

**CALENDAR ITEM  
C84**

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03/25/08

S 4

PRC 8618.1

J. Smith

**CONSIDER APPROVAL OF AN AMENDMENT  
OF OIL AND GAS LEASE NO. PRC 8618.1 TO PROVIDE  
FOR THE LEASING OF ADDITIONAL LANDS, AND CONSENT TO  
THE POOLING OF APPROXIMATELY 32.9 ACRES OF  
LEASED LANDS UNDER LEASE NO. PRC 8618.1,  
SACRAMENTO COUNTY**

**APPLICANT:**

Stream Energy, Inc.  
Attn.: Mr. Guy L. Burge  
5330 Office Center Court, #65  
Bakersfield, CA 93309

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

Negotiated subsurface (no surface use) Oil and Gas Lease on about 17.91 acres in the Sacramento River, Sacramento County, California.

**BACKGROUND:**

Oil and Gas Lease No. PRC 8618.1 (Lease) was issued to Stream Energy, Inc. (Stream) on June 20, 2005. The Lease contains 17.91 acres of tide and submerged land in the bed of the Sacramento River in Sacramento County.

In November 2006, Stream drilled the "Walnut Grove" 34-1 gas well (API# 0406720415) from a site located south of the Sacramento River. The well was drilled through the Lease from a location on private land west of the Lease and completed as a natural gas well. Staff has reviewed the well documentation and has determined that "Walnut Grove" 34-1 gas well's drilling and completion complied with California State Lands Commission's (Commission) regulations.

In addition to the "Walnut Grove" 34-1 well drilled within the currently leased lands of PRC 8618.1, Stream has drilled and completed the "Kay Dix" 35-1 and "Kay Dix" 35-2 wells from a location on private land adjacent to the unleased

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State tide and submerged lands in the bed of the Sacramento River and Steamboat Slough (and contiguous with the eastern boundary of the Lease). The wells are currently producing or capable of economic production.

Section 22 of the Lease allows the Lessee, with the consent of the State and under terms and conditions approved by the State, to pool or unitize all or part of the leased lands with lands held by the Lessee or others. Stream has formed two pooling units that contain a total of 266.02 acres of State tide and submerged and private leased lands for the development and production of natural gas. The first unit Stream proposes is for the production of gas from the "Walnut Grove" 34-1 gas well and is called the "Shoreline Unit" (Exhibit H). The "Shoreline Unit" contains 96.22 acres of State tide and submerged and private leased lands which includes 7.7 acres of presently leased State land within Lease PRC 8618.1.

The second Stream unit proposal is for the production of gas from the "Kay Dix" 35-1 and "Kay Dix" 35-2 gas wells, called the "CT-KD Unit" (Exhibit F). The "CT-KD Unit" contains 169.8 acres of State tide and submerged and private leased lands, which includes 25.2 acres of State land. These 25.2 acres consists of 5.7 acres of State tide and submerged land already included in Lease PRC 8618.1, and 19.5 acres of unleased State tide and submerged land under the Sacramento River.

Stream requests the Commission's consent amending Lease PRC 8618.1 to include the additional 19.5 acres, designated as Parcel B on Exhibit A, and to approve the two proposed pooling units. The addition of 19.5 acres will result in a total lease area of 37.41 acres. Staff has reviewed the information submitted by Stream and has determined that the criteria of Public Resources Code section 6815 (a) for entering into a negotiated lease have been met. The proposed amendment adds to the existing lease the acreage shown as Parcel B on Exhibit A, and described on Exhibit B. The above changes are reflected in the 'Draft Amendment' (Exhibit C) and the appended lease land description (Exhibit B). The annual rental for the entire lease shall be nine hundred fifty dollars (\$950.00) for approximately 37.41 mineral acres. Lease No. PRC 8618.1 has a fixed royalty rate of 20 percent (20%) on all gas and oil substances produced.

Stream also requests the Commission's consent to the pooling of 25.2 acres of leased State tide and submerged lands under Oil and Gas Lease No. PRC 8618.1 by approving Stream's "CT-KD Unit" Declaration of Pooling dated June 6, 2006 (Exhibit F), and the pooling map (Exhibit D) and the description of the

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State's 25.2 acres that represents 14.841 percent (14.841%) of the pool (Exhibit E).

Stream lastly requests the Commission's consent to the pooling of 7.7 acres of leased State tide and submerged lands under Oil and Gas Lease No. PRC 8618.1 by approving Stream's "Shoreline Unit" Declaration of Pooling dated February 1, 2007 (Exhibit H), the pooling map (Exhibit D), and the description of the State's 7.7 acres that represents 8 percent (8%) of the pool (Exhibit E).

The Commission staff has determined that it will be economically advantageous to the State to share in the production from the proposed unit.

**STATUTORY AND OTHER REFERENCES:**

- A. Public Resources Code section 6829.2, Public Resources Code section 6832 and Paragraph 22(b) of the Oil and Gas Lease No. PRC 8618.1.

**OTHER PERTINENT INFORMATION:**

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 15378.

- 2. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370, et seq. Based upon the Staff's consultation with the persons nominating such lands and through the CEQA process, it is the staff's opinion that the project, as proposed, is consistent with its use classification.
- 3. Oil and Gas Lease No. PRC 8618.1 shall be amended to incorporate the language in Exhibit C. The proposed amendments provide that: 1) the lease shall be increased in size to include an additional 19.5 acres of State tide and submerged land under the Sacramento River and Steamboat Slough; and 2) lessee agrees to enter into a State Standard Reimbursable Agreement to reimburse the State for the reasonable and necessary costs incurred for the administration and implementation of the terms and conditions of this lease (including but not limited to engineering review,

CALENDAR ITEM NO. **C84** (CONT'D)

royalty verification and/or audit, reservoir and geologic review, annual lease reviews, and for staff time or expenses expended to ensure lease operations conform to the terms of the Lease and to the State's rules and regulations). This "Management Fee" shall commence on April 1, 2008, that shall not exceed two thousand dollars (\$2,000) for the first year, and the "not to exceed" amount will increase by three percent (3%) per year, with the increase taking effect annually on April 1st of each successive year of the Lease.

**PERMIT STREAMLINING ACT DEADLINE:**

N/A (not a "development project" subject to the Act)

**EXHIBITS:**

- A. Location Map of negotiated subsurface Oil and Gas Lease No. PRC 8618.1.
- B. Land Description for Appended Parcel
- C. Draft Amendment
- D. Site Map of CT-KD and Shoreline Operating Units
- E. Land Description State Lands Pooled Area (CT-KD Operating Unit)
- F. CT-KD Unit Declaration of Pooling dated June 6, 2006
- G. Land Description State Lands Pooled Area (Shoreline Operating Unit)
- H. Shoreline Unit Declaration of Pooling dated February 1, 2007

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDING:**

1. FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.
2. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

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**OTHER FINDINGS:**

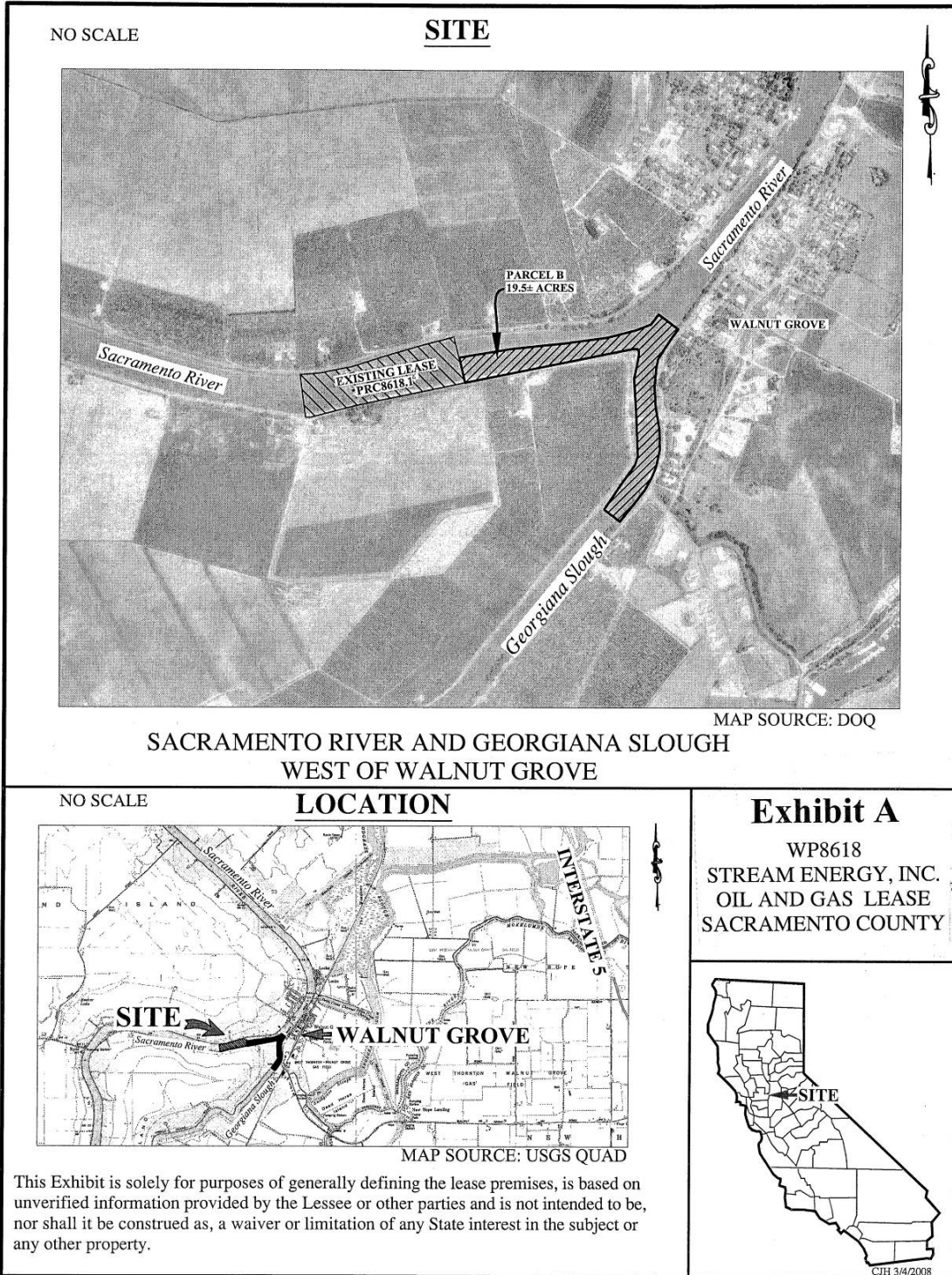
DETERMINE THAT THE CRITERIA FOR ENTERING INTO A NEGOTIATED LEASE OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, THAT AUTHORIZING THE ADDITION OF 19.5 ACRES INTO EXISTING OIL AND GAS LEASE NO. PRC 8618.1 IS IN THE BEST INTERESTS OF THE STATE IN ORDER TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND DESCRIBED IN EXHIBIT B.

**AUTHORIZATION**

1. APPROVE THE AMENDMENTS TO OIL AND GAS LEASE NO. PRC 8618.1, AS SET FORTH IN EXHIBIT C OF THIS CALENDAR ITEM.
  
2. CONSENT TO THE POOLING OF THE LEASED LANDS (25.2 ACRES UNDER OIL AND GAS LEASE NO. PRC 8618.1) WITH OTHER PRIVATE LANDS HELD BY STREAM. CONSENT IS GIVEN BY APPROVING STREAM'S DECLARATION OF POOLING DATED JUNE 6, 2008, WHICH CREATES THE CT-KD POOLING UNIT DESCRIBED IN EXHIBIT E (APPROXIMATELY TOTAL 169.8 ACRES WHICH INCLUDE 25.2 ACRES OF LEASED TIDE AND SUBMERGED LANDS UNDER OIL AND GAS LEASE NO. PRC 8618.1). THE UNITIZED LEASED LANDS SHALL BE SUBJECT TO THE PROVISIONS OF OIL AND GAS LEASE NO. PRC 8618.1, NOTWITHSTANDING ANY CONDITIONS IN THE DECLARATION OF POOLING TO THE CONTRARY.
  
3. CONSENT TO THE POOLING OF THE LEASED LANDS (7.7 ACRES UNDER OIL AND GAS LEASE NO. PRC 8618.1) WITH OTHER PRIVATE LANDS HELD BY STREAM. CONSENT IS GIVEN BY APPROVING STREAM'S DECLARATION OF POOLING DATED FEBRUARY 1, 2007, WHICH CREATES THE SHORELINE POOLING UNIT DESCRIBED IN EXHIBIT G (APPROXIMATELY TOTAL 96.22 ACRES WHICH INCLUDE 7.7 ACRES OF LEASED TIDE AND SUBMERGED LANDS UNDER OIL AND GAS LEASE NO. PRC 8618.1). THE UNITIZED LEASED LANDS SHALL BE SUBJECT TO THE PROVISIONS OF OIL AND GAS LEASE NO. PRC 8618.1, NOTWITHSTANDING ANY CONDITIONS IN THE DECLARATION OF POOLING TO THE CONTRARY.

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4. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENTS NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.



## EXHIBIT C

PRC 8618.1

### STATE OF CALIFORNIA STATE LANDS COMMISSION

#### AMENDMENT

THIS AMENDMENT is entered into by the State of California, acting by and through the State Lands Commission, herein referred to as "State", and Stream Energy, Inc., herein referred to as "Stream".

The California State Lands Commission (Commission) issued a negotiated limited surface use Oil and Gas Lease No. PRC 8618.1 (Lease) to Stream on June 20, 2005. Stream desires the state to accept the proposed Shoreline Unit and CT-KD Unit pooling agreements.

The State Lands Commission has determined that it is in the State's best interest to make certain modifications to the terms of each of the leases in connection with its approval of the proposed pooling agreements.

The State and Stream do hereby agree as follows:

1. State Oil and Gas Lease PRC 8618.1 be amended to add 19.50 acres, described as Parcel B on Exhibit B of this document.
2. As provided in Paragraph 2 of the Lease, Stream shall pay annual rental for the entire leased lands, including the new acreage, in the amount of Twenty-five dollars (\$25.00) per acre or an annual rental of \$950.00 for approximately 37.41 acres. Stream has paid or agrees to pay the current year's rental for the lease including the rental of the increased 19.50 acres from March 25, 2008 through June 19, 2008 in the amount of \$ 119.00. Therefore it is agreed to amend State Oil and Gas Lease 8618.1 by deleting Paragraph 1 of Exhibit "B" and Replacing it with the following Language:

The annual Rental for this lease shall be Twenty-five dollars (\$25.00) per acre or fraction of an acre for a total of Nine Hundred Fifty dollars (\$950.00) for approximately 337.41 acres.

3. Paragraph 35 of State Oil and Gas Lease PRC 8618.1 is hereby added to the existing terms and conditions of said leases:



Lessee agrees to enter into a State Standard Reimbursable Agreement to reimburse the State for the reasonable and necessary costs incurred for the administration and implementation of the terms and conditions of this lease (including but not limited to engineering review, royalty verification and/or audit, reservoir and geologic review, annual lease reviews, and for staff time or expenses expended to ensure lease operations conform to the terms of the Lease and to the State's rules and regulations). This "Management Fee" shall commence on April 1, 2008, that shall not exceed two thousand dollars (\$2,000) for the first year, and the "not to exceed" amount will increase by three percent (3%) per year, with the increase taking effect annually on April 1st of each successive year of the Lease.

It is further agreed that all other terms and conditions of said Lease are to remain unchanged and in full force and effect.

This Amendment to the Lease will become binding only when duly executed on behalf of the State of California by and through the State Lands Commission of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date hereafter affixed.

**Stream Energy, Inc.**

**State of California  
State Lands Commission**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Name of Officer)

Paul B. Mount II, P.E.  
(Name of Officer)

\_\_\_\_\_  
(Title)

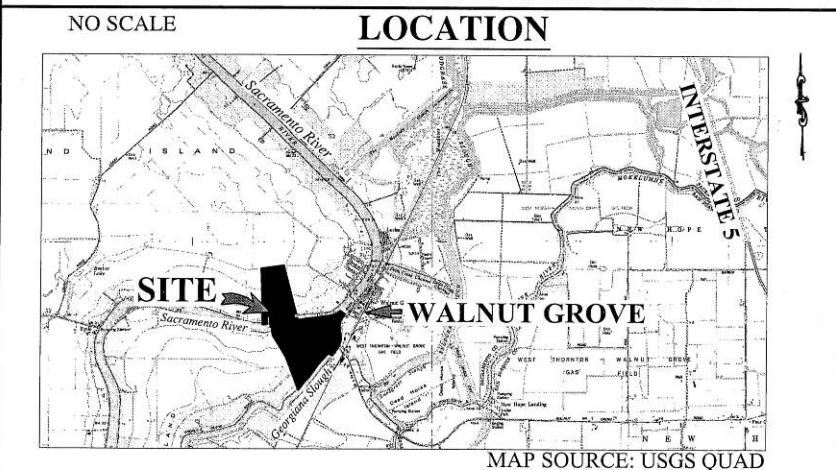
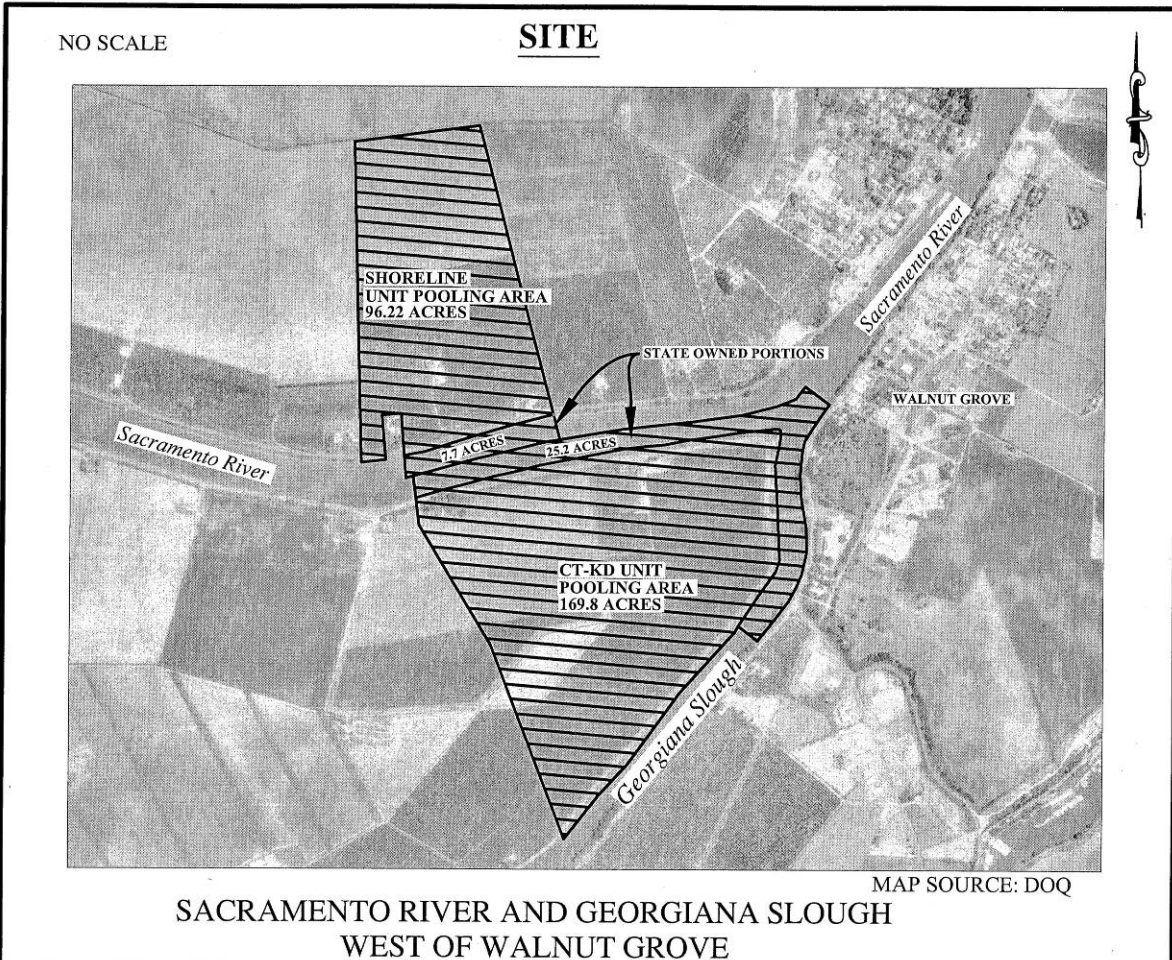
Chief, Mineral Resources Management  
(Title)

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST

ATTEST



**Exhibit D**  
 WP8618  
 STREAM ENERGY, INC.  
 OIL AND GAS LEASE  
 SACRAMENTO COUNTY



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties 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.

**Recording requested by  
and when recorded mail to:**

**Stream Energy, Inc.**  
5330 Office Center Ct., #65  
Bakersfield, CA 93309

## **EXHIBIT F**

PRC 8618.1

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### **DECLARATION OF POOLING**

Stream Gas, LLC, an Oklahoma limited liability company, Lessee in the following described Oil, Gas and Mineral Leases, hereby combines and pools the following described Oil, Gas and Mineral Leases as to the land described below into an operating unit for gas development purposes in accordance with the terms of the respective leases, comprising one hundred sixty nine and 80/100 (169.80) acres:

1. Oil, Gas and Mineral Lease dated June 15, 1999, recorded September 13, 1999 as Document Number 199909131064 of Official Records of Sacramento County, California with Shelley Y. Condon, Trustee of the Condon Trust U/A dated August 30, 1994, Robert L. Ware and Yvonne M. Ware as Lessor, as to the land covered by the lease and lying within the boundaries of the unit.
2. Oil, Gas and Mineral Lease dated March 27, 1999, recorded June 21, 1999 as Document Number 199906211575 of Official Records of Sacramento County, California with Kay-Dix Ranch Co. as Lessor, as to the land covered by the lease and lying within the boundaries of the unit.
3. State of California Oil and Gas Lease dated June 20, 2005, of record with the State Lands Commission as PRC 8618 (W 40905) with State of California as Lessor, as to the land covered by the lease and lying within the boundaries of the unit.
4. Oil, Gas and Mineral Lease dated June 6, 2006, recorded \_\_\_\_\_ as Document Number \_\_\_\_\_ of Official Records of Sacramento County, California with James Paul Barnes, Jr., Successor Trustee of the 1987 Lucy R. Barnes Trust dated November 23, 1987, James Reynolds Barnes, James Paul Barnes, R. and Julie B. Lyons as Lessor, as to the land covered by the lease and lying within the boundaries of the unit.

and as depicted on Exhibit A, attached hereto and made a part hereof. The description of the unit boundary is:

**TOWNSHIPS 4 & 5 NORTH, RANGE 4 EAST, MDB&M**  
Unincorporated area of Sacramento County, California

Portions of Sections 2 & 3 of T4N, R4E & Sections 33 & 34 of T5N, R4E described as:  
 BEGINNING at an iron pipe which marks the North corner of that certain tract of land containing 14.23 acres which was conveyed by Deed dated November 7, 1928, to Darrell Mealer and recorded in Book 206 of O.R., at page 447, and which said iron pipe also marks the division corner on the Southeasterly boundary line of that certain tract of land containing 118.42 acres which was conveyed by Deed dated November 17, 1927 from Sarah Locart, et al, to Darrell Mealer, et al, and recorded November 17, 1927 in Book 153 of Official Records at page 454; and running thence from said point of beginning along the Southeasterly line of said 118.42 acre tract of land North 59°22' West 412.57 feet to an iron pipe 1-½ inches in diameter; thence continuing on said boundary line North 7°32' East 354.25 feet to an iron axle 1-1/2 inches in diameter; thence South 59 °27' East at 1559 feet to an iron pipe 2 inches in diameter located on Westerly or inner crown of the Georgiana Slough Levee at 1624 feet, more or less, the total length of the line to the right of the Westerly bank of Georgiana Slough; thence along said Slough bank North 43°

55' 27" East, 422.88 feet; thence North 68° 44' 58" East, 446.66 feet to the TRUE POINT OF BEGINNING; thence North 20°31'48" West, a distance of 1,778.56 feet; thence North 35°15'23" West, a distance of 1,235.54 feet; thence North 05°42'38" West, a distance of 524.45 feet to a point in the centerline of Sacramento River; thence Easterly along the centerline of the Sacramento River to its intersection with the centerline of the Georgiana Slough; thence at a right angle Southeasterly to the Southeast bank of the Sacramento River; thence Southwesterly along said bank to the intersection with the Southeasterly bank of Georgiana Slough, thence continuing Southwesterly along the Southeast bank of the of the Georgiana Slough to a point which bears North 49°45'49" East, 590.7 feet and North 31°02' 29" East, 2,115 feet from THE TRUE POINT OF BEGINNING herein; thence Northwesterly at a right angle to the centerline of the Georgiana Slough to the Northwest bank of said slough; thence following said bank Southwesterly to the TRUE POINT OF BEGINNING.

APN: 56-0010-053 (portion) and portions of the Sacramento River and the Georgiana Slough

The production from the Unit shall be allocated to the leases as follows:

|    |  |                    |    |         |
|----|--|--------------------|----|---------|
| 1. | Shelly Y. Condon, Trustee, et al Lease | 50% of 142.6/169.8 | or | 41.991% |
| 2. | Kay-Dix Ranch Co. Lease                | 50% of 142.6/169.8 | or | 41.991% |
| 3. | State of California Lease              | 25.2/169.8         | or | 14.841% |
| 4. | Lucy R. Barnes Trust, et al Lease      | 2.0/169.8          | or | 1.178   |

The pooled unit shall be known as the CT - KD Unit.

Dated: June 6, 2006.

STREAM GAS, LLC  
 By Stream Resources Limited Partnership, Manager  
 By Stream Energy, Inc., General Partner

by \_\_\_\_\_  
 Guy L. Burge, Jr.

STATE OF NEVADA  
COUNTY OF WASHOE

On \_\_\_\_\_ before me, \_\_\_\_\_, Notary Public, personally appeared Guy L. Burge, Jr., personally known to me (or proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

Attached to and made a part of that certain Declaration of Pooling by Stream Gas, LLC dated June 6, 2006.

**EXHIBIT "A"**

**CT - KD Unit**

Unincorporated area of Sacramento County, California

**TOWNSHIP 5 NORTH TOWNSHIPS 4 & 5 NORTH, RANGE 4 EAST, MDB&M**

Portions of Sections 2 & 3 of T4N, R4E & Sections 33 & 34 of T5N, R4E described as:  
BEGINNING at an iron pipe which marks the North corner of that certain tract of land containing 14.23 acres which was conveyed by Deed dated November 7, 1928, to Darrell Mealer and recorded in Book 206 of O.R., at page 447, and which said iron pipe also marks the division corner on the Southeasterly boundary line of that certain tract of land containing 118.42 acres which was conveyed by Deed dated November 17, 1927 from Sarah Locart, et al, to Darrell Mealer, et al, and recorded November 17, 1927 in Book 153 of Official Records at page 454; and running thence from said point of beginning along the Southeasterly line of said 118.42 acre tract of land North 59°22' West 412.57 feet to an iron pipe 1-1/2 inches in diameter; thence continuing on said boundary line North 7°32' East 354.25 feet to an iron axle 1-1/2 inches in diameter; thence South 59 °27' East at 1559 feet to an iron pipe 2 inches in diameter located on Westerly or inner crown of the Georgiana Slough Levee at 1624 feet, more or less, the total length of the line to the right of the Westerly bank of Georgiana Slough; thence along said Slough bank North 43° 55' 27" East, 422.88 feet; thence North 68° 44' 58" East, 446.66 feet to the TRUE POINT OF BEGINNING; thence North 20°31'48" West, a distance of 1,778.56 feet; thence North 35°15'23" West, a distance of 1,235.54 feet; thence North 05°42'38" West, a distance of 524.45 feet to a point in the centerline of Sacramento River; thence Easterly along the centerline of the Sacramento River to its intersection with the centerline of the Georgiana Slough; thence at a right angle Southeasterly to the Southeast bank of the Sacramento River; thence Southwesterly along said bank to the intersection with the Southeasterly bank of Georgiana Slough, thence continuing Southwesterly along the Southeast bank of the of the Georgiana Slough to a point which bears North 49°45'49" East, 590.7 feet and North 31°02' 29" East, 2,115 feet from THE TRUE POINT OF BEGINNING herein; thence Northwesterly at a right angle to the centerline of the Georgiana Slough to the Northwest bank of said slough; thence following said bank Southwesterly to the TRUE POINT OF BEGINNING.

**EXHIBIT G**

**STATE'S PORTION OF SHORELINE UNIT**

**LAND DESCRIPTION**

A parcel of tide and submerged land in the bed of the Sacramento River, Sacramento County, California more particularly described as follows:

BEGINNING at a point which bears N 76°15'45" E, 1688 feet more or less from the southeast corner of that certain parcel of land described in that certain deed recorded April 1<sup>st</sup>, 2005, in Book 20050401, Page 0356, Official Records of said county; said POINT OF BEGINNING lying on the northerly bank of said river at the southwest corner of Swamp and Overflowed Land Survey 307 of said county and state also being the northeast corner of that certain lease parcel described in PRC8618 in California State Lands Commission files dated 5/25/2005; thence leaving said bank along the easterly line of said lease parcel S14°00'00" E, 225 feet more or less, to the centerline of said river; thence westerly along said centerline 1379 feet more or less; thence N 4°24'00" W, 197 feet more or less; thence easterly along said bank 1344 feet more or less, to the POINT OF BEGINNING.

EXCEPTING THEREFROM any portion thereof lying landward of the ordinary high water mark.

**END OF DESCRIPTION**

Prepared March 4, 2008 by the California State Lands Commission boundary unit.



Recording requested by  
and when recorded mail to:

## EXHIBIT H

PRC 8618.1

**Stream Energy, Inc.**  
5330 Office Center Ct., #65  
Bakersfield, CA 93309

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### DECLARATION OF POOLING

Stream Gas, LLC, an Oklahoma limited liability company, Lessee in the following described Oil, Gas and Mineral Leases, hereby combines and pools the following described Oil, Gas and Mineral Leases as to the land described below into an operating unit for gas development purposes in accordance with the terms of the respective leases, comprising ninety six and 22/100 (96.22) acres:

1. Oil, Gas and Mineral Lease dated November 11, 1905, recorded January 23, 2006 in Book 20060123 Page 1525 of Official Records of Sacramento County, California with Shoreline Investment Group, LLC. as Lessor, as to the land covered by the lease and lying within the boundaries of the unit.
2. State of California Oil and Gas Lease dated June 20, 2005, of record with the State Lands Commission as PRC 8618 (W 40905) with State of California as Lessor, as to the land covered by the lease and lying within the boundaries of the unit.

and as depicted on Exhibit A, attached hereto and made a part hereof. The description of the unit boundary is:

TOWNSHIP 5 NORTH, RANGE 4 EAST, MDB&M  
Unincorporated area of Sacramento County, California

Section 34: Beginning on the West bank of the Sacramento River at the Southwest corner of Swamp Land Survey No. 307; thence

1. South 14°00'00" East, 251.50 feet to the centerline of the Sacramento River; thence meandering along said centerline
2. South 76°50'01" West, 1,388.08 feet; thence leaving said centerline
3. North 04°24'00" West, 242.00 feet; to the Northerly bank of the Sacramento River; thence
4. North 04°24'00" West, 374.99 feet; thence
5. South 85°22'00" West, 168.00 feet; thence
6. South 05°01'00" East, 389.43 feet; to said river bank; thence downstream
7. South 84°22'29" West, 131.90 feet; thence
8. South 82°15'00" West, 82.71 feet; thence leaving said river bank
9. North 01°30'00" West, 2,780.40 feet to the Northerly line of Swamp Land Survey No. 308; thence



- 10. North 82°26'00" East, 1,094.86 feet to the Northwest corner of Swamp Land Survey No. 307;  
thence
- 11. South 14°43'42" East, 2,640.00 feet to the POINT OF BEGINNING.

The production from the Unit shall be allocated to the leases as follows:

- |    |                                       |             |    |         |
|----|---------------------------------------|-------------|----|---------|
| 1. | Shoreline Investment Group, LLC Lease | 88.52/96.22 | or | 91.998% |
| 2. | State of California Lease             | 7.7/96.22   | or | 8.002%  |

The pooled unit shall be known as the Shoreline Unit.

Dated: February 1, 2007.

STREAM GAS, LLC  
By Stream Resources Limited Partnership, Manager  
By Stream Energy, Inc., General Partner

by \_\_\_\_\_  
Guy L. Burge, Jr.

STATE OF NEVADA  
COUNTY OF WASHOE

On \_\_\_\_\_ before me, \_\_\_\_\_, Notary Public, personally appeared Guy L. Burge, Jr., personally known to me (or proved to me on the basis of satisfactory evidence to be the person(s) whose names(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 the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

Attached to and made a part of that certain Declaration of Pooling by Stream Gas, LLC dated February 1, 2007.

**EXHIBIT "A"**

**Shoreline Unit  
Unincorporated area of Sacramento County, California**

**TOWNSHIP 5 NORTH, RANGE 4 EAST, MDB&M**

Section 34: Beginning on the West bank of the Sacramento River at the Southwest corner of Swamp Land Survey No. 307; thence South 14°00'00" East, 251.50 feet to the centerline of the Sacramento River; thence meandering along said centerline South 76°50'01" West, 1,388.08 feet; thence leaving said centerline North 04°24'00" West, 242.00 feet; to the Northerly bank of the Sacramento River; thence North 04°24'00" West, 374.99 feet; thence South 85°22'00" West, 168.00 feet; thence South 05°01'00" East, 389.43 feet; to said river bank; thence downstream South 84°22'29" West, 131.90 feet; thence South 82°15'00" West, 82.71 feet; thence leaving said river bank North 01°30'00" West, 2,780.40 feet to the Northerly line of Swamp Land Survey No. 308; thence North 82°26'00" East, 1,094.86 feet to the Northwest corner of Swamp Land Survey No. 307; thence South 14°43'42" East, 2,640.00 feet to the POINT OF BEGINNING.