

MINUTE ITEM
This Calendar Item No. 28
was approved as Minute Item
No. 28 by the State Lands
Commission, by a vote of 3
to 0 at its 7-16-87
meeting.

CALENDAR ITEM

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28

07/16/87
PRC 6334
Hamilton
Graber

ISSUANCE OF NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE
TO REPLACE COMPENSATORY GAS AGREEMENT PRC 6334

APPLICANT AND SECOND PARTY:

TXO Production Corp.
9343 Tech Center Drive, Suite 200
Sacramento, California 95827

AREA, TYPE LAND AND LOCATION:

A 25-acre parcel of submerged land in the bed
of the Sacramento River, Sutter and Colusa
counties, California.

LAND USE:

The State parcel is submerged land in the bed
of the Sacramento River. Subsurface
development of oil and gas resources that may
underlie the State land may be accomplished by
directional drilling from adjacent or other
nearby 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. 28 (CONT'D)

TERMS OF PROPOSED OIL AND GAS LEASE:

The State land is currently subject to Compensatory Gas Agreement PRC 6334. This agreement was issued by the Commission to TXO Production Corp. on October 28, 1982 and does not permit any use or development of the State land. TXO has requested that Compensatory Gas Agreement PRC 6334 be replaced by a negotiated subsurface State oil and gas lease to permit drilling and development of the State lands. TXO also has consented to the termination of the compensatory agreement upon the issuance of a replacement negotiated subsurface State oil and gas lease.

TXO Production Corp. has received from the County of Colusa a permit (No. 87-5-3) to drill a well from a surface location on private lands adjacent to the State land. This well will be drilled into and bottomed on the State land. Staff has examined information supplied by the Applicant, as well as other data in the Commission's files, and concludes that a negotiated subsurface State oil and gas lease is the best instrument to protect the State from possible drainage and to develop any oil and gas resources that may underlie the State land. Staff has negotiated a lease with TXO and the parties have agreed to terms, among which are the following:

1. Annual rental of \$20 per acre for a total of \$500 per year;
2. Flat rate royalty of 25% on all gas produced from the State leased lands; and
3. Sliding scale royalty of 16-2/3% (minimum) to 50% (maximum) on all oil produced from the State leased lands.

AB 884;

N/A.

CALENDAR ITEM NO. 28 (CONT'D)

OTHER PERTINENT INFORMATION:

1. The County of Colusa Department of Planning and Building Administration has approved an Application for Use Permit/Variance to drill and operate a gas well on private property located within Colusa County. Colusa County processes development plans as Negative Declarations.
2. A Negative Declaration (N.D./EIR 87-55) was prepared and adopted for this project by the County of Colusa. The State Lands Commission's staff has reviewed such document and believes that it complies with the requirements of the CEQA.
3. The proposed project is situated on lands identified as Class B (P.R.C. 6370), limited use, possessing environmental values. However, this project has been determined to be compatible with the provision of 2 Cal. Adm. Code Div. 3, Chapter 1, Article II.

EXHIBITS:

- A. Land Description.
- B. Location Map.
- C. Negative Declaration.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A NEGATIVE DECLARATION (N.D./EIR 87-55) WAS PREPARED FOR THIS PROJECT BY THE COUNTY OF COLUSA AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. DETERMINE THAT THE PROJECT, AS APPROVED, WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
3. FIND THAT GRANTING OF THE LEASE WILL HAVE NO SIGNIFICANT EFFECT UPON THE ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO PUBLIC RESOURCES CODE 6370.
4. DETERMINE THAT THE LANDS ARE UNSUITABLE FOR COMPETITIVE BIDDING AND THAT IT IS IN THE BEST INTERESTS OF THE STATE TO ENTER INTO A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE WITH TXO PRODUCTION CORP. TO PERMIT DEVELOPMENT OF THE STATE LAND.

CALENDAR ITEM NO. 28 (CONT'D)

5. CONSENT TO THE TERMINATION OF COMPENSATORY GAS AGREEMENT PRC 6334.
6. AUTHORIZE THE ISSUANCE TO TXO PRODUCTION CORP. OF A NEGOTIATED SUBSURFACE STATE OIL AND GAS LEASE THAT REPLACES COMPENSATORY GAS AGREEMENT PRC 6334 THAT WAS ISSUED BY THE COMMISSION TO TXO PRODUCTION CORP. ON OCTOBER 28, 1982. SUCH LEASE SHALL CONTAIN THE SAME 25-ACRE PARCEL OF SUBMERGED STATE LANDS THAT ARE DESCRIBED IN COMPENSATORY GAS AGREEMENT PRC 6334 AND LOCATED IN THE BED OF THE SACRAMENTO RIVER IN SUTTER AND COLUSA COUNTIES, CALIFORNIA. LESSEE SHALL PAY IN ADVANCE AN ANNUAL RENTAL OF \$20 PER ACRE OR \$500 PER YEAR FOR 25 ACRES, FLAT RATE ROYALTY OF 25 PERCENT ON ALL GAS PRODUCED FROM THE STATE LEASED LANDS AND SLIDING SCALE ROYALTY OF 16-2/3 PERCENT (MINIMUM) TO 50 PERCENT (MAXIMUM) ON ALL OIL PRODUCED FROM THE STATE LEASED LANDS.

EXHIBIT "A"

LAND DESCRIPTION

PRC 6334

All that portion of the bed of the Sacramento River within the N 1/2 of Section 17 and the N 1/2 of Section 16, T14N, R'E, MDM, Sutter and Colusa Counties, California.

EXCEPTING THEREFROM any portion lying landward of the ordinary low water marks of said Sacramento River.

ALSO EXCEPTING THEREFROM any portion lying within State Lands Commission permit PRC 4675.

END OF DESCRIPTION

REVISED JUNE 9, 1987 BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.

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CALENDAR PAGE	171
MINUTE PAGE	2541

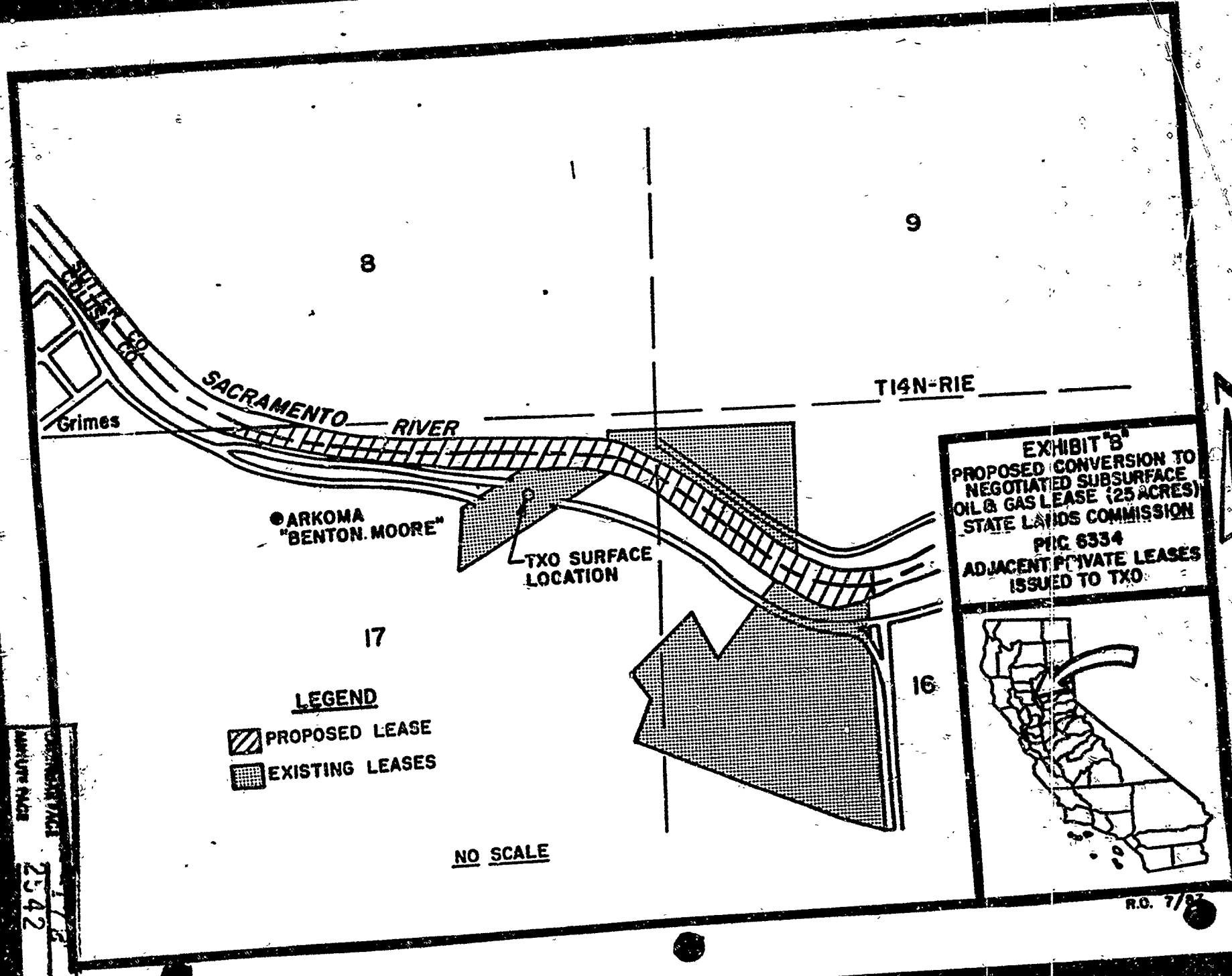
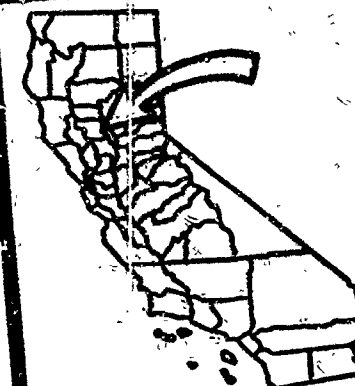


EXHIBIT "B"
PROPOSED CONVERSION TO
NEGOTIATED SUBSURFACE
OIL & GAS LEASE (25 ACRES)
STATE LANDS COMMISSION
PIC 6334
ADJACENT PRIVATE LEASES
ISSUED TO TXO



LEGEND

- PROPOSED LEASE
- EXISTING LEASES

NO SCALE

R.O. 7/87

2542
2542

EXHIBIT "C"

NOTICE OF DETERMINATION

ENDORSE

1987

TO: Office of Planning & Research
1400 Tenth Street, Room 121
Sacramento, CA 95814

FROM: Colusa County Planning Commission,
220 - 12th Street
Colusa, CA 95932

County Clerk
Courthouse, 546 Jay Street
Colusa, CA 95932

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or
21152 of the Public Resources Code.

Project Title: EIR #87-55 TXO Production Corp.

State Clearinghouse Number (If submitted to Clearinghouse): _____

Contact Person: Sharon E. George Telephone Number: 916/369-1444

Project Location: AP #19-110-19, approximately 3/8 mile northwest of intersection of
Faxon Road and State Highway 45, on the south side of State Highway 45.

Project Description: AP #19-110-19, approximately 3/8 mile northwest of intersection
of Faxon Road and State Highway 45, on the south side of State Highway 45.

This is to advise that the Colusa County Planning Commission has approved the above
described project and has made the following determinations regarding the above
described project:

1. The project will, X will not, have a significant effect on the
environment.
2. An Environmental Impact Report was prepared for this project pursuant
to the provisions of CEQA.
- X A Negative Declaration was prepared for this project pursuant to the
provisions of CEQA.

The EIR or Negative Declaration and record of project approval may be
examined at the Colusa County Planning Department, 1217 Market Street,
Colusa, CA 95932.

3. Mitigation measures X were, were not, made a condition of the approval
of the project.
4. A statement of Overriding Considerations was, X was not, adopted for
this project.

Date Received for Filing: June 15, 1987

Signature

Terrell W. Rose

Title

DATE PREPARED PAGE

173

MINUTE PAGE

2543

ENVIRONMENTAL CHECKLIST - INITIAL STUDY

(To be completed by Lead Agency)

I. BACKGROUND

1. Name of Proponent: EIR #87-55 TXO Production Corp.
2. Address and Phone Number of Proponent:
9343 Tech Center Drive, Suite 200, Sacramento, CA 95827, Attn: Sharon E. George,
916/369-1444
3. Date of Checklist Submitted: May 20, 1987
4. Agency Requiring Checklist: Colusa County
5. Name of Proposal: Drilling and operating a gas well. (UP #87-5-3)

II. ENVIRONMENTAL IMPACTS

(Explanations of all "yes" and "maybe" answers are required on attached sheets.)

- | | YES | HAYBE | NO |
|--|-----|-------|----|
| 1. Earth. Will the proposal result in: | | | |
| a. Unstable earth conditions or in changes in geologic structures? | — | X | — |
| b. Disruptions, displacements, compaction or overcovering of the soil? | — | X | — |
| c. Change in topography or ground surface relief features? | — | — | X |
| d. The destruction, covering or modification of any unique geologic or physical features? | — | — | X |
| e. Any increase in wind or water erosion of soils, either on or off the sites? | — | — | X |
| f. Changes in deposition or erosion of beach, sands, or changes in siltation, deposition or erosion which may modify the channel of a river or stream or the bed of the ocean or any bay, inlet or lake? | — | — | X |
| g. Exposure of people or property to geologic hazards such as earthquakes, landslides, mudslides, ground failure, or similar hazards? | — | — | X |
| 2. Air. Will the proposal result in: | | | |
| a. Substantial air emissions or deterioration of ambient air quality? | — | — | X |
| b. The creation of objectionable odors? | — | — | X |
| c. Alteration of air movement, moisture or temperature, or any change in climate, either locally or regionally? | — | — | X |
| 3. Water. Will the proposal result in: | | | |
| a. Changes in currents, or the course or direction of water movements, in either marine or fresh waters? | — | — | X |
| b. Changes in absorption rates, drainage patterns or the rate and amount of surface water runoff? | — | — | X |
| c. Alterations to the course or flow of flood waters? | — | — | X |
| d. Change in the amount of surface water in any water body? | — | — | X |
| e. Discharge into surface waters, or in any alteration of surface water quality, including but not limited to temperature, dissolved oxygen or turbidity? | — | — | X |
| f. Alteration of the direction or rate of flow of ground waters? | — | — | X |

- | | | | | |
|-----|--|---|---|---|
| g. | Change in the quantity of ground waters, either through direct additions or withdrawals, or through interception of an aquifer by cuts or excavations? | — | — | X |
| h. | Substantial reduction in the amount of water otherwise available for public water supplies? | — | — | X |
| i. | Exposure of people or property to water related hazards such as flooding or tidal waves? | — | — | X |
| 4. | Plant Life. Will the proposal result in: | | | |
| a. | Change in the diversity of species, or number of any species of plants (including trees, shrubs, grass, crops, microflora and aquatic plants)? | — | — | X |
| b. | Reduction of the numbers of any unique, rare or endangered species of plants? | — | — | X |
| c. | Introduction of new species of plants into an area, or in a barrier to the normal replenishment of existing species? | — | — | X |
| d. | Reduction of acreage of any agricultural crop? | — | — | X |
| 5. | Animal Life. Will the proposal result in: | | | |
| a. | Change in the diversity of species, or numbers of any species of animals (birds, land animals including reptiles, fish and shellfish, benthic organisms, insects or microfauna)? | — | — | X |
| b. | Reduction of the numbers of any unique, rare or endangered species of animals? | — | — | X |
| c. | Introduction of new species of animals into an area, or result in a barrier to the migration or movement of animals? | — | — | X |
| d. | Deterioration to existing fish or wildlife habitat? | — | — | X |
| 6. | Noise. Will the proposal result in: | | | |
| a. | Increases in existing noise levels? | — | X | — |
| b. | Exposure of people to severe noise levels? | — | X | — |
| 7. | Light & Glare. Will the proposal produce new light or glare? | — | — | X |
| 8. | Land Use. Will the proposal result in a substantial alteration of the present or planned use of an area? | — | — | X |
| 9. | Natural Resources. Will the proposal result in: | | | |
| a. | Increase in the rate of use of any natural resources? | X | — | — |
| b. | Substantial depletion of any nonrenewable natural resource? | — | X | — |
| 10. | Risk of Upset. Does the proposal involve a risk of an explosion or the release of hazardous substances (including, but not limited to, oil, pesticides, chemicals or radiation) in the event of an accident or upset conditions? | X | — | — |
| 11. | Population. Will the proposal alter the location, distribution, density, or growth rate of the human population of an area? | — | — | X |
| 12. | Housing. Will the proposal affect existing housing, or create a demand for additional housing? | — | — | X |
| 13. | Transportation/Circulation. Will the proposal result in: | | | |
| a. | Generation of substantial additional vehicular movement? | — | — | X |
| b. | Effects on existing parking facilities, or demand for new parking? | — | — | X |
| c. | Substantial impact upon existing transportation systems? | — | — | X |
| d. | Alterations to present patterns of circulation or movement of people and/or goods? | — | — | X |

	YES	MAYBE	NO
e. Alterations to waterborne, rail or air traffic?			X
f. Increase in traffic hazards to motor vehicles, bicyclists or pedestrians?			X
14. Public Services. Will the proposal have an effect upon, or result in a need for new or altered governmental services in any of the following areas:			
a. Fire protection?			X
b. Police protection?			X
c. Schools?			X
d. Parks or other recreational facilities?			X
e. Maintenance of public facilities, including roads?			X
f. Other governmental services?			X
15. Energy. Will the proposal result in:			
a. Use of substantial amounts of fuel or energy?			X
b. Substantial increase in demand upon existing sources of energy, or require the development of new sources of energy?			X
16. Utilities. Will the proposal result in a need for new systems, or substantial alterations to the following utilities:		X	
a. Power or natural gas?			X
b. Communications systems?			X
c. Water?			X
d. Sewer or septic tanks?			X
e. Storm water drainage?			X
f. Solid waste and disposal?			X
17. Human Health. Will the proposal result in:			
a. Creation of any health hazard or potential health hazard (excluding mental health)?			X
b. Exposure of people to potential health hazards?			X
18. Aesthetics. Will the proposal result in the obstruction of any scenic vista or view open to the public, or will the proposal result in the creation of an aesthetically offensive site open to public view?		X	
19. Recreation. Will the proposal result in an impact upon the quality or quantity of existing recreational opportunities?			X
20. Archeological/Historical. Will the proposal result in an alteration of a significant archeological or historical site, structure, object or building?			X
21. Mandatory Findings of Significance.			
(a) Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of the major periods of California history or prehistory?			X
(b) Does the project have the potential to achieve short-term, to the disadvantage of long-term, environmental goals? (A short-term impact on the environment is one which occurs in a relatively brief, definitive period of time while long-term impacts will endure well into the future.)			X
(c) Does the project have impacts which are individually limited, but cumulatively considerable? (A project may impact on two or more separate resources where the impact			

YES MAYBE NO

on each resource is relatively small, but where the effect on the total of those impacts on the environment is significant.)

— — X

(d) Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?

— — X

III. DISCUSSION OF ENVIRONMENTAL EVALUATION

IV. DETERMINATION

On the basis of this initial evaluation the Committee finds:

— The proposed project ~~COULD NOT~~ have a significant effect on the environment, and a **NEGATIVE DECLARATION** will be prepared.

X That although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because the mitigation measures described on the attached sheet have been added to the project. A **NEGATIVE DECLARATION WILL BE PREPARED**.

— The proposed project **MAY** have a significant effect on the environment, and an **ENVIRONMENTAL IMPACT REPORT** is required.

Exempt Status:

— Ministerial (Sec. 15073)

— Declared Emergency (Sec. 15073)

— Emergency Project (Sec. 15071(b) & (c))

— Categorical Exemption. State type & section number:

Reasons why the project is exempt: _____

DATE: MAY 27 1987

Donna Marshall
(Signature)

FOR: TECHNICAL ADVISORY COMMITTEE

RESPONSES TO CHECKLIST:

- II. 1.a. Actual drilling of the well may cause changes or unstable conditions in geological structures by disrupting the earth strata.
- b. Actual drilling may displace and disrupt soil materials for the depth of the well.
- 3.f. Drilling for the well casing may alter the direction or possibly the rate of flow of ground waters.
- 6.a. Actual drilling and subsequent operation of the gas well could increase existing noise levels at least for the duration of the drilling of the well.
- 6.b. People within the severe noise impact level caused by drilling or operation of the well could be exposed adversely.
- 9.a.&b. After exploratory drilling of the well and production of oil or gas, the rate of use of these resources will increase. However, one well by itself will not be a substantial increase.
- 10. Accident or upset conditions could result in the release of hazardous substances such as oil and gas.
- 16.a. Increase in material gas production could alter utilities for the regional area.
- 18. Erection of the well derrick could obstruct some scenic vista or views open to the public.

MITIGATION MEASURES:

- 1. An EIR Negative Declaration must be approved by the Lead Agency.
- 2. An administrative charge for the Department of Public Works in the amount of \$250.00 must be provided.
- 3. A performance bond in the amount of \$25,000.00 must be provided.
- 4. The bond must accompany an agreement approved by County Counsel and the Board of Supervisors.
- 5. Insurance in accordance with the agreement must be provided.
- 6. A fee shall be charged for any dumping at any disposal site in the County in accordance with the current fee schedule.
- 7. A permit shall be obtained from the local fire district for any flaring operations.
- 8. The location of the gas well shall be subject to the setback requirements of the Department of Public Works.
- 9. Compressors shall not be installed without first obtaining a building permit from the Department of Planning & Building.
- 10. All Federal, State and local regulations must be complied