

**CALENDAR ITEM
C61**

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06/01/09
PRC 8676.1
M. Hamilton

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**CONSIDER SURRENDER OF NEGOTIATED SUBSURFACE
(NO SURFACE USE) STATE OIL AND GAS LEASE NO. PRC 8676.1,
SACRAMENTO COUNTY**

LESSEES:

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

Capitol Oil Corporation
Attn: Mr. Stephen D Brooks
3840 Watt Ave., Bldg. B
Sacramento CA 95821-2640

AREA, LAND TYPE AND LOCATION:

Negotiated subsurface (no surface use) State Oil and Gas Lease No. PRC 8676.1 (Lease PRC 8676.1) contains a parcel of tide and submerged land in the bed of the Sacramento River situated in Sacramento County, California. The parcel contains approximately 30.24 acres, and is located within the California Division of Oil, Gas and Geothermal Resources' (DOGGR) District 6, River Island Gas Field.

BACKGROUND:

Lease PRC 8676.1 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 8676.1 to Capitol Oil Company (Capitol) effective June 1, 2007.

On March 21, 2006, Towne applied to the DOGGR for a permit to drill well "North Isleton" 24-1 in Sacramento County near Lease PRC 8676.1. However, this well was never drilled and the permit was canceled on April 9, 2008. As a result,

CALENDAR ITEM NO. C (CONT'D)

Towne and Capitol submitted on April 17, 2009, via email, a document entitled "Surrender of State Oil and Gas Lease" quitclaiming Lease PRC 8676.1.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6815.
- B. Lease PRC 8676.1 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 8676.1

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 CAPITOL OIL CORPORATION (LESSEES) THE DOCUMENT ENTITLED SURRENDER OF STATE OIL AND GAS LEASE DATED MARCH 30, 2009, AND APRIL 6, 2009, RESPECTIVELY,

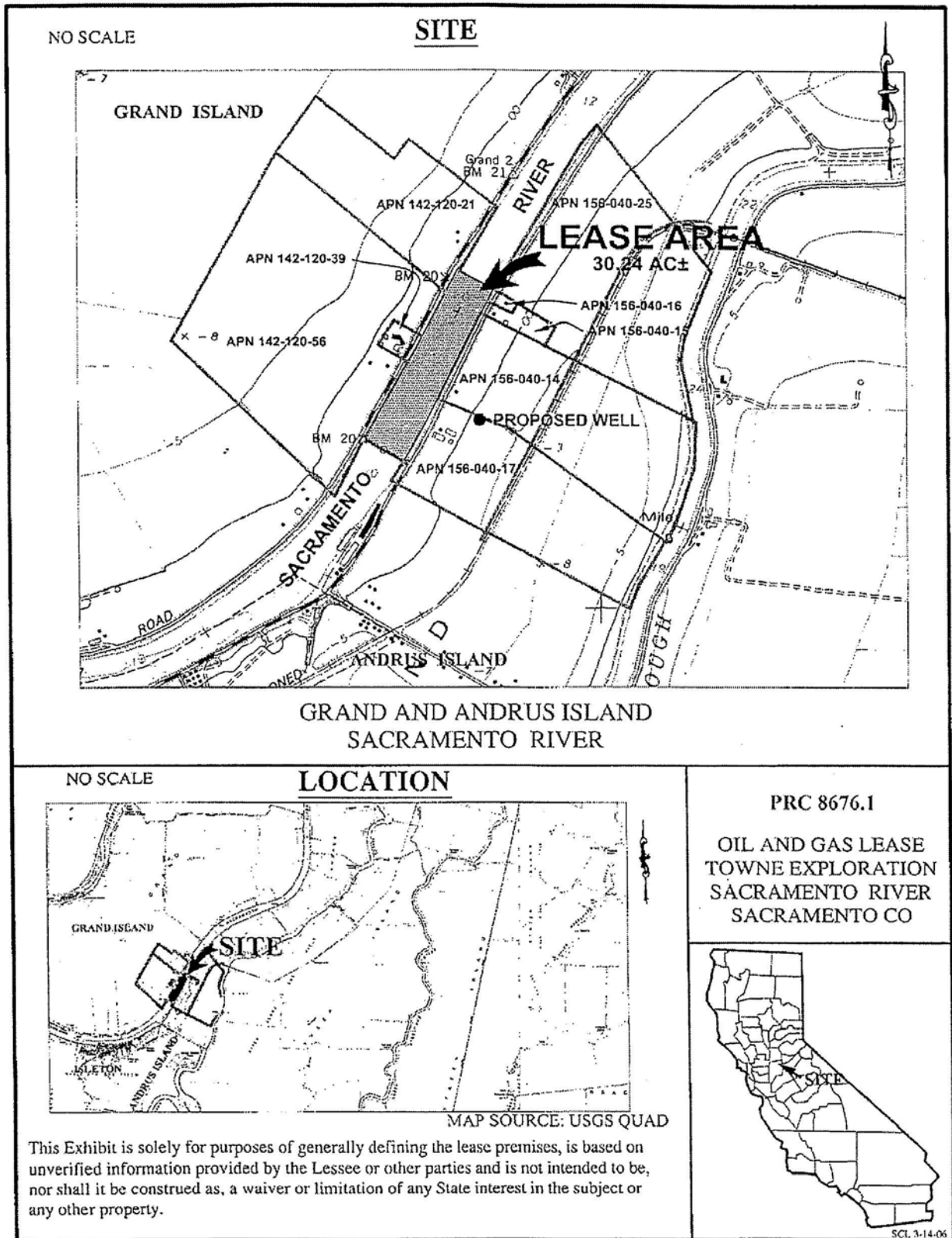
CALENDAR ITEM NO. **C** (CONT'D)

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 8676.1 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 8676.1



LAND DESCRIPTION

PRC 8676.1

A Parcel of tide and submerged land in the bed of the Sacramento River situated in Sacramento County, California and more particular described as follows:

Beginning at a point at the centerline of State Route 160 Highway Bridge and the left bank of the Sacramento River, thence along said left bank North 29°41'23" East, 512.76 feet; thence North 27°36'41" East, 1925.95 feet; thence leaving said left bank North 62°23'19" West, 518.68 feet to a point on the right bank of said River; thence along said bank South 28°17'15" West, 1072.40 feet; thence South 30°03'18" West, 1344.75 feet to the centerline of said bridge; thence along said centerline South 60°07'35" East, 570.51 feet to the point of Beginning.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark

END OF DESCRIPTION



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

SPACE ABOVE THIS LINE FOR RECORDER'S USE

SURRENDER OF STATE OIL AND GAS LEASE

State Oil and Gas Lease No. **PRC 8676.1** (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 0123, 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 8676.1 to Capitol Oil Corporation, a California 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, in Book 20080826, at Page 1055, on August 26, 2008.

Towne Exploration Company and Capitol Oil Corporation(Lessees) are the present holders of the Lease.

Pursuant to the terms of State Oil and Gas Lease No. PRC 8676.1, 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 8676.1, 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.

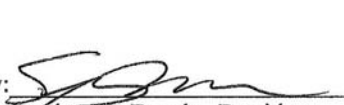
LESSEE:

Towne Exploration Company

By: 
Edward B. Towne, General Partner

LESSEE/ASSIGNEE:

Capitol Oil Corporation

By: 
Stephen D. Brooks, 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 Sacramento)

On April 27, 2009, before me Michael T. Rogers, Notary Public, personally appeared STEPHEN D. BROOKS, 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 Michael T. Rogers (Seal)
Notary Public



EXHIBIT A

LAND DESCRIPTION

A parcel of tide and submerged land in the bed of the Sacramento River situated in Sacramento County, California, and more particular described as follows:

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END OF DESCRIPTION