

CALENDAR ITEM
C92

MINUTE ITEM
This Calendar Item No. C92
was approved as Minute Item
No. 92 by the State Lands
Commission by a vote of 3
to 0 at its 10-17-95
meeting.

A 8, 15

10/17/95

S 4, 7

PRC 7847 W 40724

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APPROVE A NEGOTIATED SUBSURFACE (NO SURFACE USE)
STATE OIL AND GAS LEASE
CONTRA COSTA AND SACRAMENTO COUNTIES

PROPOSED LESSEE:

Russell H. Green, Jr.
P. O. Box 965
Healdsburg, California 95448

Rio Delta Resources, Inc.
3600 American River Drive, Suite 220
Sacramento, California 95864

AREA, TYPE AND LOCATION OF STATE LAND:

Russell H. Green, Jr. and Rio Delta Resources, Inc. have submitted a complete application for a negotiated subsurface (no surface use) State oil and gas lease on about 238 acres of tide and submerged land in the San Joaquin River, Contra Costa and Sacramento Counties, California (see Exhibit "A" for land description).

LAND USE:

Because the State land is a waterway, surface locations for oil and gas operations (drill sites) are not available. However, oil and gas resources that may underlie the State land can be developed and protected pursuant to the Commission's negotiated subsurface (no surface use) State oil and gas lease which would permit Commission-approved slant drilling from a county-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

AUTHORITY:

Public Resources Code Section 6815(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 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.

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Because the Applicant controls by lease and agreement all of the private property adjacent to the State land described in Exhibit "A" and because the Applicant has county (Lead Agency) approval to drill a well near the State land, staff has concluded that the criteria of Public Resources Code Section 6815(a) have been satisfied. A negotiated subsurface (no surface use) State oil and gas lease with the Applicant will protect oil and gas resources that may underlie the State land which 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.

NON-NEGOTIABLE LEASE PROVISIONS:

1. Primary term will be twenty years and for so long thereafter as oil and 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's staff prior to the commencement of drilling.
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 all or part of the leased lands are included in a Commission-approved pooled area or unit, then drilling operations on and production from lands pooled or unitized with the leased lands shall be deemed to be drilling operations on and production from the leased lands that are included in the Commission-approved pooled area or unit.
2. Annual rental of \$30 per acre (\$7,140 for approximately 238 acres).

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3. Royalty of 25 percent on gas and oil.
4. Performance bond or other security in the sum of \$10,000.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

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

AB 884:

02/14/96

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 Contra Costa County Planning Department approves locations for the drilling of gas wells on private property in the County and has found that the proposed project is not a project which will have potential for causing significant effect on the environment [Sec. 15051(b)(3) CAC].

EXHIBITS:

- A. Land Description
- B. Site Map
- C. Contra Costa County Development Department Drilling Permit WD-95-0002-0030

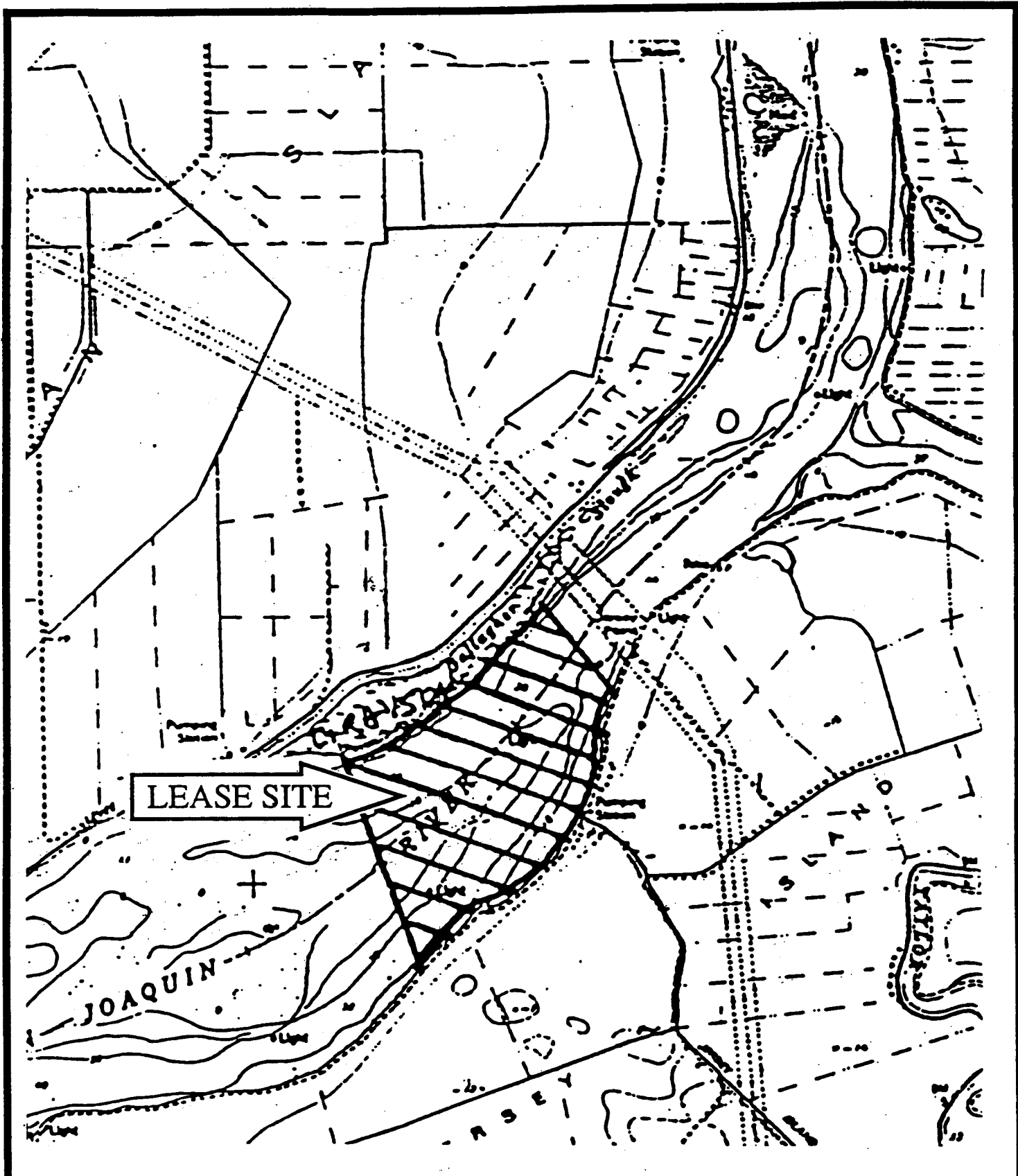
IT IS RECOMMENDED THAT THE COMMISSION:

1. CONCUR WITH THE CEQA DETERMINATION OF THE LEAD AGENCY, THE CONTRA COSTA COUNTY PLANING DEPARTMENT AND DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 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

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AVAILABLE AND WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.

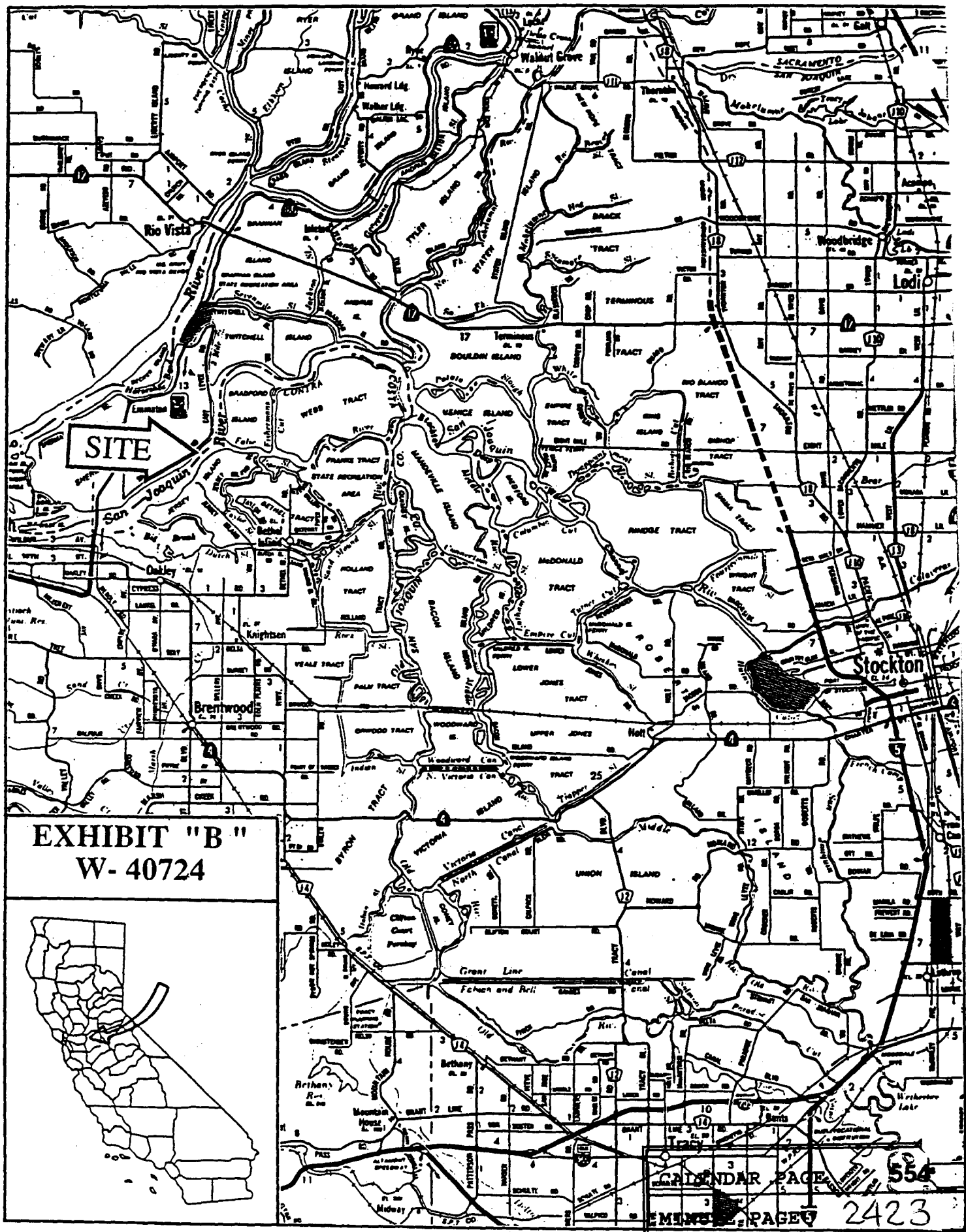
2. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) STATE OIL AND GAS LEASE WITH RUSSELL H. GREEN, JR. AND RIO DELTA RESOURCES, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT "A" (APPROXIMATELY 238 ACRES OF TIDE AND SUBMERGED LANDS), A DRILLING TERM OF THREE YEARS, ANNUAL RENTAL OF \$30 PER ACRE (\$7,140 FOR APPROXIMATELY 238 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 25 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.
3. AUTHORIZE THE EXECUTION OF THE DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.



This exhibit is solely for purposes of generally defining the lease premises, 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 "A"
CALENDAR PAGE W- 407553

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Application for Oil and Gas Well Permit

<p>Development of Oil and Gas Wells within the unincorporated area of the County is governed by Chapter 88-14 of the Ordinance Code, unless the project is located on land that is zoned Planned Unit Development (P-1) in which case such activity is subject to the review requirements of that district.</p> <p>Before any new oil and gas activity is established, Chapter 88-14 requires the granting of a land use permit unless the subject parcel is certified by the County as lying within an area qualifying for administrative approval.</p>		<p>File No WD-95-0002 0020</p>
<p>APPLICANT</p> <p>Name <u>Rio Delta Resources, Inc.</u></p> <p>Address <u>3600 American River Dr., STE 220</u></p> <p>City, State <u>Sacramento, CA 95864</u></p> <p>Phone <u>(916) 486-2643</u></p>	<p>OWNER</p> <p>Name <u>Delta Properties, Inc.</u> <u>T.V. Halsey, President</u></p> <p>Address <u>Jersey Island, Star Route</u></p> <p>City, State <u>Stockton, CA 95219</u></p> <p>Phone <u>(510) 684-2318</u></p>	
<p>PROJECT INFORMATION</p> <p>Name of Well(s) <u>Rio Delta Resources, Inc.</u> <u>State 1-1</u> <u>(Surface Location)</u></p> <p>essor's Parcel Number <u>27-05-01</u></p> <p>Total Parcel Area: <u>398.95</u> Acres</p> <p>Section <u>12</u> Township <u>2N</u> Range <u>3E</u> MDB&M</p> <p>This project involves: <input type="checkbox"/> development of a new well site. <input type="checkbox"/> modifications to an existing well.</p> <p>Use this space if necessary to further describe the project. <u>Drill</u> <u>directional well from Jersey Island to</u> <u>bottom hole location on State Land</u> <u>under San Joaquin River</u></p>	<p>OTHER SUBMITTAL ITEMS TO ACCOMPANY APPLICATION</p> <p><input checked="" type="checkbox"/> VICINITY MAP</p> <p><input checked="" type="checkbox"/> SITE PLAN, of the entire parcel drawn to scale showing the location of existing improvements, the proposed well site and the access road.</p> <p><input checked="" type="checkbox"/> EXPLORATION AND PRODUCTION PAD LAYOUTS identifying all wellhead equipment.</p> <p><input checked="" type="checkbox"/> A STATEMENT describing the location of any nearby residences or other sensitive activities near the well site and detailing the measures to be taken to protect these activities from excess noise, dust, light, glare, odor and other objectionable elements associated with the proposed project.</p> <p><input checked="" type="checkbox"/> FILING FEE (If the project is determined to be subject to the land use permit requirement, this fee can neither be refunded nor credited to the land use permit application fee.)</p> <p>Owner's Signature <u>Delta Properties Inc.</u> <u>T.V. Halsey</u></p> <p><input checked="" type="checkbox"/> In lieu of owner's signature, a copy of the lease agreement is attached.</p>	
<p>APPLICANT MUST READ AND SIGN.</p> <p>STANDARD CONDITIONS OF APPROVAL FOR OIL AND GAS WELL PERMITS</p> <ol style="list-style-type: none">The proposed uses shall be established in accord with the plans submitted with the application as approved by the Contra Costa County Zoning Administrator.Drilling operations shall conform to the regulations of the California Division of Oil and Gas designed to prevent damage to natural resources.After drilling is complete, all drilling muds, soil wastes, waste water and other waste fluids shall be removed from the site and disposed of in compliance with State and County regulations. Sumps may remain with the approval of the Zoning Administrator if they are essential to the operation of a producing well.Any proposed sumps shall be lined so as to prevent percolation of fluids into the sub-strata.Derricks shall be removed when wells are brought into production.If wells are abandoned, they shall be sealed in accordance with Division of Oil and Gas regulations, and the drilling or production facilities shall be removed. The site shall be restored to the conditions that existed prior to the commencement of drilling activity.No toxic substances shall be used in violation of the requirements of either the California Department of Health Services or the Division of Oil and Gas.The drilling operation shall be confined to as small an area as practical.The applicant shall comply with the requirements of the local fire protection district. <p>I hereby certify that I have the authority to make the foregoing application; I have read this application and that all information is true and correct to the best of my knowledge; that all drilling activities undertaken will be carried out in compliance with the regulations of Chapter 88-14 of the County Costa County Zoning Code, and that I will conform fully to this Oil and Gas Well permit and all of the above conditions.</p> <p><u>Russell A. Green, Jr.</u> Agent Applicant's Signature</p> <p><u>May 22, 1995</u> Date</p> <p>WD 9/88</p>	<p>FOR OFFICE USE ONLY:</p> <p>DATE FILED <u>5-24-95</u></p> <p>Application Accepted by <u>J. Hall</u></p> <p>Receipt No. <u>100895</u></p> <p><input checked="" type="checkbox"/> THE PROJECT IS A PERMITTED ACTIVITY.</p> <p>The project is governed by Section 88-14.802 of the County Ordinance Code. The project site is certified as being located in a permitted area.</p> <p><input checked="" type="checkbox"/> THE PROJECT SHALL COMPLY WITH THE ADDITIONAL CONDITIONS LISTED ON THE ATTACHMENT.</p> <p>Granting of this permit does not release the permittee from complying with all other county, state or federal laws.</p> <p>Failure, neglect or refusal to exercise this permit within a period of one (1) year from the date of granting thereof, shall automatically cause the same to become and remain null and void. After the one-year permit period has expired, none of the equipment listed below may be installed until a new permit application is filed and issued.</p> <ul style="list-style-type: none">- compressor unit- oil storage tank- water condensation tank <p>For purposes of compliance with the California Environmental Quality Act, the County has issued this project as:</p> <p><input checked="" type="checkbox"/> CATEGORICAL EXEMPTION (Class 3)</p> <p><input type="checkbox"/> NEGATIVE DECLARATION</p> <p>A copy of this permit must be retained on site during drilling and production operations.</p> <p><u>James A. Hall</u> Staff Person (Print)</p> <p><u>James A. Hall 5/24/95</u> Signed Date</p> <p>Community Development Department County of Contra Costa 646-1600</p>	<p><input type="checkbox"/> LAND USE PERMIT APPROVAL IS REQUIRED.</p> <p>The above described project is not exempt from the land use permit requirement for one or more of the following reasons. The project site is:</p> <p><input type="checkbox"/> zoned for urban development or other non-exempt district. <u>A-3</u> (zoning district) See attached zoning map.</p> <p><input type="checkbox"/> designated for urban uses on the County General Plan. <u>DE</u> (land use designation)</p> <p>(General Plan) (Adopted) See attached General Plan map.</p> <p><input type="checkbox"/> within 1000 feet of an urban land use designation. <u>NO</u> (General Plan) (Adopted) See attached General Plan map.</p> <p><input type="checkbox"/> within 1000 feet of a City Boundary. <u>NO</u> See attached base map.</p> <p>Before the proposed activity may be undertaken, a land use permit must be granted. Please complete the attached application and prepare the indicated documents including notification materials. We ask you to hand deliver these items together with the indicated filing fee to this department for processing.</p> <p>Staff Person (Print) _____</p> <p>Signed _____ Date _____ Community Development Department County of Contra Costa</p>