

**CALENDAR ITEM
C60**

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06/01/09
PRC 8675.1
M. Hamilton

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**CONSIDER SURRENDER OF NEGOTIATED SUBSURFACE
(NO SURFACE USE) STATE OIL AND GAS LEASE NO. PRC 8675.1,
SACRAMENTO AND SAN JOAQUIN COUNTIES**

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 8675.1 (Lease PRC 8675.1) contains an 800 feet wide strip of tide and submerged land in the bed of the North Fork of the Mokelumne River situated in Sacramento and San Joaquin Counties, California. The parcel contains approximately 5.13 acres, and is located within the California Division of Oil, Gas and Geothermal Resources' (DOGGR) District 6, River Island Gas Field.

BACKGROUND:

Lease PRC 8675.1 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 8675.1 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 8675.1 to ABA Energy Corporation (ABA) effective June 1, 2008.

On March 21, 2008, Towne drilled well "Shark" 1 in Sacramento County near Lease PRC 8675.1. However, this well was a dry hole and on April 4, 2008, it

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was plugged and abandoned in accordance with DOGGR regulations. 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 8675.1.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6815.
- B. Lease PRC 8675.1 paragraph 29.

OTHER PERTINENT INFORMATION

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 8675.1

PERMIT STREAMLINING ACT DEADLINE:

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

RECOMMEND ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

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 TOWNE EXPLORATION COMPANY AND ABA ENERGY CORPORATION (LESSEES) THE DOCUMENT ENTITLED SURRENDER OF STATE OIL AND GAS LEASE

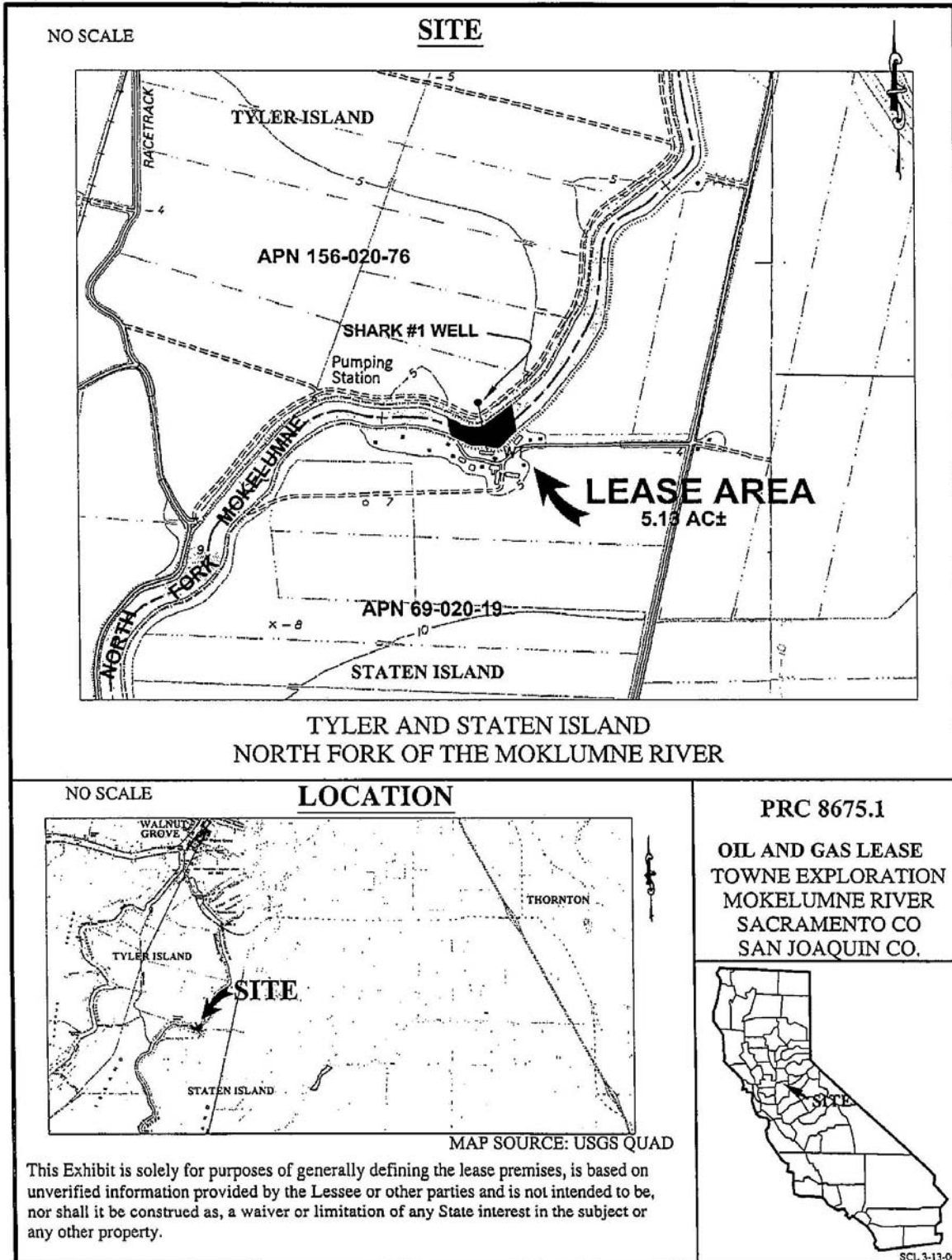
CALENDAR ITEM NO. **C60** (CONT'D)

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 8675.1 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 8675.1



LAND DESCRIPTION

PRC 8675.1

A 800 feet wide strip of tide and submerged land in the bed of the North Fork of the Mokelumne River situated in Sacramento and San Joaquin Counties, California, adjacent to those parcels of land as described in Oil, Gas and Mineral Lease on Tyler Island recorded in document number 200602101376 Sacramento County Records and Oil, Gas and Mineral Lease on Staten Island recorded in document number 2005-174721 San Joaquin County Records, the centerline of said strip described as follows:

Beginning at a point on Tyler Island having a CCS 83, Zone 3 coordinates of North = 2262239 feet, East = 6270450 feet, thence across the North Fork of the Mokelumne River South 09°55'40" East, 606 feet more or less to a point on Staten Island also being the left bank of said River.

The sidelines of said strip shall be extended or shortened at the right and left ordinary high water marks within said River

END OF DESCRIPTION



EXHIBIT B

PRC 8675.1

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 8675.1** (Lease), covering certain State lands located in Sacramento 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 Sacramento County, at Book 20060517, Page 0122, on May 17, 2006.

Towne Exploration Company, a California limited partnership (Assignor) assigned forty percent of its undivided right, title and interest under State Oil and Gas Lease No. PRC 8675.1 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 Sacramento County at Document Number 200808261054 on August 26, 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 8675.1 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 Sacramento County, in Book 20080902, at Page 1221, on September 2, 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 8675.1, the Lessee 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 8675.1, 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.

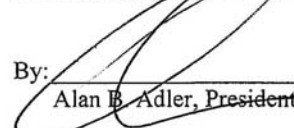
LESSEE:

Towne Exploration Company

By: 
Edward B. Towne, General Partner

LESSEE/ASSIGNEE:

ABA Energy Corporation

By: 
Alan B. Adler, President

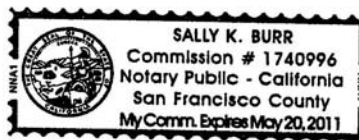
Acknowledgment

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

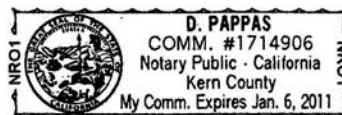


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