

MINUTE ITEM

This Calendar Item No. 32
was approved as a Minute Item
by the State Lands
Commission by a vote of 2
6 3 2 3

CALENDAR ITEM

32

A 26
S 5

06/26/86
W 40494 PRC 6996
Hamilton

ISSUANCE OF NEGOTIATED SUBSURFACE OIL AND GAS LEASE

APPLICANT: Mr. Corbin J. Robertson
AGENT/OPERATOR: c/o Quintana Petroleum Corporation
Attn: Mr. Bob Gerber
1050 17th Street, Suite 400
Denver, Colorado 80265

AREA, TYPE LAND AND LOCATION:
A 38.56 acre parcel, more or less, of State
tide and submerged land underlying a portion of
the bed of White Slough in Sections 22, 27 and
28, T3N R5E, MDM, San Joaquin County,
California.

LAND USE: The surface use of the State parcel is
unsuitable for oil and gas operations.
However, the subsurface commercial development
of oil and gas resources that may underlie the
State parcel may be accomplished by directional
drilling from adjacent private lands.

P.R.C. Section 6815 authorizes the Commission
to negotiate and enter into oil and gas leases
on State lands in various situations, including
those where wells drilled upon private lands
are draining or may drain oil or gas from
State-owned lands and where the State lands are
determined by the Commission to be unsuitable
for competitive bidding because of their
inaccessibility from surface drill sites
reasonably available or obtainable.

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TERMS OF PROPOSED OIL AND GAS LEASE:

The subject State parcel is surrounded by private lands under lease to Corbin J. Robertson. As operator for Mr. Robertson, Quintana Petroleum Corporation, in September 1985, drilled well "Moresco et al. Unit A" #1 from a surface and bottom hole location about 1,650 feet south of the State parcel on these private lands. Staff has examined information supplied by the applicant and Division of Oil and Gas and concludes that a negotiated subsurface oil and gas lease is the best instrument to protect the State from possible drainage from wells drilled on these adjacent lands and to develop any oil and gas resources that may underlie the State parcel. Staff has negotiated a lease with Quintana and Mr. Robertson, and the parties have agreed to terms, among which are the following:

1. Lessee shall pay in advance a rental of \$30 per acre per year (\$1,170 per year); and
2. Lessee shall pay a flat rate royalty of 20 percent on all oil and gas produced from the state lands.

UNIT INFORMATION:

Quintana Petroleum Corporation has submitted to the State a proposal to pool all the State lands pursuant to a Declaration of Pooling to form the Moresco Gas Unit. This Unit is to be established for pooling not more than 640 acres for production from an existing well, "Moresco et al. Unit A" #1. Production will be allocated to each of the pooled parcels, including the State's, in the proportion that its surface acreage bears to the total surface acreage of the pooled lands. The lease would permit this pooling, but would require State approval for adding any more lands to the Unit.

Staff has reviewed the proposed operational unit and concludes that it is in the best interest of the State to issue the lease and to allow the lessee to pool the State lands pursuant to the Declaration of Pooling for the Moresco Gas Unit.

OTHER PERTINENT INFORMATION:

1. The San Joaquin County Department of Planning and Building Inspection has approved an Application No. DP-85-86 to drill for gas and/or oil on private property located within San Joaquin County. Development plans are processed as ministerial projects by San Joaquin County.

2. Pursuant to the Commission's delegation of authority and the State CEQA Guideline, (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes there is no possibility that this project may have a significant effect on the environment.

Authority: 14 Cal. Adm. Code 15061 (b)(3).

3. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 6370 et seq. Based upon the staff's consultation with the persons nominating the lands and through the CEQA process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.

AB 884: N/A.

EXHIBITS: A. Land Description.
B. Site Map.
C. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL. ADM. CODE 15061 (b)(3)).

CALENDAR ITEM NO. 32 (CONT'D)

2. FIND THAT THIS ACTIVITY AS PROPOSED IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED FOR THE LAND PURSUANT TO P.R.C. 6370 ET SEQ.
3. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILL SITES REASONABLY AVAILABLE OR OBTAINABLE.
4. AUTHORIZE ISSUANCE TO CORBIN J. ROBERTSON OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE (ROYALTY) WHICH CONTAINS APPROXIMATELY 38.56 ACRES OF STATE TIDE AND SUBMERGED LAND IN THE BED OF WHITE SLOUGH IN SAN JOAQUIN COUNTY, CALIFORNIA AND ALLOWS POOLING OF ALL THE STATE LAND IN THE MORESCO GAS UNIT.

EXHIBIT 'A'

LAND DESCRIPTION

W 40494

Two parcels of tide and submerged land in the natural bed of White Slough in San Joaquin County, California, said parcels described as follows:

PARCEL 1

That portion of the natural bed of White Slough lying within Sections 22 and 27, T3N, R5E, MDM, bounded on the east by the west line of Parcel One of the Rio Blanco Ranch, a California Corporation, said natural bed of White Slough, on said easterly end, extending no further south than the southerly terminous of that course being S 50° 20' E, 440 feet, and no further north than the northerly terminous of that course being S 52° 10' W 300 feet, as described by Deed recorded May 4, 1959, in Book 2173, page 41 of Official Records, San Joaquin County, and on the west by the northerly prolongation of the west line of Parcel One of the Deed to Edward H. Piacentini, et ux, recorded March 10, 1952, in Book 1401, page 95 of Official Records, San Joaquin County.

PARCEL 2

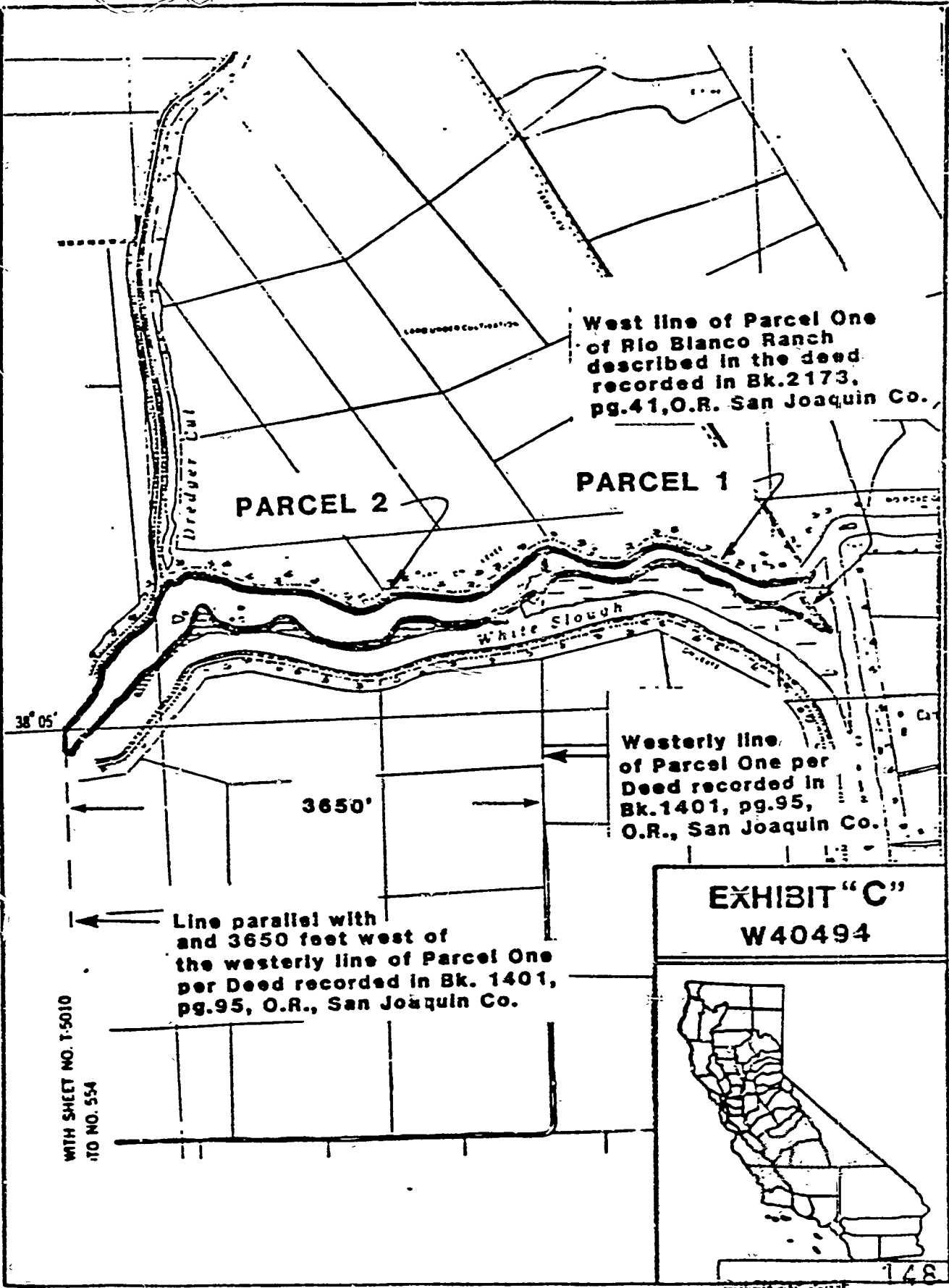
That portion of the natural bed of White Slough lying within Sections 27 and 28, T3N, R5E, MDM, bounded on the east by the northerly prolongation of the west line of Parcel One of the Deed to Edward H. Piacentini, et ux, recorded March 10, 1952, in Book 1401, page 95 of Official Records, San Joaquin County, and on the west by the northerly prolongation of a line parallel with and 3,650 feet west of said westerly line of Parcel One of the Deed to Edward H. Piacentini.

END OF DESCRIPTION

PREPARED JUNE 4, 1986 BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.

PARCEL ONE CONTAINING 10.98 ACRES, MORE OR LESS, AND PARCEL TWO CONTAINING 27.58 ACRES, MORE OR LESS, WITH BOTH PARCELS OF STATE LANDS COVERING AN AREA OF 38.56 ACRES, MORE OR LESS.

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West line of Parcel One of Rio Blanco Ranch described in the deed recorded in Bk.2173, pg.41, O.R. San Joaquin Co.

PARCEL 2

PARCEL 1

White Slough

38° 05'

3650'

Westerly line of Parcel One per Deed recorded in Bk.1401, pg.95, O.R., San Joaquin Co.

Line parallel with and 3650 feet west of the westerly line of Parcel One per Deed recorded in Bk. 1401, pg.95, O.R., San Joaquin Co.

WITH SHEET NO. T-5010 TO NO. 554

EXHIBIT "C"
W40494

1485