

MINUTE ITEM

This Calendar Item No. C24
was approved as Minute Item
No. 20 by the State Lands
Commission by a vote of 3
to 0 at its 3/26/87
meeting.

CALENDAR ITEM,

C24

A 1

S 4

03/26/87

W 40508 PRC 7060

Graber

ISSUANCE OF NEGOTIATED SUBSURFACE OIL AND GAS LEASE

APPLICANT: TXO Production Corporation
Attn: Mr. Greg Guerrazzi
9343 Tech Center Drive, Suite 200
Sacramento, California 95827

AREA, TYPE LAND AND LOCATION:
A 197.9-acre parcel, more or less, of State submerged land, located in the bed of the Sacramento River in portions of projected Sections 17, 20, and 29 T19N, R1W MDM, and projected Sections 7 and 8, T20N R1W, MDM, about one to three miles north of Butte City in Glenn County.

LAND USE: The State parcel is submerged land. Subsurface 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-owned lands in situations where wells drilled upon private lands are draining or may drain oil or gas from state-owned lands; or where the State lands are determined by the Commission to be unsuitable for competitive bidding because of their irregular configuration or their inaccessibility from drill sites reasonably available or obtainable; or where a negotiated lease is in the best interests of the State.

CALENDAR ITEM NO. C 24 (CONT'D)

TERMS OF PROPOSED OIL AND GAS LEASE:

The subject State parcel is surrounded by private lands under lease to TXO Production Corporation (TXO). TXO has received from Glenn County Planning Department a permit to drill well "Ossenbriiggen" 16-1 from a surface drill-site located about 2,400 feet east of the State parcel on private lands. If the well is productive a second well will be directionally drilled on private lands to within 200 feet of the State parcel. Staff has examined available geological data 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 adjacent private lands and provide for development of any oil and gas resources that may underlie the State parcel. Staff has negotiated a lease with TXO 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 (\$5,940 per year); and
2. Lessee shall pay a flat rate royalty of 25 percent on all oil and gas produced from the State lands.

AP 384:

05/20/86.

OTHER PERTINENT INFORMATION:

1. The Glenn County Planning Department has approved "Application for Administrative Permit - Gas Well" No. #86-51 for the proposed drilling of well "Ossenbriiggen" 16-1. The permit requires that the drill site be located at least 500 feet from a dwelling, 250 feet from any levee and 120 feet from a County road right-of-way.

An environmental document has not been prepared by the Glenn County Planning Department as the proposed project is identified as satisfying the requirements of the County's Administrative Permit. The

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project is outside of the flood control levee zone along the river channel and is considered exempt by the Planning Department.

2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (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. Staff believes there is no possibility that this project will have a significant effect on the environment.

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

3. The proposed project is situated on lands identified as Class 8 (PRC 6370) Limited use, possessing environmental values. However this project has been determined to be compatible with the provisions of 2 Cal. Adm. Code, Div. 3, Chapter 1, Article II.

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY WILL HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT (14 CAL ADM. CODE 15061 (b)(3)).
2. FIND THAT GRANTING OF THE LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. SECTION 6370.1.
3. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE OF THEIR INACCESSIBILITY FROM SURFACE DRILLSITES REASONABLY AVAILABLE OR OBTAINABLE AND THAT IT IS IN THE BEST INTERESTS OF THE STATE TO ENTER INTO A NEGOTIATED LEASE.

CALENDAR ITEM NO. C24 (CONT'D)

4. AUTHORIZE THE ISSUANCE TO TXO PRODUCTION CORPORATION OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE FOR A 197.9-ACRE PARCEL OF SUBMERGED LAND IN THE BED OF THE SACRAMENTO RIVER NEAR BUTTE CITY IN GLENN COUNTY, CALIFORNIA. LESSEE SHALL PAY IN ADVANCE A RENTAL OF \$30 PER ACRE PER YEAR; AND A FLAT ROYALTY OF 25 PERCENT ON ALL OIL AND GAS PRODUCED FROM THE LEASED AREA.

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EXHIBIT "A"

LAND DESCRIPTION

W 40508

PARCEL "A"

A parcel of submerged land in the bed of the Sacramento River, Glenn County, California, said parcel being bounded on the east and west by the ordinary low water marks along the right and left banks of said river; bounded on the north by the westerly prolongation of the north line of Section 17, T19N, R1W, M.D.M.; and bounded on the south by southerly line of the area described in Parcel 1 of the Quitclaim between Transamerica Development Company and Texas Oil and Gas Corp. as recorded February 8, 1984 in book 740, pages 347-349 in the office of the County Recorder of said County.

PARCEL "B"

A parcel of submerged land in the bed of the Sacramento River, Glenn County, California, said parcel being bounded on the east and west by the ordinary low water marks along the right and left banks of said river; bounded on the south by the westerly prolongation of the north line of Section 17, T19N, R1W, MDM; and bounded on the north by the westerly prolongation of the course described as "thence west 1000 feet, more or less, to the east bank of the Sacramento River" in the oil and gas lease between Transamerica Minerals Company, Lessor and TXO Production Corp., Lessee as recorded April 24, 1982, in book 792 pages 44-47 in the Office of the County Recorder of said County.

END OF DESCRIPTION

PREPARED DECEMBER 2, 1986 BY BOUNDARY SERVICES UNIT, M. L. SHUFER,
SUPERVISOR.

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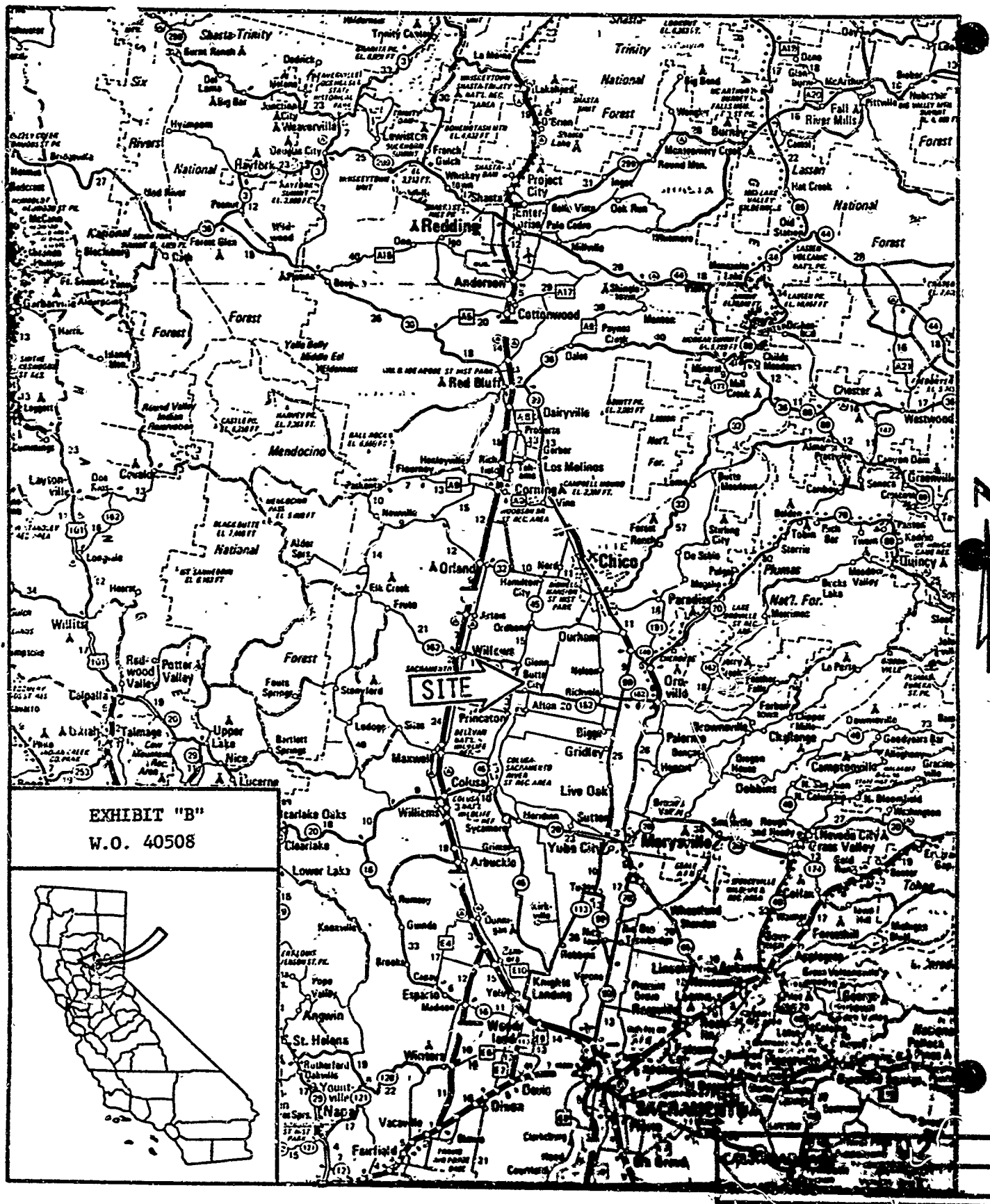
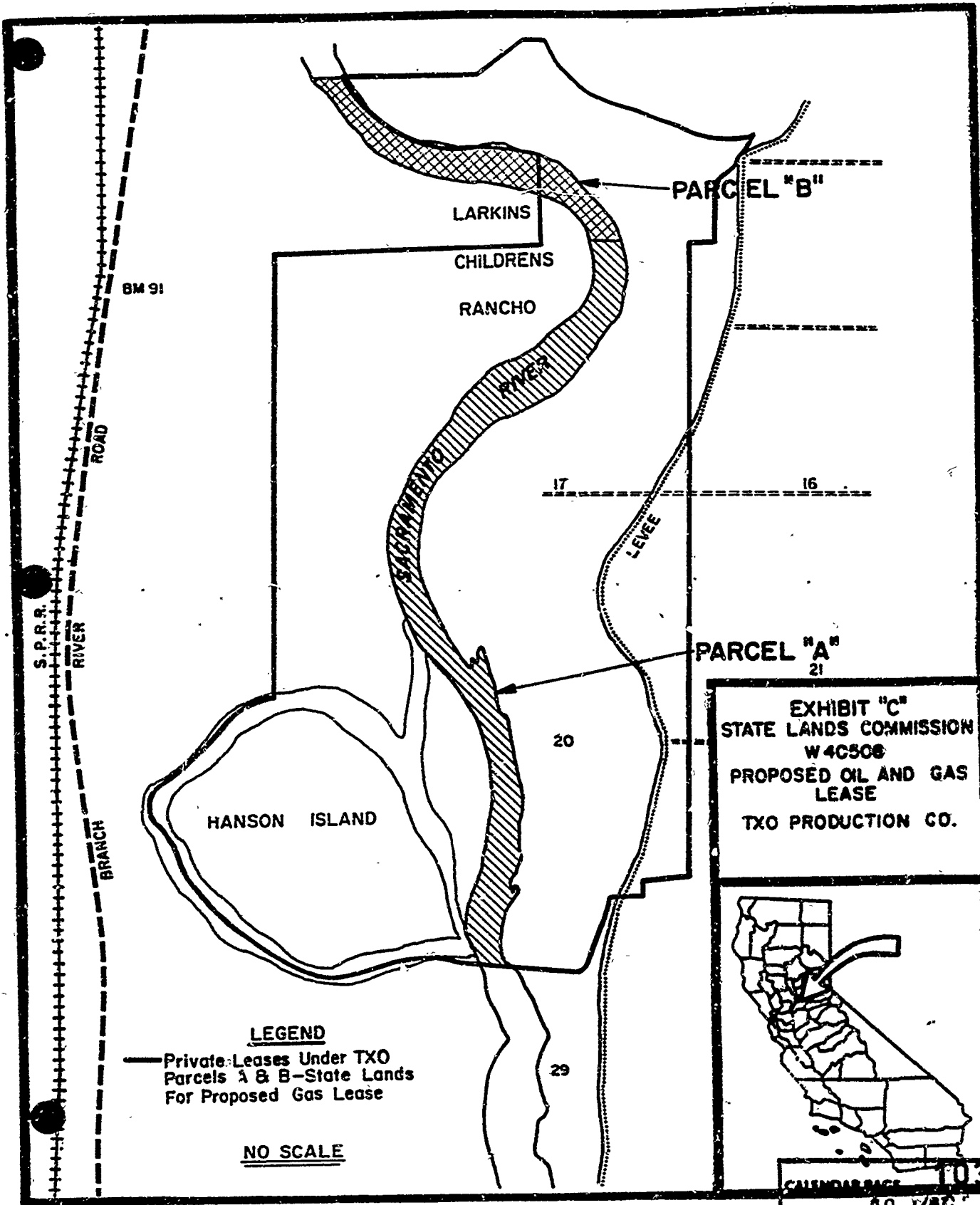


EXHIBIT "B"
W.O. 40508





LEGEND
 — Private Leases Under TXO
 Parcels A & B—State Lands
 For Proposed Gas Lease

NO SCALE

EXHIBIT "C"
 STATE LANDS COMMISSION
 W4C506
 PROPOSED OIL AND GAS
 LEASE
 TXO PRODUCTION CO.



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