

**MINUTE ITEM**  
This Calendar Item No. C49 was approved as  
Minute Item No. 49 by the California State Lands  
Commission by a vote of 3 to 0 at its  
10-06-04 meeting.

**CALENDAR ITEM  
C49**

A 15

S 5

10/06/04  
PRC 8572 W 40891  
M. LeClair

**CONSIDER APPLICATION OF A NEGOTIATED SUBSURFACE  
(NO SURFACE USE) OIL AND GAS LEASE,  
STEAMBOAT SLOUGH AND SUTTER SLOUGH,  
SOLANO COUNTY**

**APPLICANT:**

Royale Energy, Inc.  
Attn.: Mr. Dale Hoffman  
7676 Hazard Center Drive, Suite 1500  
San Diego, CA 92108

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

Negotiated subsurface (no surface use) Oil and Gas Lease is on about 25.6 acres in the Steamboat Slough and Sutter Slough, Solano County, California.

**BACKGROUND:**

Royale Energy, Inc. has applied for a negotiated subsurface (no surface use) Oil and Gas Lease on about 25.6 acres in the Steamboat Slough and Sutter Slough, Solano County (Exhibit A, attached hereto). 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 California State Lands Commission's negotiated subsurface (no surface use) Oil and Gas Lease, which would permit Commission-approved directional drilling from a county-approved drill site and would permit inclusion of the leased lands in a Commission-approved pooled area or unit.

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

-1-

000235

CALENDAR PAGE

001793

MINUTE PAGE

CALENDAR ITEM NO. C49 (CONT'D)

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.

Because the Applicant controls, by lease and agreement, all of the private property adjacent to the State land described in Exhibit A, attached hereto, and because the Applicant has approval to drill a well near the State land, from the lead agency, Solano County, Commission staff has concluded that the criteria of Public Resources Code section 6815(a) have been satisfied. A negotiated subsurface (no surface use) 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.

**OTHER PERTINENT INFORMATION:**

1. On August 4, 2004, the County of Solano, acting as the Lead Agency under the provisions of the CEQA, determined that the project is exempt from the CEQA as a Class 3 Exemption, New Construction or Conversion of Small Structures. Such exemptions may only be applied where it has been determined that the proposed activity will not have a significant effect on the environment.
2. 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 under the general rule that the CEQA applies only to projects, which have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, that there is no possibility that this project may have a significant effect on the environment.
3. This activity involves lands which have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. However, the Commission has declared that all tide and submerged lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Since such declaration of significance is not based upon the requirements and the criteria of Public Resources Code sections 6370, et seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

CALENDAR ITEM NO. C49 (CONT'D)

4. Drilling term of five (5) 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.
5. Annual rental of \$25.00 per acre (\$650.00 for approximately 25.6 acres).
6. Royalty of 16-2/3 percent on gas and oil produced.
7. Performance bond or other security in the sum of \$10,000.

**PERMIT STREAMLINING ACT DEADLINE:**

January 27, 2005

**EXHIBITS:**

- A. Land Description
- B. Site Map

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDING:**

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY AVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 (b)(3).
2. DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, THAT A NEGOTIATED SUBSURFACE (NO SURFACE USE) 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, ATTACHED HERETO, AND THAT THE STATE LAND IS UNSUITABLE FOR

-3-

000237

CALENDAR PAGE

001795

MINUTE PAGE

CALENDAR ITEM NO. C49 (CONT'D)

COMPETITIVE BIDDING BECAUSE SURFACE DRILL SITES ARE NOT AVAILABLE AND WELLS DRILLED ON THE ADJACENT PRIVATE PROPERTY MAY DRAIN STATE OIL AND GAS RESOURCES.

**AUTHORIZATION**

1. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a), ENTER INTO A NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASE WITH ROYALE ENERGY, INC. THE LEASE WILL CONTAIN THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO, (APPROXIMATELY 25.6 ACRES), A DRILLING TERM OF FIVE (5) YEARS, ANNUAL RENTAL OF \$25.00 PER ACRE (\$650.00 FOR APPROXIMATELY 25.6 ACRES), ROYALTY ON GAS SUBSTANCES AND OIL FIXED AT 16-2/3 PERCENT AND PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$10,000.00.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

**Exhibit A****SECTION 3****LAND DESCRIPTION**

A parcel of tide and submerged land in the bed of Steamboat Slough and Sutter Slough, situated in Sacramento and Solano Counties, California, said parcel being more particularly described as follows:

BEGINNING at the northeast corner of that parcel of land described in that certain deed recorded December 20<sup>th</sup>, 2002, as Document Number 200200167593, Official Records of Solano County; thence southerly along the right bank of Sutter Slough and Steamboat Slough 3073 feet, more or less, to the Southeast corner of that parcel of land described in that certain deed recorded July 13<sup>th</sup>, 1999, as Document Number 1999-00061242, Official Records of Solano County; thence easterly 357 feet, more or less, to the left bank of Steamboat Slough with the intersection of the western prolongation of the southerly property line of that parcel of land described in that certain deed recorded February 22<sup>nd</sup>, 1999, as Document Number 199902221170, Official Records of Sacramento County; thence Northerly and Northeasterly along the left bank of said Steamboat Slough 1630 feet to the most northerly point of Simpson Tract as shown on that certain map filed on June 18<sup>th</sup>, 1964, in Book 74, Page 27, Official Records of Sacramento County; thence Northeasterly and Easterly along said left bank of said Steamboat Slough 896 feet; thence North 00° 00' 00" East 275 feet, more or less, to a point on the right bank of said Steamboat Slough; thence Westerly along said right bank of said Steamboat Slough 695 feet more or less to the left bank of said Sutter Slough; thence Northerly along the said bank of said Sutter Slough 880 feet, more or less, to a point from which said point of beginning bears North 90° 00' 00" West 185 feet, more or less; thence North 90° 00' 00" West to the POINT OF BEGINNING.

EXCEPTING THEREFROM any land lying landward of the Ordinary High Water Mark of said Steamboat Slough and said Sutter Slough.

**END OF DESCRIPTION**

Prepared 9-14-2004 by the Boundary Unit of the California State Lands Commission.

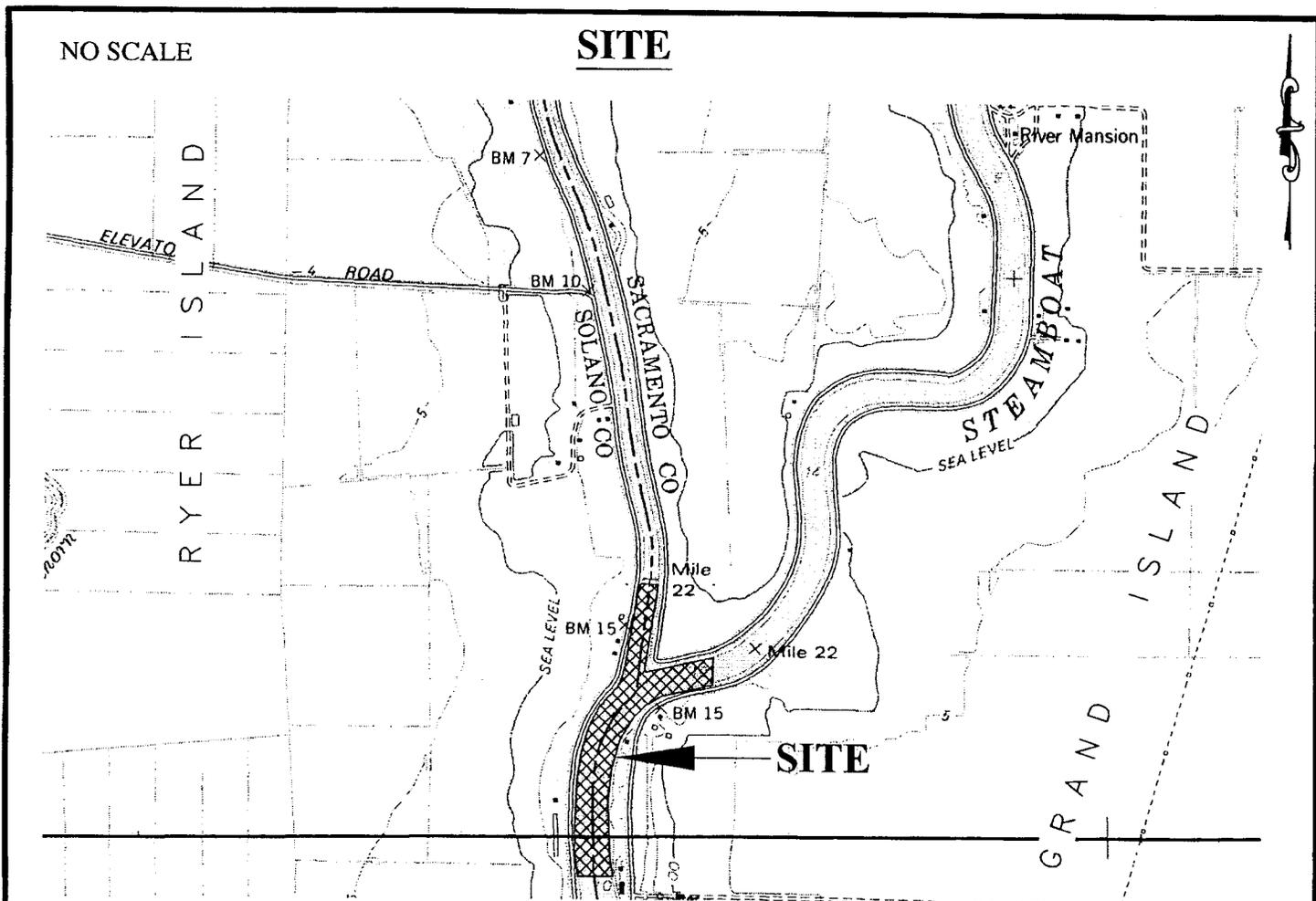


000239

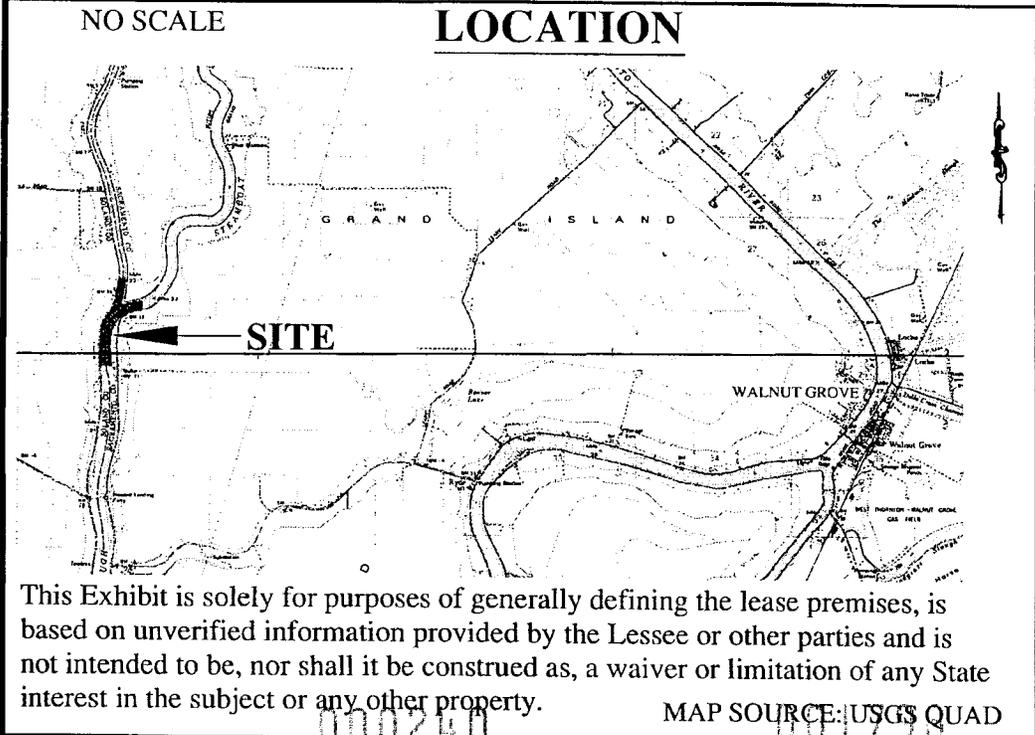
CALENDAR PAGE

001797

MINUTE PAGE



**SUBSURFACE OIL AND GAS LEASE IN  
SUTTER SLOUGH AND STEAMBOAT SLOUGH**



**Exhibit B**  
 WO 40891  
 ROYALE ENERGY  
 MINERAL LEASE  
 SOLANO AND  
 SACRAMENTO COUNTIES

