

**CALENDAR ITEM  
C108**

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04/23/15  
PRC 8505.1  
N. Heda

**CONSIDER ACCEPTANCE OF THE "LEASE QUITCLAIM DEED  
FOR STATE OIL AND GAS LEASE,"  
NEGOTIATED SUBSURFACE (NO SURFACE USE)  
OIL AND GAS LEASE NO. PRC 8505.1,  
SAN JOAQUIN RIVER,  
SAN JOAQUIN COUNTY**

**APPLICANT/LESSEE:**

California Resources Production Corporation  
Attn.: Mr. Timothy Mahaffey, Attorney in Fact  
P.O. Box 1002  
Tupman, CA 93276

**AREA, LAND TYPE, AND LOCATION:**

Oil and Gas Lease No. PRC 8505.1 contains approximately 21 acres of tide and submerged lands in the bed of San Joaquin River, San Joaquin County, California (Exhibit A, Legal Description, attached hereto).

**BACKGROUND:**

Negotiated subsurface (no surface use) Oil and Gas Lease No. PRC 8505.1 (Lease) was issued to OXY Resources California LLC (OXY) on February 2, 2004, and contains approximately 21 acres of tide, submerged and proprietary lands in the bed of San Joaquin River in San Joaquin County, California (Exhibit B, location of leased lands, attached hereto).

On February 22, 2006, OXY changed its name in regard to this Lease to a wholly owned subsidiary, Vintage Production California LLC. On December 5, 2014, OXY spun off its California assets into an independent and separately traded company. The new company is California Resources Corporation (CRC), which has operations solely in California. Vintage Production California LLC was renamed California Resources Production Corporation (CRPC) and is a wholly owned subsidiary of CRC.

CALENDAR ITEM NO. **C108** (CONT'D)

Surface locations for oil and gas operations (drill sites) were not available because the State land is a waterway. However, it was unknown if oil and gas resources were underneath lands within the Commission's jurisdiction. The Lease did authorize directional drilling from an adjacent upland drill site.

Under the terms of the Lease, the Lessee was required to pay royalty of 20 percent on all gas and oil production determined to be from the leased lands, in addition to an annual rental of \$50 per acre (\$1,050 for 21 acres). The Lessee provided a performance bond in the sum of \$10,000.

In November 2003, the San Joaquin County Community Development Department approved the application by OXY to drill the Roza 1-33 well on an upland site. Subsequently, the Division of Oil, Gas, and Geothermal Resources issued a permit for this well and the well was drilled in December 2003. The well proved uneconomic and CRPC has no plans for future development of this lease. No wells were drilled on or into the leased lands.

On February 6, 2015, the Commission received the document "Lease Quitclaim Deed for State Oil and Gas Lease." The document (Exhibit C, attached hereto) was dated February 2, 2015, and quitclaims back to the State all of the Lessee's right, title and interest in the Lease.

Public Resources Code section 6804.1 and paragraph 29 of the Lease, permit the lessee to, at any time, quitclaim all rights under the Lease. The quitclaim is 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 or through 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.

**STATUTORY AND OTHER REFERENCES:**

- A. Public Resources Code section 6804.1
- B. Oil and Gas Lease No. PRC 8505, paragraph 29.

**OTHER PERTINENT INFORMATION:**

The staff recommends that the Commission find that the subject acceptance of the Lease Quitclaim Deed does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is,

CALENDAR ITEM NO. **C108** (CONT'D)

therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

**EXHIBITS:**

- A. Land Description
- B. Location Map
- C. Lease Quitclaim Deed for State Oil and Gas Lease

**RECOMMENDED ACTION:**

It is recommended that the Commission:

**CEQA FINDING:**

Find that the acceptance of the Lease Quitclaim Deed is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

**AUTHORIZATION:**

1. Accept from California Resources Production Corporation (Lessee) the "Lease Quitclaim Deed for State Oil and Gas Lease," Lease No. PRC 8505.1, dated February 2, 2015, wherein the Lessee quitclaims back to the State all right, title and interest in the leased lands described in Exhibit B, attached hereto.
2. Release California Resources Production Corporation from all obligations under Oil and Gas Lease No. PRC 8505.1 accruing after February 2, 2015, the filing date of the quitclaim deed.
3. Authorize the Executive Officer or her designee to execute any documents necessary to implement the Commission's action.

## EXHIBIT A

PRC 8505.1

### LAND DESCRIPTION

A parcel of tide and submerged land in the bed of the San Joaquin River in protracted Sections 28, 29, 32 and 33, T1N, R6E, MDM, according to the U.S. Government Survey approved December 5<sup>th</sup>, 1879, in the unincorporated area of the County of San Joaquin, State of California, , described as follows:

BEGINNING at the northwest corner of that certain Lease Parcel described in Document Number 2003-030019 recorded February 10, 2003 in official records of said county having approximate California Coordinate System 1983, Zone 3 North y-coordinate = 2148110 feet and East x-coordinate = 6320910 feet; thence the following four (4) courses:

1. N90°00'00"E      4090.00 feet;
2. N00°00'00"E      3480.00 feet;
3. N90°00'00"W      4090.00 feet;
4. S00°00'00"E      3480.00 feet to the point of beginning.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark of said San Joaquin River.

This description is based on the California Coordinate System of 1983, Zone 3.

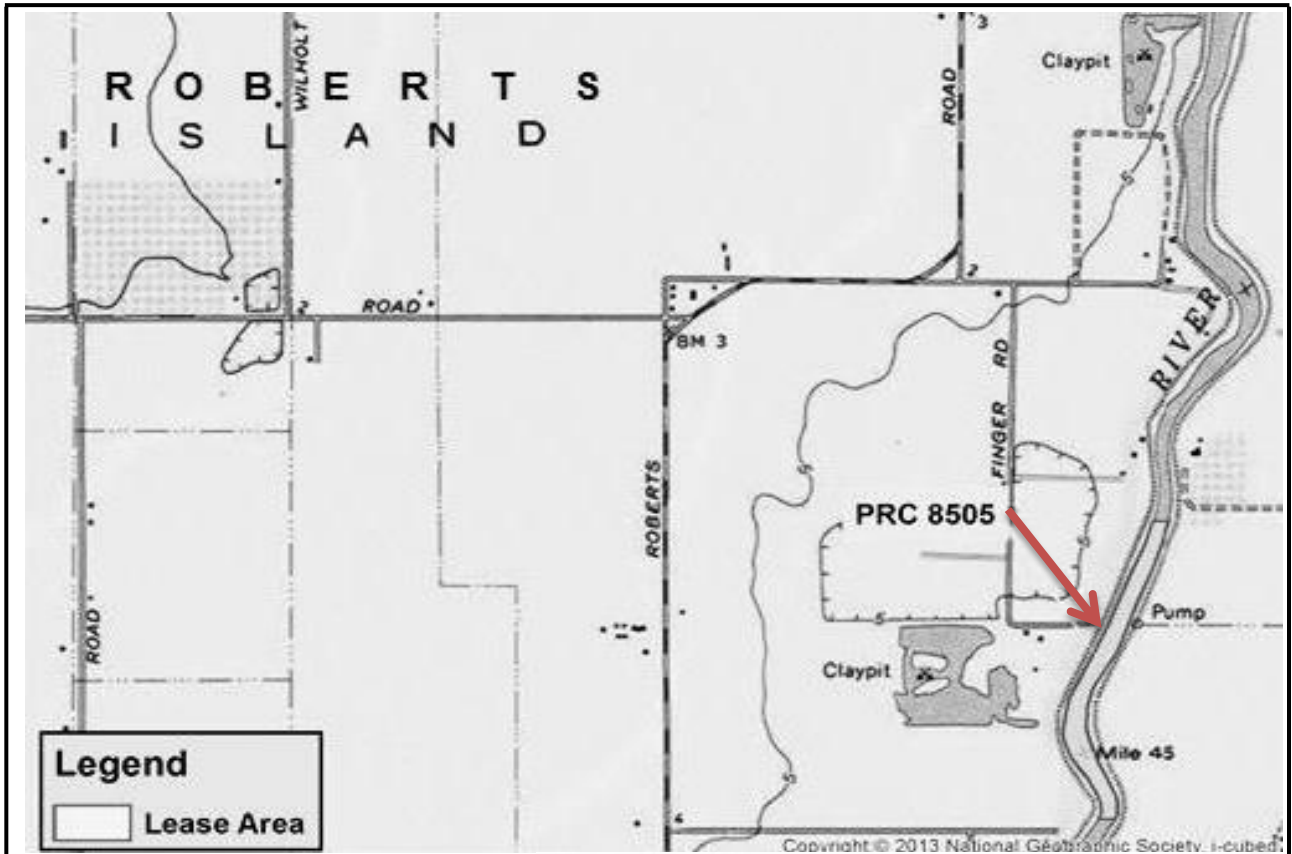
END OF DESCRIPTION

Prepared by the California State Lands Commission Boundary Unit January 15, 2004

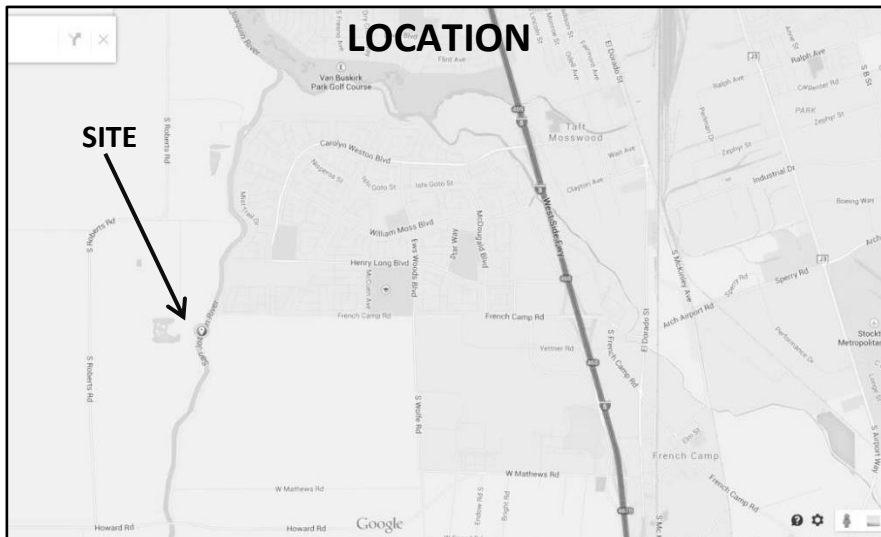


# EXHIBIT B

PRC 8505.1



CALIFORNIA RESOURCES PRODUCTION



# EXHIBIT C

PRC 8505.1

RECORDED AT THE REQUEST OF  
AND WHEN RECORDED MAIL TO:  
**STATE OF CALIFORNIA**  
State Lands Commission  
100 Howe Avenue, Suite 100-South  
Sacramento, CA 95825-8202  
Attn: Title Unit

**STATE OF CALIFORNIA**  
**OFFICIAL BUSINESS**  
Document entitled to free recordation  
pursuant to Government Code Section 27383

*No Tax Due*

*SPACE ABOVE THIS LINE FOR RECORDER'S USE*

## LEASE QUITCLAIM DEED FOR STATE OIL AND GAS LEASE

State Oil and Gas Lease No. PRC 8505 (Lease), covering certain State lands located in San Joaquin County (ies), State of California, was issued by the State of California, acting through the California State Lands Commission (State), on February 2, 2004, and was recorded in the Official Records of San Joaquin County, as Document #2004-028303, on February 12, 2004. (Attach additional recording information if leased lands are located in and Lease is recorded in more than one county.) California Resources Production Corporation (Lessee) is the present holder of the Lease.

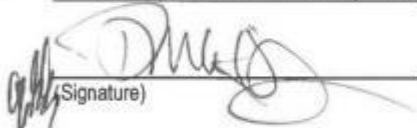
Pursuant to the terms of the Lease and Section 6804.1 of the Public Resources Code, the Lessee may at any time make and file with the State a written quitclaim or relinquishment of all rights under the Lease or of any portion of the Lease comprising a 10-acre parcel or multiple thereof in compact form, or of any separate or distinct zone or geological horizon thereof underlying such 10-acre parcel or multiple thereof.

Acting in accordance with such terms, the **Lessee** does hereby release, remise and forever quitclaim unto the **State of California** all of its right, title and interest in and to the State lands or that portion of the State lands held by virtue of the Lease, which lands are or portion is described in the attached Exhibit A.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this 2nd day of February, 2015.

LESSEE: California Resources Production Corporation

By:

  
\_\_\_\_\_  
(Signature)

Timothy J. Mahaffey  
\_\_\_\_\_  
(Name of Officer)

Attorney-In-Fact  
\_\_\_\_\_  
(Title)

(Acknowledgment attached)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF KERN )

On February 4, 2015, before me, Rachel O. Chavez, Notary Public, personally appeared Timothy J. McHaffey who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Rachel O. Chavez  
Signature of Notary Public

