

**CALENDAR ITEM
C59**

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06/01/09
PRC 8674.1
M. Hamilton

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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.

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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.

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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.