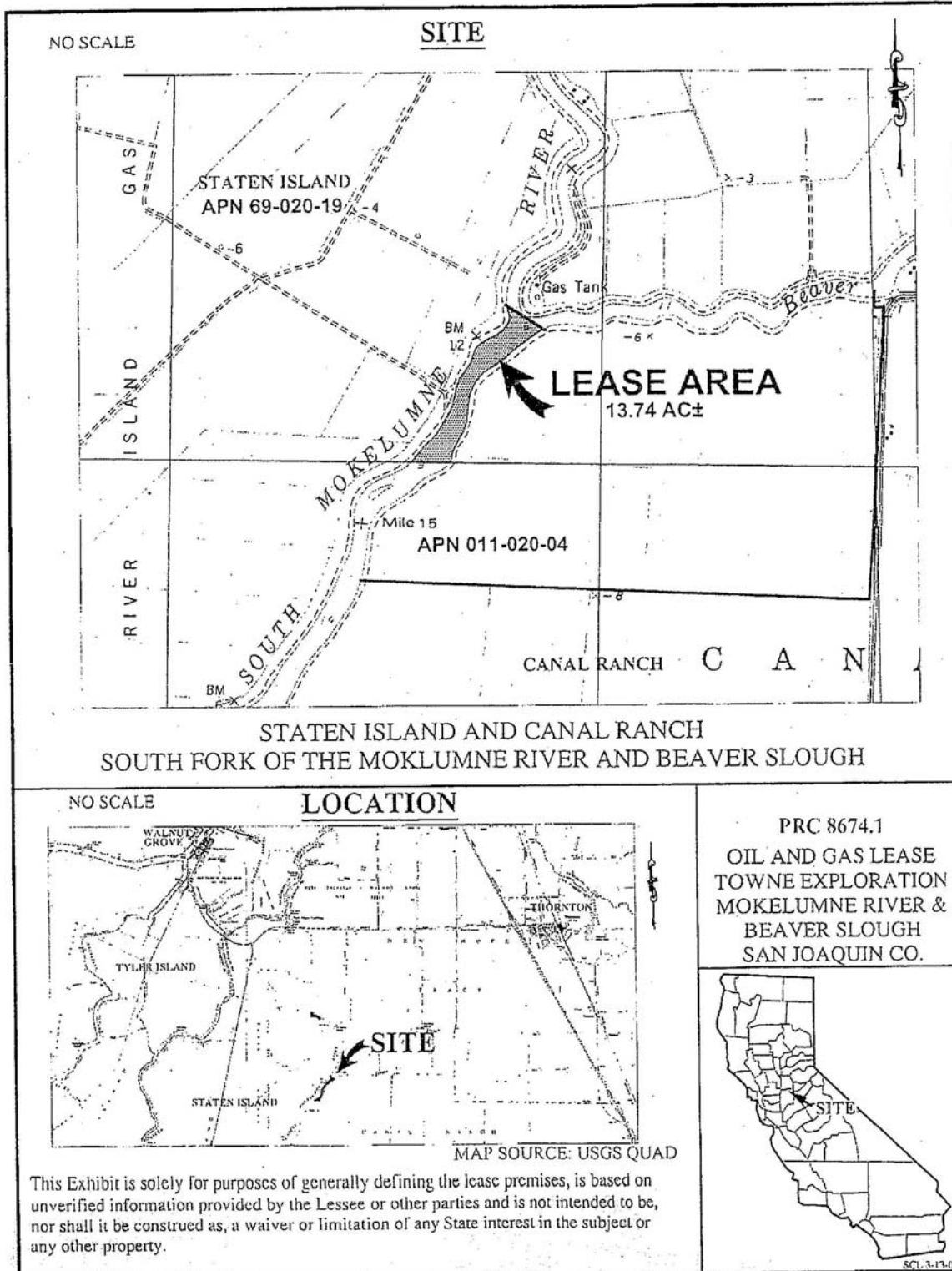


EXHIBIT B

PRC 8674.1

RECORDED AT THE REQUEST OF
AND WHEN RECORDED MAIL TO:
STATE OF CALIFORNIA
State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202
Attn: Title Unit

STATE OF CALIFORNIA
OFFICIAL BUSINESS
Document entitled to free recordation
pursuant to Government Code Section 27383
Doc. Transfer tax -0- R&T code 11922

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SURRENDER OF STATE OIL AND GAS LEASE

State Oil and Gas Lease No. PRC 8674.1 (Lease), covering certain State lands located in San Joaquin County, State of California, was issued to Towne Exploration Company (Lessee) by the State of California, acting through the California State Lands Commission (State), on April 17, 2006, and was recorded in the Official Records of San Joaquin County, at document number 2006-118599, on June 1, 2006.

Towne Exploration Company (Assignor) assigned forty percent of its undivided right, title and interest under State Oil and Gas Lease No. PRC 8674.1 to Capitol Oil Corporation (Assignee). At its meeting on May 10, 2007, the State Lands Commission approved said assignment effective June 1, 2007. It was recorded in the Official Records of San Joaquin County, at document number 2008-140477, on August 27, 2008.

Capitol Oil Corporation (Assignor), as holder of an undivided forty percent (40%) interest, assigned all of its undivided right, title and interest under State Oil and Gas Lease No. PRC 8674.1 to ABA Energy Corporation (Assignee). At its meeting on May 5, 2008, the State Lands Commission approved said assignment effective June 1, 2008. It was recorded in the Official Records of San Joaquin County, at document number 2008-144575, on September 3, 2008.

Towne Exploration Company and ABA Energy Corporation(Lessees) are the present holders of the Lease.

Pursuant to the terms of State Oil and Gas Lease No. PRC 8674.1, the Lessees may make at any time a written quitclaim or relinquishment of all rights under this Lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof in a compact form, or of any separate or distinct zone or geological horizon or portion thereof underlying a ten-acre parcel or multiple thereof in a compact form.

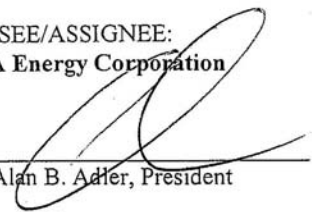
Acting in accordance with such terms, the Lessees do hereby release, remise and forever surrender and quitclaim unto the **State of California** all of their right, title and interest in and to the State lands held by virtue of State Oil and Gas Lease No. PRC 8674.1, which lands are described in the attached Exhibit A.

IN WITNESS WHEREOF, this SURRENDER OF STATE OIL AND GAS LEASE is executed this 30th day of March, 2009.

LESSEE:
Towne Exploration Company

By: 
Edward B. Towne, General Partner

LESSEE/ASSIGNEE:
ABA Energy Corporation

By: 
Alan B. Adler, President

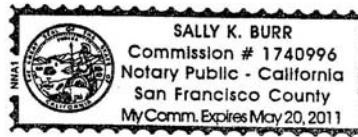
Acknowledgment

State of California)
) ss.
County of SAN FRANCISCO)

On March 30, 2009, before me, SALLY K. BURR, Notary Public, personally appeared EDWARD B. TOWNE, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that, he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Sally K Burr (Seal)
Sally K. Burr, Notary Public
My commission expires May 20, 2011



State of California)
) ss.
County of Kern)

On 4-6-09, 2009, before me, D. PAPPAS, Notary Public, personally appeared ALAN B. ADLER, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that, he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument. I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature D Pappas (Seal)
Notary Public

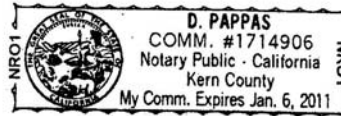


EXHIBIT A

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of the South Fork of the Mokelumne River and Beaver Slough situated in San Joaquin County, California, adjacent to those parcels of land as described in Oil, Gas and Mineral Lease on Staten Island recorded in Book 2232 Page 115 Official Records, San Joaquin County Records and Oil, Gas and Mineral Lease recorded in Book 3173 Page 546 Official Records, San Joaquin County Records, and more particular described as follows:

Bounded to the northeast by a line beginning at a point on Staten Island having a CCS 27, Zone 2 coordinates of North = 192900 feet, East = 2149900 feet and an ending point having coordinates of North = 192600 feet, East = 2150400 feet; bounded on the southwest by the protracted south section line of Section 13 T. 4 N., R. 4 E. MDM; bounded on the northwest by the ordinary high water mark on the right bank of said Mokelumne River; bounded on the southeast by the ordinary high water mark on the left bank of said Mokelumne River and left bank of said Beaver Slough.

END OF DESCRIPTION