

MINUTE ITEM

This Calendar Item No. C70 was approved as
Minute Item No. 70 by the California State Lands
Commission by a vote of 3 to 0 at its
4/13/99 meeting.

CALENDAR ITEM

C70

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PRC 7670.1

A. Nitsche

**CONSIDER ACCEPTANCE OF THE PARTIAL QUITCLAIM DEED OF
NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 7670.1,
128.12 ACRES UNDER FALSE RIVER AND PIPE SLOUGH,
CONTRA COSTA COUNTY**

APPLICANT:

Rio Delta Resources, Inc., and Russell H. Green, Jr.
Mr. Jerry W. Reedy
3600 American River Drive, Suite 220
Sacramento, CA 95864

BACKGROUND:

On December 17, 1992, the California State Lands Commission (Commission) issued Oil and Gas Lease No. PRC 7670.1 to Rio Delta Resources, Inc., and Russell H. Green, Jr. (Lessee). This negotiated subsurface (no surface use) lease contains approximately 144 acres of sovereign land in the bed of False River and Piper Slough in Contra Costa County, California. The lease provided a three year drilling term and required the Lessee to pay an annual rental of \$40 per acre (\$5,760 for 144 acres), pay a royalty of 30 percent on any gas and oil produced and furnish a performance bond or other security in the sum of \$10,000.

Rio Delta Resources Inc., ABA Energy, and Phillips Petroleum Company formed an operating Unit that contains 202.91 gross (175.88 net) acres, more or less, of State and private owned leased lands located in Contra Costa County, California. The unit, called the "Darby Lynn Pool," was created for the development and production of natural gas. The Unit Lessees have drilled a well on an upland parcel in the unit. The well was completed and is currently producing natural gas. On June 19, 1998, the Commission consented to pool approximately 15.88 acres of the 144 acres of leased lands under Oil and Gas Lease No. PRC 7670.1 into the Darby Lynn Pool. The 15.88 acres in the pool comprises 9.3 percent of the total net unit acreage, and is not subject to this quitclaim.

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Pursuant to Paragraph 22 of the lease, when less than all of the leased lands are pooled or unitized, the lease is deemed severed and applies separately to the pooled and unpooled acreage. Operations on and production from the pooled or unitized lands have no effect on the unpooled lands. Accordingly, upon partial pooling, the 15.88 acres of leased lands included within the Darby Lynn Unit was deemed severed from the remaining 128.12 acres, more or less, of leased lands not included in the pool (the "Unpooled Lands"). Upon severance, the Lessee was required to independently fulfill leasehold obligations on the Unpooled Lands.

Rio Delta Resources, Inc. (Rio Delta) and Russell H. Green, Jr. (Green) requested an extension of the drilling term of Lease PRC 7670.1, as to the unpooled lands. Rio Delta and Green advised Commission staff of their intent to pursue a development program in the area and requested additional time to evaluate data to identify future drilling prospects. The extension granted by the Commission on June 19, 1998, extended the time within which Lessee must commence the drilling of a well for oil or gas on the unpooled lands until December 17, 1998, the anniversary date of the lease.

Rio Delta and Green failed to conduct drilling operations on the Unpooled Lands within the time frame provided in the lease, and as a result thereof, PRC 7670.1 insofar as it pertains to the Unpooled Lands, expired of its own terms. Rio Delta and Green have filed with the Commission's Long Beach Office a Quitclaim Deed, dated March 12, 1999, surrendering PRC 7670.1, insofar as the lease covers the Unpooled Lands.

Public Resources Code section 6804.1 and Lease Paragraph 30 permit the lessee to make at any time a written quitclaim of all rights under the lease or of any portion of the leased lands comprising a ten-acre parcel or multiple thereof in a compact form. The quitclaim will be effective when it is filed with the State subject to the continued obligation of the lessee and its surety to pay all accrued rentals and royalties and to abandon all wells drilled on the leased lands.

A review of the Commission's files reveals that no default exists on the Lease, that the lessee has complied with all applicable laws and Lease provisions and has paid all rentals (no royalty is due as the leased lands were not developed).

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STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1 and Lease Paragraph 30.

OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

- A. Land Description
B. Location Map

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

1. ACCEPT FROM RIO DELTA RESOURCES, INC., AND RUSSELL H. GREEN, JR (LESSEE) THE PARTIAL QUITCLAIM DEED, DATED MARCH 12, 1999, FOR OIL AND GAS LEASE PRC 7670.1, DATED DECEMBER 17, 1992, WHEREIN THE LESSEE QUITCLAIMS BACK

CALENDAR ITEM NO. C70 (CONT'D)

TO THE STATE ALL RIGHT, TITLE AND INTEREST IN THE LEASED LANDS INsofar AND ONLY INsofar AS SAID LEASE COVERS THE 128.12 ACRES, MORE OR LESS, DESCRIBED IN EXHIBIT A OF THE QUITCLAIM.

2. RELEASE RIO DELTA RESOURCES, INC., AND RUSSELL H. GREEN, JR., FROM ALL OBLIGATIONS UNDER OIL AND GAS LEASE NO PRC 7670.1, INsofar AND ONLY INsofar AS SAID OBLIGATIONS PERTAIN TO THAT PORTION OF THE LEASED LANDS DESCRIBED IN THE QUITCLAIM, EFFECTIVE MARCH 25, 1999, THE FILING DATE OF THE QUITCLAIM.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ALL DOCUMENTS TO EFFECT THIS ASSIGNMENT.

Recording Requested By:

RIO DELTA RESOURCES, INC.

And When Recorded Mail To:

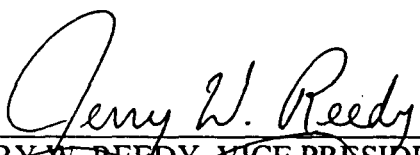
RIO DELTA RESOURCES, INC.
3600 American River Drive, #220
Sacramento, CA 95864

PARTIAL QUITCLAIM OF OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENT that the undersigned RIO DELTA RESOURCES, INC. does hereby remise, release and forever quitclaim unto the owner or owners of record in severalty as their respective interest may appear, a portion of that certain Oil and Gas Lease dated September 23, 1992 by and between CALIFORNIA STATE LANDS COMMISSION as Lessor and RIO DELTA RESOURCES, INC. and RUSSELL H. GREEN, JR. as Lessee, which Lease was recorded January 11, 1993, Instrument #7899, Official Records of Contra Costa County, California.

SAID PORTION includes those lands of the PRC 7670 State Lease that are not included in the Darby Lynn Pool as described in the Supplemental Declaration of Pooling dated November 30, 1998.

IN WITNESS WHEREOF said RIO DELTA RESOURCES, INC. and RUSSELL H. GREEN, JR. have caused this Quitclaim to be executed as of this 12th day of March, 1999.



JERRY W. REEDY, VICE PRESIDENT
RIO DELTA RESOURCES, INC.



RUSSELL H. GREEN, JR.

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State of California }
County of Sacramento }

On March 12, 1999, before me, MARGARET M. McFARLAND, NOTARY PUBLIC, personally appeared JERRY W. REEDY, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Margaret M. McFarland
Notary Public in and for said State



State of California }
County of Sacramento }

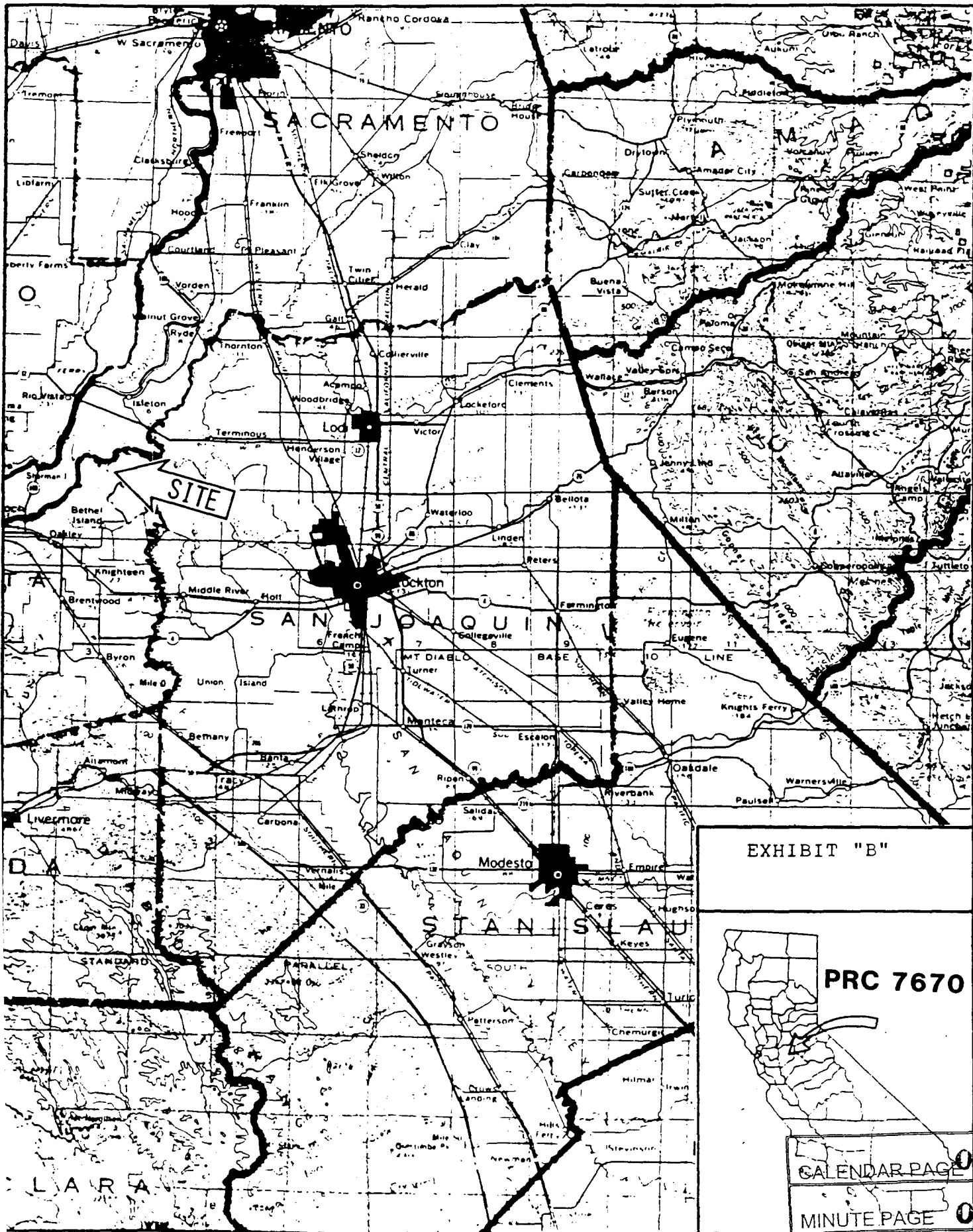
On March 12, 1999, before me, MARGARET M. McFARLAND, NOTARY PUBLIC, personally appeared RUSSELL H. GREEN, JR., personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Margaret M. McFarland
Notary Public in and for said State



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SITE

EXHIBIT "B"

PRC 7670

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