

**STAFF REPORT
C70**

A 15
S 5

02/27/18
PRC 8618.1
N. Heda

**CONSIDER ACKNOWLEDGMENT OF RECEIPT OF THE
FULL QUITCLAIM DEED FOR NEGOTIATED
SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 8618.1**

LESSEES:

Summit Exploration (California), LLC

Stream Energy, Inc.

AREA, LAND TYPE, AND LOCATION:

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 8618.1 contains approximately 37.41 acres of tide and submerged lands situated in the bed of the Sacramento River and Georgiana Slough in Sacramento County (Exhibit A attached).

BACKGROUND AND ANALYSIS:

Authority: Public Resources Code section 6804.1

On June 20, 2005, the Commission approved a negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 8618.1 (Lease) with Stream Energy, Inc. (Stream) ([Item C45, June 20, 2005](#)). The original lease contained approximately 17.91 acres of tide and submerged lands in the bed of the Sacramento River and Georgiana Slough in Sacramento County.

On March 25, 2008, the Commission approved an amendment to add approximately 19.5 acres to the lease for a total of 37.41 acres and pooled all of the leased lands into two units, the CT-KD Unit and Shoreline Pooling Unit ([Item C84, March 25, 2008](#)). The annual rental for the entire lease is \$950 and the royalty is fixed at 20 percent on all gas and oil produced.

During 2007 and 2008, Stream drilled three wells, of which two were drilled through State land and one was drilled adjacent to State land. Stream drilled one natural gas well, the Walnut Grove 34-1, through the leased lands from a location on private land west of the leased lands. Stream also drilled two wells from private land, the Kay Dix 35-1 with a bottom hole on the leased land, and Kay Dix 35-2, with a bottom hole adjacent to the leased lands.

STAFF REPORT NO. **C70** (CONT'D)

On November 12, 2008, well Kay Dix 35-2 was plugged and abandoned by Stream, as witnessed and approved by the California Division of Oil, Gas, and Geothermal Resources' (DOGGR) standards and procedures (Exhibit F attached).

On January 26, 2012, the Commission approved the partial assignment of an undivided 75 percent interest of the Lease from Stream to Summit Exploration (California), LLC, a subsidiary of Summit Energy, LLC (Summit), and approved Summit Exploration (California), LLC, as operator of the lease ([Item C76, January 26, 2012](#)).

On June 30, 2017, staff received the full Quitclaim Deed from both Summit and Stream, dated April 13, 2017, which quitclaimed back to the State the entirety of Lease PRC 8618.1 (Exhibit C attached). However, at that time, the remaining wells on and through State lands were not plugged and abandoned in compliance with lease provisions and DOGGR standards and procedures.

On October 3, 2017, pursuant to the Commission's lease provision standards, wells Walnut Grove 34-1 and Well Kay Dix 35-1 were plugged and abandoned by cementing the producing zones within lands under the State's jurisdiction (Exhibits D and E, attached). Those wells are no longer capable of producing gas from the leased lands; however, the operator has not completed the final plugging and abandonment requirements near the surface of each well, located on private upland property. Therefore, the wells are considered idle wells by DOGGR standards and procedures; however, because the zones of production on State sovereign lands are properly isolated, the operator has satisfied its lease-related abandonment obligations.

A review of the Commission's files reveals that no defaults exist on the Lease, and that the Lessees have otherwise complied with all applicable laws and Lease terms including abandonment of those portions of the wells on State property.

Public Resources Code section 6804.1 and Lease Paragraph 29 permit the Lessees to make, at any time, a written quitclaim of all rights under the Lease. The quitclaim is effective when filed with the State on June 30, 2017. Staff presents this Staff Report and authorization to acknowledge and confirm the completion of the Lessees' obligations under the lease so that staff may properly release held performance bonds or other guarantees held under the lease.

STAFF REPORT NO. **C70** (CONT'D)

OTHER PERTINENT INFORMATION:

1. This action is consistent with Strategy 1.1 of the Commission's Strategic Plan to deliver the highest levels of public health and safety in the protection, preservation, and responsible economic use of the lands and resources under the Commission's jurisdiction.
2. Acceptance of the quitclaim deed is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Quitclaim Deed
- D. DOGGR Cement and plugging memo for well Walnut Grove 34-1
- E. DOGGR Cement and plugging memo for well Kay Dix 35-1
- F. DOGGR Abandonment Approval letter for well Kay Dix 35-2

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

1. Acknowledge receipt of the full Quitclaim Deed for Oil and Gas Lease No. PRC 8618.1, effective June 30, 2017, wherein the Lessees quitclaim to the State all rights, title and interest in the leased lands described in the attached Exhibit A.
2. Find that Summit Energy, LLC, and Stream Energy, Inc., have complied with all obligations under Oil and Gas Lease No. PRC 8618.1.
3. Release both Summit Energy, LLC, and Stream Energy, Inc., from all obligations under Oil and Gas Lease No. PRC 8618.1.
4. Authorize the Executive Officer or her designee to execute any documents necessary to implement the Commission's action.

EXHIBIT A

PRC 8618.1

LAND DESCRIPTION

Two parcels of tide and submerged land lying in the bed of the Sacramento River and Georgiana Slough, Sacramento County, California more particularly described as follows:

PARCEL 1

BEGINNING at a point on the northerly bank of said Sacramento River at the southwest corner of Swamp and Overflowed Land Survey No. 307 of said County and State; thence westerly along said bank of said Sacramento River 1,696 feet, more or less, to the southeast corner of that parcel of land described in that certain deed recorded April 1st, 2005, in Book 20050401, Page 0356, Official Records of Sacramento County; thence S 7° 45' 00" E 460 feet, more or less, to a point on the southerly bank of said Sacramento River, as described in Parcel 2 in that certain deed recorded January 16th, 2004, in Book 20040116, Page 2178, Official Records of Sacramento County; thence easterly along said bank of said Sacramento River 1744 feet, more or less, to a point which bears S 14° 00' 00" E 503 feet, more or less, from the point of beginning; thence N 14° 00' 00" W 503 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM any portion thereof lying landward of the ordinary high water mark of the Sacramento River.

PARCEL 2

COMMENCING at a point which bears N 76°15'45" E, 1688 feet, more or less, from the southeast corner of that certain parcel of land described in that certain deed recorded April 1st, 2005, in Book 20050401, Page 0356, Official Records of said county; said POINT OF COMMENCEMENT lying on the northerly bank of said river at the southwest corner of Swamp and Overflowed Land Survey 307 of said county and also being the northeast corner of that certain above described PARCEL 1; thence leaving said bank along the easterly line of said Parcel 1 S14°00'00" E, 225 feet, more or less, to the centerline of said river and the POINT OF BEGINNING; thence easterly along said centerline 2242 feet, more or less, to its intersection with the centerline of Georgiana Slough; thence easterly along a line lying perpendicular to said centerline 264 feet, more or less, to the easterly bank of said river; thence southerly along said river and slough bank 2242 feet, more or less; thence leaving said bank northwesterly along a line lying perpendicular to said easterly slough bank 212 feet, more or less, to the westerly bank of said slough; thence northerly along said slough bank 1830 feet, more or less, to the bank of said river; thence westerly along said river bank 1877 feet to the easterly line of said Parcel 1; thence along the east line of said Parcel 1

N 14°00'00" W, 191 feet, more or less, to the centerline of said river and the POINT OF BEGINNING.

EXCEPTING THEREFROM any portion thereof lying landward of the ordinary high water mark of the Sacramento River and Georgiana Slough.

END OF DESCRIPTION

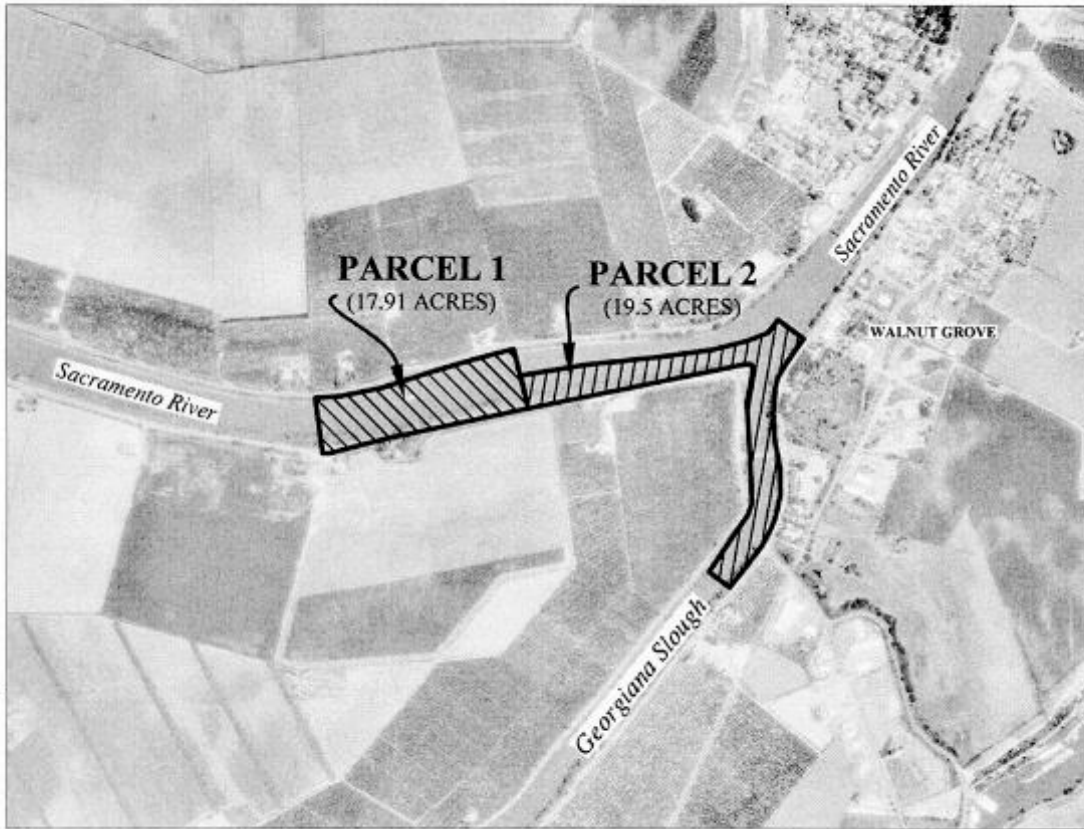
PARCEL 1 based on that original description prepared by the California State Lands Commission Boundary Unit on 05/25/2005 and PARCEL 2 based on that original description prepared by California State Lands Commission Boundary Unit on 04/04/2008 as found in W 40905, PRC 8618 file, Calendar Items C45 and C84.

Revised 04/13/2017 by the California State Lands Commission Boundary Unit.



NO SCALE

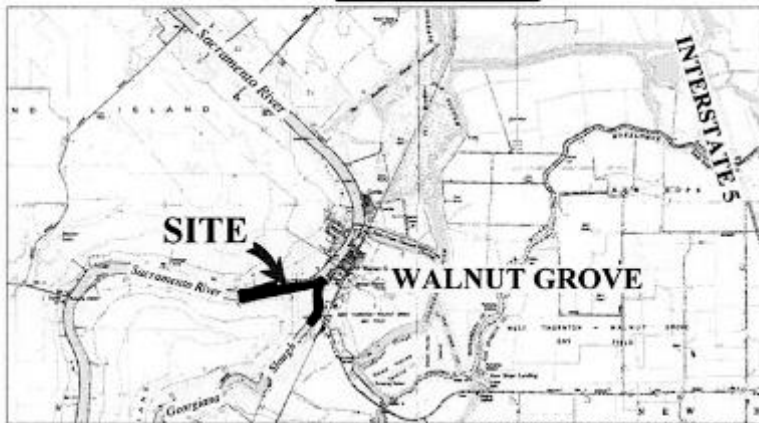
SITE



**SACRAMENTO RIVER AND GEORGIANA SLOUGH
WEST OF WALNUT GROVE**

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

PRC 8618.1



TS 04/13/2017

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT C

PRC 8618.1

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

No Tax Due

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**LEASE QUITCLAIM DEED
FOR STATE OIL AND GAS LEASE**

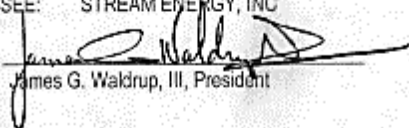
WHEREAS, State Oil and Gas Lease No. PRC 8618.1 (Lease), covering certain State lands located Sacramento County, State of California, was issued by the State of California, acting through the California State Lands Commission (State), on June 20, 2005, and was recorded in the Official Records of Sacramento County, in Book 20050712, at Page 1043, on July 12, 2005.

WHEREAS, Summit Energy, LLC, and Stream Energy, Inc. (Lessee), are the present holders of the Lease.

WHEREAS, pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under the Lease or of any portion of the Lease comprising a 10-acre parcel or multiple thereof in compact form, or of any separate or distinct zone or geological horizon thereof underlying such 10-acre parcel or multiple thereof.

NOW THEREFORE, acting in accordance with such terms, the **Lessee** does hereby release, remise and forever quitclaim unto the **State of California** all of its right, title and interest in and to the State lands or that portion of the State lands held by virtue of the Lease, which lands are or portion is described in the attached Exhibit A.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this 13th day of April, 2017.

LESSEE: STREAM ENERGY, INC
By: 
James G. Waldrup, III, President

SUMMIT ENERGY, LLC
By: _____
Terry L. Shyer, President and Chief Executive Officer

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document

State of Oklahoma
County of Cleveland

On April 13, 2017 before me, Rebecca J. Payencoe
(insert name and title of the officer)

personally appeared James G. Waldrup, III
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 Oklahoma that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature Rebecca J. Payencoe (Seal)

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
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FOR STATE OIL AND GAS LEASE**

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WHEREAS, Summit Energy, LLC, and Stream Energy, Inc. (Lessee), are the present holders of the Lease.

WHEREAS, pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under the Lease or of any portion of the Lease comprising a 10-acre parcel or multiple thereof in compact form, or of any separate or distinct zone or geological horizon thereof underlying such 10-acre parcel or multiple thereof.

NOW THEREFORE, acting in accordance with such terms, the Lessee does hereby release, remise and forever quitclaim unto the **State of California** all of its right, title and interest in and to the State lands or that portion of the State lands held by virtue of the Lease, which lands are or portion is described in the attached Exhibit A.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this 4th day of January, 2018.

LESSEE: STREAM ENERGY, INC

By: _____
James G. Waldrup, III, President

SUMMIT ENERGY, LLC

By: 
Terry L. Shyer, President and Chief Executive Officer

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of Oklahoma
County of Oklahoma

On January 4, 2018 before me, Pamela J. Lopas
(insert name and title of the officer)

personally appeared Terry L. Shyer
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 Pamela J. Lopas (Seal)



EXHIBIT A

PRC 8618.1

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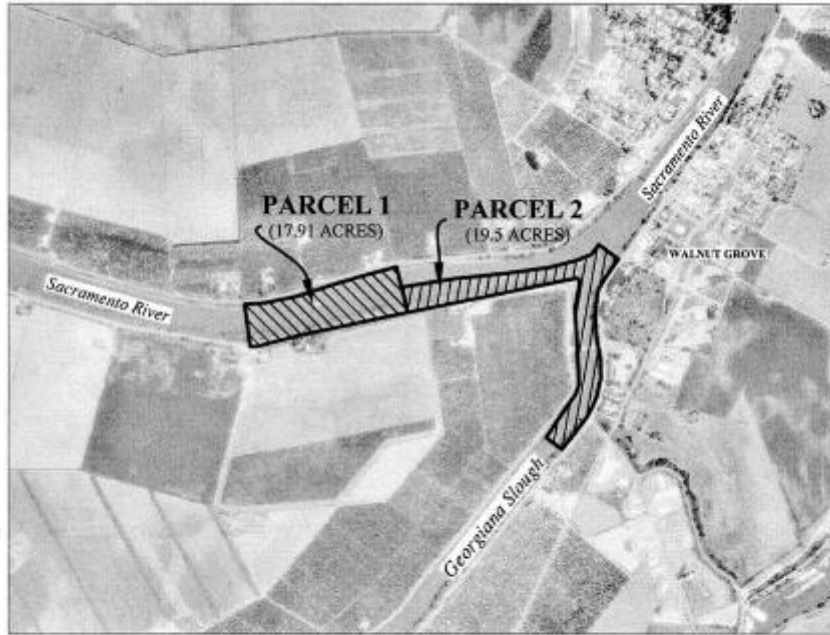
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Revised 04/13/2017 by the California State Lands Commission Boundary Unit.



NO SCALE

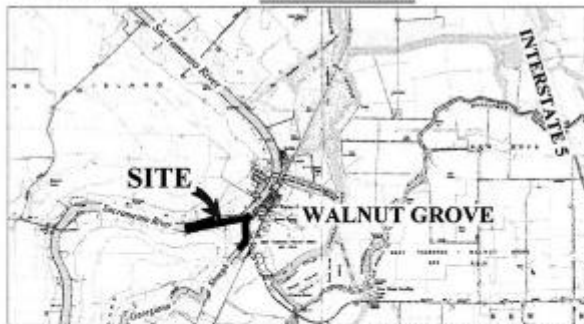
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SACRAMENTO RIVER AND GEORGIANA SLOUGH
WEST OF WALNUT GROVE

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

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Exhibit B

PRC 8618.1
STREAM ENERGY, INC.
OIL AND GAS LEASE
SACRAMENTO COUNTY



TS 04/1/2007

EXHIBIT D

PRC 8618.1

DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

CEMENTING/PLUGGING MEMO

Operator Summit Exploration (California), LLC Well No. "Walnut Grove" 34-1
 API No. 067-20415 Sec. 34 T. 05N R. 04E MD B&M
 Field Walnut Grove Gas County Sacramento On _____
 Mr. /Ms. _____ representative of the supervisor, was present from _____ to _____.

There were also present Barret Nickel, Snows Oilfield Field Service, Inc.

Casing record of well: Please see well history.

The operations were performed for the purpose of: **Abandonment**

- The plugging/cementing operations as witnessed and reported are approved.
- The location and hardness of the cement plug @ _____ is approved.

Hole size: _____ " fr. _____ ' to _____ ' , _____ " to _____ ' & _____ " to _____ '.

Casing				Cemented			Top of Fill		Squeezed Away	Final Pressure	Perforations
Size	Wt.	Top	Bottom	Date	MO-Depth	Volume	Annulus	Casing			
8-5/8"	24#	sfc	754'								
4-1/2"	11.6#	sfc	7830'								

Casing/tubing recovered: _____ " Shot/cut at _____ ' , _____ ' , _____ ' , Pulled fr. _____ ' ;
 _____ " Shot/cut at _____ ' , _____ ' , _____ ' , Pulled fr. _____ ' .

Junk (in hole): _____

Hole fluid (bailed to) at _____ . Witnessed by _____

Mudding	Date	bbls	Displaced	Poured	Fill	Engineer
Shear: 40#/100 ft ² Density: 73#/cf ³	8/18/17	23.5 Stage 1 of 2	Disp w stg 2 mud...	--	4800' (Calc)	C. Costa
Shear: 38#/100 ft ² Density: 38#/cf ³	8/18/17	23.5 Stage 2 of 2	12.5 bbls H2O	--	3287' (Calc)	C. Costa
Shear: 72#/100 ft ² Density: 60#/cf ³	8/21/17	23bbls	6.2 bbls H2O	--	1605'	C. Costa
Shear: 72#/100 ft ² Density: 60#/cf ³	8/22/17	20bbls	--	--	sfc	C. Costa

Cement Plugs		Placing	Placing Witnessed		Top Witnessed			
Date	Sx./cf	MO & Depth	Time	Engineer	Depth	Wt/Sample	Date & Time	Engineer
Clean out tag (Var. approved by JA @ 1500 on 8/18/17) PB w cem to 7201'					6313'	6000#	8/18/17	C. Costa @ 1500
8/18/17	23sx/26.5cf	TT 3287'	--	Rptd Barret N.	2991'	3000#	8/21/17	C. Costa @ 0830
8/21/17	25sx/28.75cf	TT 1605'	--	Rptd Barret N.	1290'	2000#	8/22/17	C. Costa @ 0915

EXHIBIT E

PRC 8618.1

DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

T

CEMENTING/PLUGGING MEMO

Operator Summit Exploration (California), LLC Well No. "Kay Dix et al" 35-1
 API No. 06720416 Sec. 35 T. 05N R. 04E , MD B&M
 Field Thornton, W.-Walnut Grove Gas , County Sacramento . On _____ ,
 Mr. / Ms. _____ representative of the supervisor, was present from _____ to _____ .

There were also present _____

Casing record of well: _____

The operations were performed for the purpose of: _____

Abandonment

The plugging/cementing operations as witnessed and reported are approved.

The location and hardness of the cement plug @ _____ are approved.

Hole size: _____ " fr. _____ ' to _____ ' , _____ " to _____ ' & _____ " to _____ ' .

Casing				Cemented			Top of Fill		Squeezed Away	Final Pressure	Perforations
Size	Wt.	Top	Bottom	Date	MO-Depth	Volume	Annulus	Casing			

Casing/tubing recovered: _____ " Shot/cut at _____ ' , _____ ' , _____ ' , Pulled fr. _____ ' ;
 _____ " Shot/cut at _____ ' , _____ ' , _____ ' , Pulled fr. _____ ' .

Junk (in hole): _____

Hole fluid (bailed to) at _____ ' . Witnessed by _____

Mudding	Date	bbls	Displaced	Poured	Fill	Engineer
Shear: 25 lb/100 ft ² Density: 72 lb/ft ³	9-29-17	22	22 bbls			K. Morgan
Shear: 40 lb/100 ft ² Density: 73 lb/ft ³	10-3-17	38 bbls	5 bbls			K. Morgan
Shear: 30 lb/100 ft ² Density: 73 lb/ft ³	10-3-17	21 bbls				K. Morgan
Shear: lb/100 ft ² Density: lb/ft ³						

Cement Plugs		Placing	Placing Witnessed		Top Witnessed			
Date	Sx./cf	MO & Depth	Time	Engineer	Depth	Wt/Sample	Date & Time	Engineer
					c/o @ 6506'	6,000 lbs	9-29-17 0830	K. Morgan
9-29-17	35sx/40cf	TT @ 5058	1000	K. Morgan	4,640'	6,000lbs	10-2-17 0830	K. Morgan
10-2-17	45sx/51.75cf	TT @ 4638'	0930	K. Morgan	4,027'	6,000lbs	10-3-17	K. Morgan
10-3-17	25sx	TT @ 1610'	1200	Rpt By K. Nickell	1354'	6,000lbs	10-3-17	K. Morgan

EXHIBIT F

PRC 8618.1

RESOURCES AGENCY OF CALIFORNIA
DEPARTMENT OF CONSERVATION
DIVISION OF OIL, GAS, AND GEOTHERMAL RESOURCES

REPORT OF WELL PLUGGING AND ABANDONMENT

Sacramento, California

July 27, 2009

Michael Phillips, Agent
STREAM ENERGY INC.
P.O. Box 3034
Yuba City, CA 95992

Your report of the plugging and abandonment of well "Kay Dix Et Al" 35-2,
A.P.I. No. 067-20452, Section 35, T. 5N, R. 4E, M.D. B. & M., Thornton, W.
Walnut Gove Gas field, Sacramento County, dated 10/27/08, received 1/27/09
has been examined in conjunction with records filed in this office. We have determined
that all of the requirements of this Division have been fulfilled relative to plugging and
abandonment of the well, removal of well equipment and junk, and filing of well records.

- NOTES:** 1. Surface plugging completed on 10/24/08.
2. Site inspection made and approved 7/16/09.

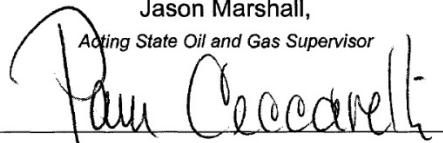
BOND:

STATUS:

Jason Marshall,

Acting State Oil and Gas Supervisor

By



Pam Ceccarelli
Associate Engineer

PC/jc