

**CALENDAR ITEM  
C71**

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**CONSIDER APPROVAL OF AN APPLICATION  
FOR A NEGOTIATED SUBSURFACE  
(NO SURFACE USE) NATURAL GAS LEASE,  
SUISUN SLOUGH & MONTEZUMA SLOUGH  
NEAR JOICE ISLAND,  
SOLANO COUNTY**

**APPLICANT:**

Venoco, Inc.  
Attn.: Mr. Craig Blancett  
370 17<sup>th</sup> St., Suite 3900  
Denver, CO 80202

**AREA, LAND TYPE, AND LOCATION:**

Proposed negotiated subsurface (no surface use) Natural Gas Lease involves approximately 274 acres which contain approximately 126 acres of sovereign lands underlying Montezuma Slough (Parcel 1), approximately 110 acres of sovereign lands underlying Suisun Slough (Parcel 2), and approximately 37 acres of California Department of Fish and Game (CDFG) lands (Parcel 3) located near Joice Island in Solano County, California. (Exhibit A, attached hereto).

**BACKGROUND:**

Venoco, Inc. (Venoco) has applied for a negotiated subsurface (no surface use) Natural Gas Lease on approximately 274 acres in Solano County (Exhibit B, attached hereto). Because the State sovereign lands are waterways and the CDFG lands are protected, surface drill sites are not available. However, natural gas resources that may underlie the State lands can be developed from sites or nearby private lands.

Public Resources Code section 6815 subdivision (a) authorizes the Commission to negotiate and enter into oil and gas leases on State lands if any of the following exists: wells drilled on private or public lands are draining or may drain

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oil and gas from the State lands, the Commission determines the State lands to be unsuitable for competitive bidding because of such factors as their small size or irregular configuration or their inaccessibility from surface drill sites reasonably available or obtainable, the State owns a fractional mineral interest in the lands, or the Commission determines the lease to be in the best interests of the State.

Because the applicant controls by lease and/or agreement, all of the private property adjacent to the State land described in Exhibit A, attached hereto, and because the applicant has county (lead agency) approval to drill a well near the State lands, Commission staff has concluded that the criteria of Public Resources Code section 6815 subdivision (a) have been satisfied and that a negotiated subsurface (no surface use) Natural Gas Lease with the applicant will avoid loss of natural gas resources that may underlie the State lands. The gas lease would permit Commission-approved directional drilling from a County-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

**OTHER PERTINENT INFORMATION:**

1. Staff believes that a negotiated natural gas lease is in the best interest of the State because the applicant presently holds oil and gas leases from private mineral owners covering mineral interests in lands contained within Exhibit B, attached hereto; and the applicant, through oil and gas leases and agreements controls substantially all of the available drill site access to the waterways constituting the Exhibit B lands.
2. In accordance with the provisions of Public Resources Code section 6854, the CDFG has consented to the leasing of the Exhibit A lands under its jurisdiction pursuant to the terms of the lease.
3. Annual rental of \$40 per acre (\$10,960 for approximately 274 acres).
4. Royalty of twenty five percent (25%) on natural gas.
5. Performance bond or other security in the sum of \$10,000 per well.
6. The staff recommends that the Commission find that the subject subsurface lease agreement does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

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Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

7. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq., but such activity will not affect those significant lands. Based upon the staff's consultation with the persons nominating such lands and through the CEQA review process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

**EXHIBITS:**

- A. Land Description
- B. Site Map

**RECOMMENDED ACTION:**

It is recommended that the Commission:

**CEQA FINDING:**

Find that the subject subsurface lease agreement is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

**SIGNIFICANT LANDS INVENTORY FINDING:**

Find that this activity is consistent with the use classification designated by the Commission for the land pursuant to Public Resources Code section 6370 et seq.

**OTHER FINDINGS:**

Determine that the criteria of Public Resources Code section 6815 subdivision (a) have been met, that a negotiated subsurface (no surface use) oil and gas lease is the best instrument to develop and protect oil and gas resources that may underlie the State land described in Exhibit A, attached hereto, and that the State land is unsuitable for competitive bidding because surface drill sites are not available and wells drilled on the adjacent private property may drain State Oil and Gas resources.

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**AUTHORIZATION**

1. Enter into a negotiated subsurface (no surface use) Natural Gas Lease with Venoco, Inc., that contains the State land described in Exhibit A, attached hereto, (approximately 274 acres), a term of five (5) years and so long as gas is produced in paying quantities, annual rental of \$40 per acre (\$10,960 for approximately 274 acres), royalty on gas substances and oil fixed at twenty five percent (25%), and performance bond or other security in the sum of \$10,000.
2. Authorize the Executive Officer or his designee to execute any document necessary to implement the Commission's action.

## EXHIBIT A

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### LAND DESCRIPTION

Two parcels of State owned tide and submerged land lying in the bed of Suisun Slough and Montezuma Slough adjacent to protracted Sections 26, 27, 34 and 35, Township 4 North, Range 2 West, M.D.M., as shown on Official Government Township plat approved January 31, 1873, County of Solano, State of California, described as follows:

#### PARCEL 1 – MONTEZUMA SLOUGH

A parcel of State owned tide and submerged land lying in the bed of Montezuma Slough bounded as follows:

Bound on the north by a line beginning at a point with coordinates of East(X) = 6,539,794.00 feet, North(Y) = 1,819,987.00 feet and terminating at a point with coordinates of East(X) = 6,548,910.00 feet, North(Y) = 1,819,937.00 feet; bound on the south by a line beginning at a point with coordinates of East(X) = 6,548,907.00 feet, North(Y) = 1,815,818.00 feet and terminating at a point with coordinates of East(X) = 6,539,806.00 feet, North(Y) = 1,815,843.00 feet; and bound on the east and west by the Ordinary High Water Marks of the left and right banks of Montezuma Slough.

The hereinabove listed coordinates are CCS83, Zone 2.

#### PARCEL 2 – SUISUN SLOUGH

A parcel of State owned tide and submerged land lying in the bed of Suisun Slough bounded as follows:

Bound on the north by a line beginning at a point with coordinates of East(X) = 6,539,794.00 feet, North(Y) = 1,819,987.00 feet and terminating at a point with coordinates of East(X) = 6,548,910.00 feet, North(Y) = 1,819,937.00 feet; bound on the south by a line beginning at a point with coordinates of East(X) = 6,548,907.00 feet, North(Y) = 1,815,818.00 feet and terminating at a point with coordinates of East(X) = 6,539,806.00 feet, North(Y) = 1,815,843.00 feet; and bound on the east and west by the Ordinary High Water Marks of the left and right banks of Suisun Slough.

The hereinabove listed coordinates are CCS83, Zone 2.

**PARCEL 3 – DEPARTMENT OF FISH AND GAME LEASE PARCEL**

A parcel of State owned land lying in protracted Section 26, Township 4 North, Range 2 West, M.D.M., as shown on Official Government Township plat approved January 31, 1873, County of Solano, State of California, described as follows:

That parcel of land described in Instrument 82-00020 dated February 1, 1932 between Andrew F. Mahony Co. (Grantor) and the State of California (Grantee), Official Records of said County, State of California lying southerly of the following described line:

Beginning at a point with coordinates of East(X) = 6,539,794.00 feet, North(Y) = 1,819,987.00 feet and terminating at a point with coordinates of East(X) = 6,548,910.00 feet, North(Y) = 1,819,937.00 feet.

The hereinabove listed coordinates are CCS83, Zone 2.

**END OF DESCRIPTION**

Prepared 03/20/2012 by the California State Lands Commission Boundary Unit.



## EXHIBIT B

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