

MINUTE ITEM

This Calendar Item No. C26
was approved as Minute Item
No. 26 by the State Lands
Commission by a vote of 3
to 0 at its 9/23/91
meeting.

CALENDAR ITEM

A 1

C 26

09/23/91

S 4

W 40645

PRC 7574

Hamilton

APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
(65 ACRES UNDER THE SACRAMENTO RIVER)
GLENN COUNTY

APPLICANT/PROPOSED LESSEE:

Tri-Valley Oil & Gas Company
Attn: Alan B. Adler
2001 Westwind Drive, Suite 14
Bakersfield, California 93301

AREA, TYPE AND LOCATION:

The State land (described in Exhibit "A") contains about 65 acres of sovereign land in the bed of the Sacramento River in Glenn County, California.

LAND USE:

Because the State land is a waterway, staff has determined that surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land could be developed and should therefore be protected pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease. Under the terms of the lease, the Commission would approve all slant drilling into the State land from county-approved drill sites and any pooling or unitization of the State land.

Tri-Valley Oil & Gas Company, a Delaware corporation, has submitted a complete application for a negotiated subsurface (no surface use) State oil and gas lease for the State land. Tri-Valley currently has an oil and gas lease on all of the private property adjacent to the State land and has applied for approval from the Glenn County Planning Department (Lead Agency) to drill for gas near the State land (see Exhibit "D" for permit requirements).

AUTHORITY:

P.R.C. 6815(a) authorizes the Commission to negotiate and enter into compensatory drainage agreements or oil and gas leases on State land if any of the following exists: wells drilled on private or public lands are draining or may drain oil and gas from the State land, the Commission determines the State land to be unsuitable for competitive bidding because of such factors as its small size or irregular configuration or its inaccessibility from surface drill sites reasonably available or obtainable, the State owns a fractional mineral interest in the land, or the Commission determines the agreement or lease to be in the best interest of the State

Because Tri-Valley controls, by lease, all of the drill sites adjacent to the State land and has applied for county (Lead Agency) approval to drill a well near the State land, staff has concluded that the criteria of P.R.C. 6815(a) have been met, that a negotiated subsurface (no surface use) State oil and gas lease with Tri-Valley will protect oil and gas resources that may underlie the State land, and that the State land is unsuitable for competitive bidding because surface drill sites are not available and because wells drilled on the adjacent private property may drain State oil and gas resources.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty (20) years and for so long thereafter as oil or gas is produced in paying quantities from the leased lands, or so long as the lessee is diligently conducting producing, drilling, deepening, repairing, redrilling or other necessary lease or well maintenance operations in the leased lands.
2. No right to use any portion of the leased lands to a depth of 500 feet for drilling locations, producing facilities or related oil and gas operations.
3. All development of the leased lands shall be accomplished from surface locations on adjacent lands.
4. All drilling into the leased lands shall be by slant drilling from surface locations on adjacent lands and shall be on a course and to an objective approved in writing by the Commission prior to the commencement of drilling.

CALENDAR ITEM NO. C 26 (CONT'D)

5. Compliance with all applicable laws, rules and regulations of federal, State and local governments and receipt of all necessary permits or approvals prior to slant drilling into the leased lands.

NEGOTIATED LEASE PROVISIONS:

1. Drilling term of three years. However, if any portion of the leased lands is included in a Commission-approved pooled area or unit, then drilling operations on and production from the pool or unit will be deemed to be drilling operations on and production from the pooled or unitized leased lands.
2. Annual rental of \$25 per acre (\$1,625 for 65 acres).
3. Royalty of twenty percent (20%) on gas and oil.
4. Performance bond or other security in the sum of \$5,000.

PREREQUISITE CONSIDERATIONS:

1. Filing fee, processing costs, first year's rental and duly executed State Oil and Gas Lease (Negotiated-Subsurface-Royalty) form have been received and are on file in the Commission's Long Beach office.

AB 884:

02-01-92

OTHER PERTINENT INFORMATION:

1. CEQA Guidelines Section 15378(a)(3) identifies an activity involving the issuance to a person of a lease as a "project". However, if the site of the project or area in which the major environmental effects will occur is located on private property within the county, that county will have jurisdiction by law and will be the Lead Agency over the project pursuant to CEQA Guidelines Section 15366.
2. As Lead Agency, the Glenn County Planning Department approves locations for the drilling of gas wells on private property in the County. When the criteria of the Glenn County Code are met, the County may grant an administrative permit for the drilling of the gas well. Administrative permits are exempt from the CEQA process by the County as ministerial projects, P.R.C. 21080(b)(1) and CEQA Guidelines Section 15268.

CALENDAR ITEM NO. C 26 (CONT'D)

The Glenn County Planning Department is processing Administrative Permit Application #91-11 to permit Tri-Valley to drill gas well "Princeton Gorge Prospect No. 1" on private property near the State land (see Exhibit "D" for permit requirements). An environmental document was not prepared as the proposed project was identified as satisfying the requirements of the County's administrative permit.

3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the 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, in consideration of the action taken by Glenn County under its code, there is no possibility that this project will have a significant effect on the environment.

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

EXHIBITS:

- A. Land Description.
- B. Site Map.
- C. General Location.
- D. Administrative Permit #91-11 Application Requirements.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061, BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT {14 CAL. CODE REGS. 15061(b)(3)}.
2. DETERMINE THAT THE CRITERIA OF P.R.C. 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE 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" AND THAT THE STATE LAND IS UNSUITABLE FOR COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND BECAUSE WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.
3. PURSUANT TO P.R.C. 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH

CALENDAR ITEM NO. C 2 6 (CONT'D)

TRI-VALLEY OIL & GAS COMPANY. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 65 ACRES), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$25 PER ACRE (\$1,625 FOR APPROXIMATELY 65 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 20 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$5,000.

4. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

EXHIBIT "A"

W 40645

LAND DESCRIPTION

All that State owned sovereign bed of the Sacramento River within Assessor's Parcel Numbers 13-140-003, 009, 013 & 014; bounded on the east and west by the ordinary low water marks of the Sacramento River and bounded on the north and south by the easterly line of that certain parcel described in Exhibit "A", Parcel One, recorded July 9, 1990, in Book 90, Page 3548, official Records of Glenn County, California.

END OF DESCRIPTION

PREPARED AUGUST, 1991 BY LLB

CALENDAR	241
MINUTE PAGE	3280

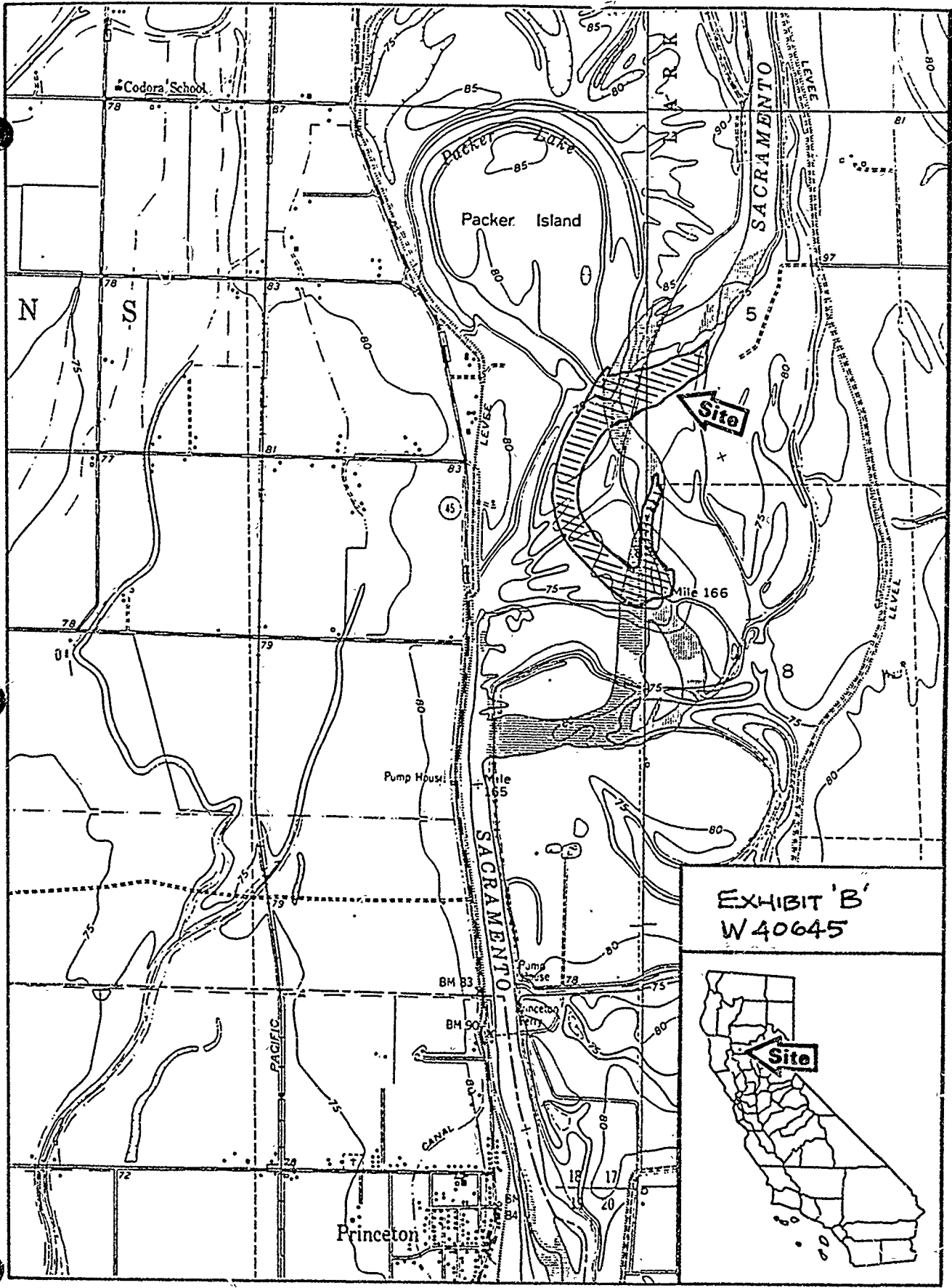


EXHIBIT 'B'
W 40645



CALENDAR PAGE 242
MINUTE PAGE 3281

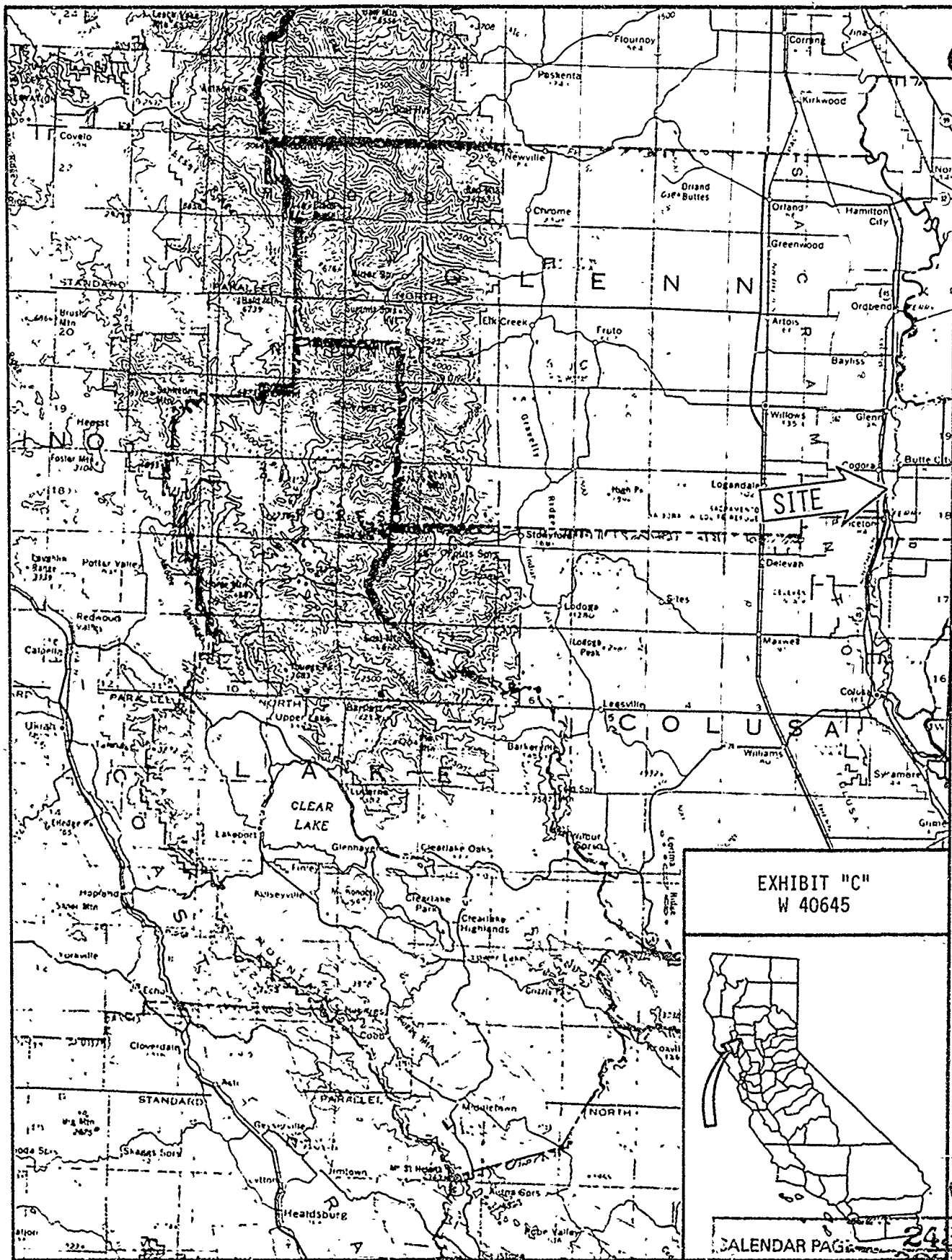


EXHIBIT "C"
W 40645



CALENDAR PAGE 243
MINUTE PAGE 3282

To Santa Rosa 15 Miles



DIVERSIFIED FARMING
"Where Water is King"

JOHN BENOIT
Planning Director

GLENN COUNTY
PLANNING DEPARTMENT

129 South Main Street
WILLOWS, CALIFORNIA 95988
(916) 864-6840

JUNE 17, 1991

EXHIBIT "D"

W 40645

Tri-Valley Oil and Gas
c/o Hathaway Engineering
8840 Grant Avenue
Carmichael, CA 95608

Dear Sir:

RE: Administrative Permit for Gas Well-Princeton Gorge Prospect No. 1
Environmental Analysis

According to Glenn County Code, natural gas wells may be permitted with an administrative permit. These wells are ministerially exempt from application of the California Environmental Quality Act because the Planning Department only has ministerial authority over such projects.

Yours truly,

Peggy White

Peggy White
Associate Planner

D-1

FILED DATE	244
MINUTE PAGE	3283

GLENN COUNTY PLANNING DEPARTMENT
125 South Murdock Street
Willows, CA 95988
(916) 934-3388

APPLICATION FOR ADMINISTRATIVE PERMIT - GAS WELL

NOTE: FAILURE TO ANSWER APPLICABLE QUESTIONS AND REQUIRED ATTACHMENTS COULD DELAY THE PROCESSING OF YOUR APPLICATION.

1. Applicant:

Name: Tri-Valley Oil & Gas, c/o Hathaway Engineering

Address: 6840 Grant Ave., Carmichael, CA 95608

Phone: (Business) 916-944-3884 (Home) 916-944-3884

2. Mineral Rights Owner:

Name: Barr-Rosenburg

Address: 12 Sweno, Orinda CA 94563

Phone: (Business) (Home)

3. Surface Rights Owner:

Name: Barr-Rosenburg

Address: 12 Sweno, Orinda CA 94563

Phone: (Business) (Home)

4. Request or Proposal: To drill a natural gas well.

5. Address and Location of Project: 2750' North & 975' East from the
Southwest cor of Sec.5-T.18N-R.1W MDB&M

6. Current Assessor's Parcel Number: 13-14-14

7. Existing Zoning: Agricultural

8. Existing Use of Property: Agricultural

9. Provide any additional information that may be helpful in evaluating this request: _____

DECLARATION UNDER PENALTY OF PERJURY
(Must be signed by the Applicant and the Property Owner)

I am (We are) the owner(s) of the mineral rights of the property involved in this application and I (We) have completed this application and all other documents required.

I am (We are) the owner(s) of the mineral rights of the property consenting to the preparation and submission of this application.

I (We) also shall agree to abide by the Conditions of Approval as issued by the Glenn County Planning Department.

I (We) declare under penalty of perjury that the foregoing is true and correct.

Mineral Rights Owner(s):

Signed: See attached lease.

Address: _____

Date: _____

Applicant(s):

Signed: [Signature]

Address: 6940 Grant Ave., Carmichael, CA 95608

Date: April 26, 1991

I am (We are) the owner(s) of the surface rights of the property involved in this application and I (We) acknowledge the preparation and submission of this application.

I (We) declare under penalty of perjury that the foregoing is true and correct.

Surface Rights Property Owner(s):

Signed: Same as Mineral rights owner

Address: _____

Date: _____

FOR OFFICE USE ONLY

Date of Application Received: _____

Date of Approval: _____

Approved by: _____
Planning Director

Water Well Required: Yes No Approved By: _____
Building Department

MAY

40645

DATE _____

CASE _____

ENVIRONMENTAL INFORMATION FORM

(To be completed by applicant or engineer)

(Use extra sheets if necessary)

This list is intended to meet the requirements of State of California Government Code Section 65940.

I. GENERAL INFORMATION

- 1. Name, Address and Telephone of Applicant: Tri-Valley Oil & Gas
c/o Hathaway Engineering
6840 Grant Ave., Carmichael, CA 95608 916-944-3884
- 2. Name, Address and Telephone of Engineer: A. Irani
6840 Grant Ave., Carmichael, CA 95608 916-944-3884
- 3. Address and Location of Project: 2750' North & 975' East from the Southwest
corner of section 5, T.18N, R.1W MDB&M
- 4. Assessor's Parcel No. 13-14-14
- 5. Existing Zoning: Agricultural 6. Existing Use: Agricultural
- 7. Proposed use of site (project for which this form is prepared):
To drill a natural gas well.
- 8. If the project involves a variance, conditional use permit or rezoning application, state this and indicate clearly why the application is required:
NA

II. ENVIRONMENTAL SETTING

- 1. Describe the project site as it exists before the project, including information on topography, soil stability, plants and animals, and any cultural historical or scenic aspects. Describe any existing structures on the site, and the use of the structures. Attach photographs of the site. Snapshots or polaroid photos will be accepted.
See enclosed air-photo.

REV 2

- 2. Describe the surrounding properties, including information on plants and any cultural, historical or scenic aspects. Indicate the type of land use (residential, commercial, etc.), intensity of land use (one-family, apartment houses, shops, department stores, etc.). Attach photographs of the vicinity. Snapshots or polaroid photos will be accepted.

North: Agricultural

East: Agricultural

South: Agricultural

West: Agricultural

D-4

DATE DATED	247
MINUTE PAGE	3286

W40645

III. SPECIFIC ITEMS OF IMPACT

- 1. Solid waste collection (individual disposal, private carrier, city):
_____ NA _____
- 2. Liquid waste disposal (septic tank-leach line system, seepage pit):
_____ Drilling mud will be hauled by Vacuum trucks and will be disposed of _____
_____ in the county approved site.
- 3. Water supply (domestic well, irrigation district, private water company):
_____ The farmer will provide the water. _____
- 4. Source of energy (electricity, propane): _____ Temporary power supply, internal to _____
_____ drilling rig _____

IV. FOR ZONE CHANGE, ZONE VARIANCE, AND SPECIAL USE PERMIT APPLICATIONS:

- 1. Size and number of structures (include square footage): _____ NA _____
- 2. Amount of off-street parking provided: _____ Na _____
- 3. Will the project be constructed in phases? If so, describe each phase briefly: _____ NA _____
- 4. If residential, include the number of units, schedule of unit sizes, range of sale prices or rents, and type of household size expected: _____ NA _____
- 5. If commercial, indicate the type, whether neighborhood, city or regionally oriented, square footage of sales area, and loading facilities: _____ NA _____
- 6. If industrial, indicate type, estimated employment per shift, and loading facilities: _____ NA _____
- 7. If institutional, indicate the major function, estimated employment per shift, estimated occupancy, loading facilities, and community benefits to be derived from the project: _____ NA _____

CERTIFICATION

I hereby certify that the statements furnished above and in the attached exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements and information presented are true and correct to the best of my knowledge and belief.

Date: April 26, 1991

W.N. Hathaway Agent

Signature

Case No. _____

For: Tri-Valley Oil & Gas

According to Section 65943 of the California Government Code your application will be reviewed within 30 days and you or your agent will receive written notice regarding the completeness of your application. The Technical Advisory Committee may, in the course of processing the application, request the applicant to clarify, amplify, correct, or otherwise supplement the information required for the application. According to Section 65944(C), additional information may be requested in order to comply with Division 13 of the State of California Public Resources Code.

D-5

CALENDAR PAGE	245
MINUTE PAGE	3287

W 40645

FINDINGS FOR ADMINISTRATIVE PERMIT# 91-11

Tri Valley Oil and Gas
Gas Well-Princeton Gorge Prospect No. 1

The following findings are required by Section 19.14.040 of the Glenn County Code:

1. That the proposed gas well at this location is desirable in providing a facility which will contribute to the well-being of the public because gas is used by the public and the County can tax gas wells.
2. That the proposed gas well will not, in this case, be detrimental to the health, safety or general welfare of persons residing or working in the vicinity or injurious to property or improvements in the vicinity because there are no dwelling units within 500 feet of the well site and the other standards required by Section 19.14.050 are met.
3. That the 342±acre site for the proposed gas well is adequate in size and shape to accommodate this use and to meet all the setbacks required.
4. That the granting of this Administrative Permit will not adversely affect the General Plan of Glenn County because one of the goals stated in the Land Use Element is as follows:

It shall be the goal of Glenn County to encourage commercial and industrial development of mineral resources.

Planning Director

Date

D-6

CALENDAR PERMIT	249
MINUTE PAGE	3285

CONDITIONS OF APPROVAL

ADMINISTRATIVE PERMITS FOR GAS WELLS

1. That the applicant is hereby notified that failure to comply with any one of the following conditions shall result in revocation of this permit.
2. That the area of operation shall be confined to those areas as delineated in Exhibit "A" as filed with the Planning Department.
3. THAT THIS PERMIT SHALL BECOME EFFECTIVE AFTER TEN (10) DAY APPEAL PERIOD WHICH SHALL EXPIRE _____ AT 5:00 P.M., PROVIDED THAT THERE ARE NO APPEALS. IN THE EVENT THAT AN APPEAL IS FILED THE PERMIT SHALL BECOME EFFECTIVE ONLY AFTER THE DECISION ON APPEAL BECOMES FINAL.
4. That this Permit shall remain in force for a period of one (1) year and shall expire on _____. This Permit may be extended by the Planning Director at his discretion upon written request for such extension at least sixty (60) days prior to the expiration date of the Permit.
5. GENERAL CONDITIONS - That the drilling and operation of the subject gas well will not under the circumstances of the particular case, be detrimental to the health, safety, peace, morals, comfort and general welfare of persons residing or working in the neighborhood or to the general welfare of the County and meets the following criteria:
 - 5-a. The proposed location is a minimum of 500 feet from the nearest neighboring dwelling;
 - 5-b. The proposed location is a minimum of 120 feet from a County road right-of-way;
 - 5-c. That if the proposed location is within a flood hazard area as designated on the Flood Hazard Maps of Glenn County, or within a Designated Floodway or Special Flood Plain Combining District, the rules, regulations and restrictions of the districts will be conditions of approval.
6. SPECIFIC CONDITIONS - In addition to the above general conditions, the following specific conditions shall also apply:
 - 6-a. The fire protection regulations of the affected district shall be complied with;

Conditions for ADM Permit. Continued---

- 6-b. The drilling mud shall be disposed of at an approved disposal site;
 - 6-c. The necessary permits shall be secured in all affected Federal, State and local agencies;
 - 6-d. Should a producing well result from this drilling, then a six (6) foot high chain link fence shall be constructed around the gas well pad within sixty (60) days after completion of the well;
 - 6-e. Should a producing well result from this drilling, then the permit will be referred back to the Planning Commission for possible conditioning to maintain esthetic values; any change at the site shall again be referred back to the Planning Commission for possible conditioning to maintain esthetic values;
 - 6-f. Company to notify Planning Department when drilling in Glenn County;
 - 6-g. Should a producing well result from this drilling and an internal combustion engine be installed, the applicant shall obtain a permit from the Glenn County Air Pollution Control District and a copy of this permit shall be submitted to the Glenn County Planning Department.
7. That the applicant shall enter into a Road Maintenance Agreement with the Glenn County Public Works Department. A copy of the signed Road Maintenance Agreement shall be submitted to the Glenn County Planning Department at the same time the application is submitted.
 8. That the applicant agrees as a condition of issuance and use of this entitlement to defend at its sole expense any action brought against the County within 180 days after the issuance of this entitlement, because of or resulting from any proceeding preliminary to or the actual issuance of this entitlement, or in the alternative, to relinquish such entitlement. Applicant will reimburse the County for any Court costs and attorneys' fees which the County may be required by a Court to pay as a result of such action. County may, at its sole discretion, participate in the defense of any such action, but such participation shall not relieve applicant of its obligations under this condition.
 9. That the applicant shall notify the Glenn County Planning Department within sixty (60) days of the completion of drilling activity and inform the County of the status of the well. If no notification is received, the Permit shall be null and void.

CALENDAR PAGE	251
MINUTE PAGE	3290

Conditions for ADM Permit Continued---

10. Conversion of this gas well to an injection well shall require a Conditional Use Permit.
11. Drilling and other activities by the permittee under this permit are conditioned upon a valid enforceable lease of other right or entitlement to conduct such activities upon the property described in the application. The County makes no representation by the issuance of this Permit that the permittee has any such right or entitlement.
12. That the gas well shall meet the setback requirements for the "AE-40" Zone. The setbacks are as follows: front yard- 30 feet; side yard- 25 feet; and rear yard- 25 feet.
13. If upon approval of this Administrative Permit any problem, nuisance, health hazard or complaint arises from the surrounding neighborhood or anyone else due to the operation allowed by this Administrative Permit; the Planning Commission can hold a Public Hearing to hear comments and consider whether Conditions of Approval need to be revised, added, or the Administrative Permit should be revoked.
14. That the applicant shall apply for and receive a gas well permit from the State Board of Reclamation.