

# Staff Report 26

## **LESSEE:**

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Stream Energy, Inc. and Summit Exploration (California), LLC

## **PROPOSED ACTION:**

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Termination of subsurface oil and gas lease No. 8395

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

Approximately 44.32 acres of State-owned sovereign land situated in the bed of Snodgrass Slough, near Walnut Grove, Sacramento County (see Exhibits A and B, attached).

## **AUTHORIZED USE:**

Directional drilling into the leased land from an approved drill site on private uplands and inclusion of the leased lands in a Commission approved pooled area or unit. No surface development is authorized for the leased land.

## **TERM:**

A 5-year primary term and for so long thereafter as oil and gas is produced in paying quantities from the leased land.

## **CONSIDERATION:**

- Annual rental of \$30 per acre (\$1,350 for approximately 44.32 acres)
- Fixed rate of 20 percent royalty on gas and other hydrocarbon substances produced
- Irrevocable letter of credit or other security of \$10,000

## **BACKGROUND:**

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On June 18, 2002, the Commission issued oil and gas lease No. 8395 to Sunset Exploration, Inc. for approximately 30.3 acres ([Item 66, June 18, 2002](#)).

On January 21, 2007, Sunset Exploration, Inc. drilled well Walnut Grove 36-1, with drilling completed on February 5, 2007. The well is directionally drilled onto the leased land while the wellhead resides on adjoining property not under the Commission's jurisdiction. Although the lease was issued, the Lessee drilled Walnut Grove 36-1 without prior staff approval, as required. Staff requested the appropriate engineering documents to ensure that well Walnut Grove 36-1 was completed in accordance with Commission and Department of Conservation, Division of Oil Gas and Geothermal Resources (now the California Geological Energy Management Division, referred to as CalGEM) requirements. On January 18, 2008, staff acknowledged the receipt of the documents including the drilling program, daily reports, history and completion report and logs for the well. The records reflected consistency with State regulations.

On March 25, 2008, the Commission approved the assignment of the lease to Stream Energy, Inc. and amended the lease to include an additional 14.02 acres of sovereign land for a total of 44.32 acres ([Item 83, March 25, 2008](#)).

On January 26, 2012, the Commission approved Stream Energy, Inc.'s assignment of 75 percent of its undivided interest in the lease to Summit Exploration (California), LLC ([Item 75, January 26, 2012](#)). Through this Commission action, Summit Exploration (California), LLC is established as the lease operator and is equally bound by the terms and conditions of the lease. Both Stream Energy, Inc. and Summit Exploration (California), LLC are now referred to as Lessee throughout this staff report.

Since February 2011, the lease has not produced oil or gas.

Since May 2018, the Lessee has not paid the annual rent of \$5,070.05. This amount includes \$4,050 of unpaid rent (\$1,350/year for years 2019, 2020, and 2021) and \$1,020.05 of penalty and interest. Staff will continue to work to collect the outstanding rent and will also do so post-termination.

In September 2019, staff sent a letter to the Lessee requesting a production plan or an abandonment program for well Walnut Grove 36-1 within 30 days.

In April 2020, the Lessee informed staff via letter that they would abandon the well per CalGEM rules and regulations. Due to safety concerns, dealing with low elevation of the well and the impact of the rainy season, the Lessee proposed an abandonment start date of June/July 2020, but subsequently cited the COVID-19 pandemic as another delaying factor.

In March 2020, staff sent a second letter, requesting that the Lessee provide an abandonment plan for well Walnut Grove 36-1 within 30 days of the date of the letter. Commission staff never received an abandonment plan.

In April 2021, the Lessee started using the company name of Energeo on their letterheads, when introducing their new agent, but the Commission had neither received an application for, nor had approved a lease assignment to Energeo. Neither Stream Energy, Inc. nor Summit Exploration (California), LLC appear to be currently validly registered to conduct business in the State, per the California Secretary of State's records, a violation of Public Resources Code section 6801.

In September 2021, the Lessee submitted their abandonment plan to CalGEM but has not diligently responded to CalGEM's request for additional required information, leaving the outcome of the request in doubt.

On September 17, 2021, in response to Commission staff's August 3, 2021, termination letter, the Lessee's agent reiterated Lessee's plan to abandon the well in an email to staff. However, as of the publication of this staff report, the Lessee has neither started the abandonment of well Walnut Grove 36-1 nor provided the required information to CalGEM.

The lessee has materially breached the lease on multiple grounds. First, continued production is a necessary predicate to continuing the lease term (Cal. Pub. Resources Code sec. 6804), with its failure causing the lease to expire automatically, as a matter of law, and it persists, if at all, as a hold-over tenancy (*Valer Oil Co. v. Souza* (1960) 182 Cal.App.2d 790, 798). The lease has not produced gas in commercial quantities since 2011 and therefore has expired, allowing the Commission to validly terminate the lease. Second, the Lessee has failed to pay annual rent since 2018. Third, the lessee no longer exists as a legal entity capable of conducting business. Fourth, the lessee purportedly effectuated an assignment to Energeo without Commission authorization. And fifth, Lessee failed to renew the irrevocable letter of credit, so no security is on file. All of these material breaches are independent grounds for terminating the lease.

A review of the Commission's files and recent photographs, taken in 2021 and currently on file in Commission's Long Beach office, reveal that no wells have been drilled directly on the leased lands, and no infrastructure was placed on the leased lands. The only infrastructure that exists on state lands are the subterranean portion of well Walnut Grove 36-1 that crosses onto the leased lands, and which has perforations that allow communication with the production zones within the State's mineral interest. The lease requires that the Lessee restore the leased lands which staff interpret to include the Lessee's plugging and abandonment of the well, at its expense.

In summary, the Lessee has materially breached the lease in multiple ways: failure to produce oil or gas; failure to pay annual rent; failure to maintain valid registration

to operate a business in the State (and thus hold a lease); failure to obtain authorization to assign; and failure to maintain the financial security.

## **STAFF ANALYSIS AND RECOMMENDATION:**

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### **AUTHORITY:**

- Public Resources Code sections 6301, 6801, 6804, 6827, and 6829

### **PUBLIC TRUST AND STATE'S BEST INTERESTS:**

Lease compliance is essential to ensure that Public Trust lands are used responsibly, equitably, and in the best interests of the State. This lease termination, by direct Commission action, for Lessee's failure to comply with lease provisions, and to maintain the lease obligations, is in the State's best interests, because its purpose is to enforce the material terms of the lease. The lease termination is an administrative action that does not directly impact or interfere with Public Trust resources, uses, and values. However, the effective management and enforcement of the Commission's leases serves the Public Trust by holding Lessee accountable for all aspects of the lease, from production from, or the abandonment of idle wells, to ensuring that lessees remain responsible operators, to prevention of environmental harm.

Upon the termination of the lease, staff will work with CalGEM on enforcing the (former) Lessee's obligation to plug and abandon well Walnut Grove 36-1.

### **CONCLUSION:**

For all the reasons above, staff believes the lease termination is in the State's best interests and recommends approval.

## **OTHER PERTINENT INFORMATION:**

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1. The Commission's decision to terminate the lease is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law.
2. This action is consistent with the "Meeting Evolving Public Trust Needs" and the "Leading Climate Activism" Strategic Focus Areas of the Commission's 2021-2025 Strategic Plan.

3. The lease termination is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

4. Lessee maintains a blanket oil and gas indemnity bond with the California Geological Energy Management Division in the amount of \$1,000,000 to cover well operations.

## **EXHIBITS:**

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- A. Location Map
- B. Land Description
- C. Notice of Lease Termination dated August 3, 2021

## **RECOMMENDED ACTION:**

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It is recommended that the Commission:

### **STATE'S BEST IS INTERESTS:**

Find that the lease termination is in the best interests of the State.

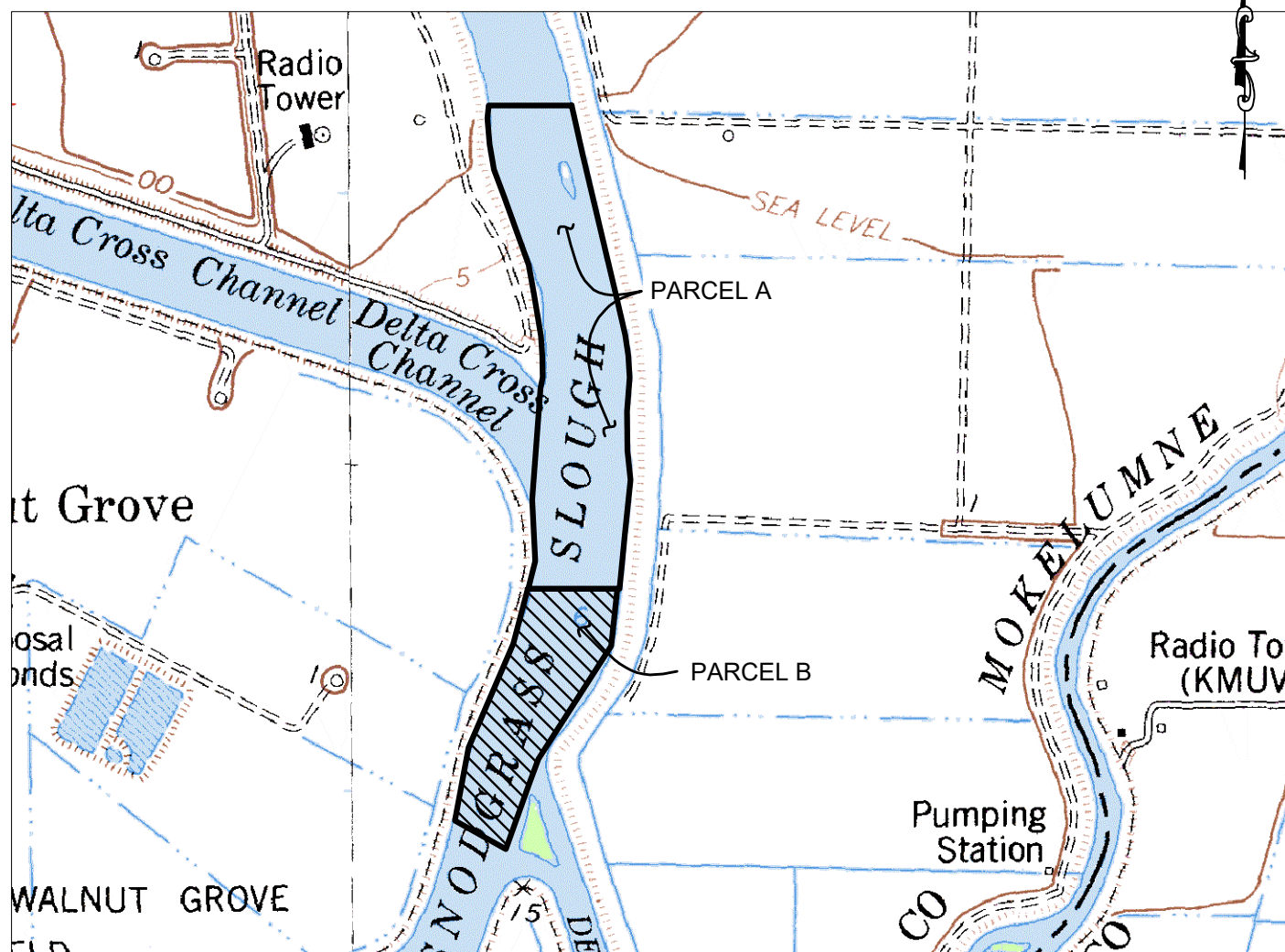
### **AUTHORIZATIONS:**

1. Terminate negotiated subsurface oil and gas lease No. 8395, for 44.32 acres of State-owned sovereign land situated in the bed of Snodgrass Slough in Sacramento County.
2. Find that Stream Energy, Inc. and Summit Exploration (California), LLC, is in default of State oil and gas lease No. 8395 because it has not complied with:
  - Lease Paragraph 1, Term and Purpose, failure to maintain lease by production.
  - Lease Paragraph 2, Rental, failure to pay the annual rent.
  - Lease Paragraph 27, Bond, failure to maintain the \$10,000 Irrevocable letter of credit or other security.

- Public Resources Code section 6801, “A lease or prospecting permit under this chapter shall be issued only to and held by . . . (b) . . . corporations organized and existing under . . . [state] laws.”
  - Lease Paragraph 28, Assignment and Other Transfers, failure to obtain authorization for lease assignment.
3. Direct staff to cooperate, as needed, with federal, state, and local agencies in any activity necessary to enforce the lease termination.
  4. Authorize the Executive Officer or her designee, in cooperation with the Office of the Attorney General and California Geological Energy Management Division to enforce the termination of lease No. 8395 against Stream Energy, Inc. and Summit Exploration (California), LLC, and any agents, successors, or assigns; to access the lease to ensure the health and safety of the people of California and the surrounding environment; to eject trespassers that occupy the lease; and to recover the Commission's damages and costs.

NO SCALE

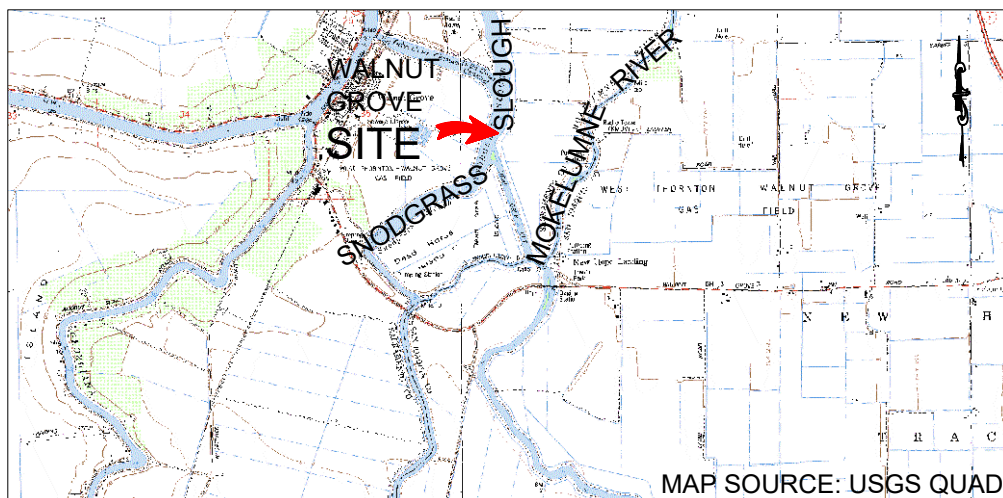
## SITE



SNODGRASS SLOUGH, NEAR WALNUT GROVE

NO SCALE

## LOCATION



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.

## EXHIBIT A

LEASE 8395  
STREAM ENERGY, INC &  
SUMMIT EXPLORATION  
(CALIFORNIA), LLC  
AMENDED OIL & GAS LEASE  
SACRAMENTO COUNTY



DJF 9/7/2021

**EXHIBIT A**

**LEASE 8395**

**LAND DESCRIPTION**

**PARCEL A**

A parcel of State owned tide and submerged lands lying in the bed of Snodgrass Slough, Sacramento County, California, said parcel more particularly described as follows:

All that portion of the State owned bed of Snodgrass Slough situated within the Northwest Quarter of projected Section 36, T05N, R04E, MDM.

**EXCEPTING THEREFROM** any portion of said parcel lying landward of the Ordinary High Water Marks of Snodgrass Slough.

**END OF DESCRIPTION**

Prepared by LMD Boundary Staff October 2001.



**EXHIBIT A**

**LEASE 8395**

**LAND DESCRIPTION  
Parcel B**

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

Beginning at a point being the intersection of the West bank of Snodgrass Slough, and the southerly line of Swamp and Overflowed Lands Survey 796, Sacramento County, thence northeasterly along said bank 1839 feet more or less to the intersection of Snodgrass Slough and the South bank of Delta Cross Channel; thence leaving said bank northeast 616 feet more or less to intersection of the North bank of Delta Cross Channel and West bank of Snodgrass Slough; thence East 490.62 feet across Snodgrass Slough to a point on the East bank of Snodgrass Slough; thence southwesterly along said bank 2163 feet more or less to the intersection of the southwest Snodgrass Slough and the northeast bank of Dead Horse Cut; thence southwest 141 feet more or less to the intersection of the southwest bank of Dead Horse Cut and the East bank of Snodgrass Slough; thence along said slough southwest 387 feet more or less to a point of intersection of the southeasterly prolongation of the southerly line of said Swamp and Overflowed Lands Survey and the East bank of said slough; thence northwesterly along said Swamp and Overflowed Lands Survey line 321 feet to the point of beginning.

EXECPTING THEREFROM and lands lying above the ordinary high water mark of Snodgrass Slough.

EXCEPTING THEREFROM all lands lying within a particular parcel as described in State Lands File PRC 8395, Exhibit B dated October 2001.

**END OF DESCRIPTION**

PREPARED 2/20/08 BY THE CALIFORNIA STATE LANDS COMMISSION-BOUNDARY UNIT



STATE OF CALIFORNIA

Exhibit C

GAVIN NEWSOM, Governor

**CALIFORNIA STATE LANDS  
COMMISSION**



*Established in 1938*

**EXECUTIVE OFFICE**

100 Howe Avenue, Suite 100-South  
Sacramento, CA 95825-8202

**JENNIFER LUCCHESI**, Executive Officer

**916.574.1800**

TTY CA Relay Service: **711** or Phone **800.735.2922**  
from Voice Phone **800.735.2929**  
or for Spanish **800.855.3000**

August 3, 2021

File Ref.: Lease No. 8395

James G. Waldrup, III  
Stream Energy, Inc  
P.O. Box 950606  
Oklahoma City, OK 73195

Terry L. Shyer  
Summit Exploration (California), LLC  
755 W. Covell Rd. Ste 100  
Edmond, OK 73003

Michael Phillips  
Energeo Resources, LLC  
5403 Franklin Road  
Yuba City, CA 94992

John Tanigawa  
Energeo Resources, LLC  
P.O. Box 950606  
Oklahoma City, OK 73195

**Subject: State Lease No. 8395, Notice of Breach, and Intent to Seek Lease  
Termination**

Gentlemen:

This letter serves as a follow up to communications in 2020 and notice that the State Lease No. 8395 (lease) is in breach. Staff will be presenting a recommendation to the California State Lands Commission (Commission) to terminate the lease at the Commission's October 21, 2021 (tentative) meeting. According to our records, the lease has not produced oil or gas since February 2011. Pursuant to Paragraph 1 (a) of the lease, the term of the lease is held by production, the absence of which has caused the lease to expire. A lack of production is also consistent with your letter dated April 1, 2020, stating your intent

James G. Waldrup, III, Stream Energy, Inc  
Terry L. Shyer, Summit Exploration (California), LLC  
Michael Phillips, Energeo Resources, LLC  
John Tanigawa, Energeo Resources, LLC  
August 3, 2021  
Page 2

to plug and abandon well Walnut Grove 36-1, the only well on the lease. In addition, annual rent of \$5,070.05 has not been paid on this lease since May 2018, which is a material breach of the lease provisions. This amount includes \$4,050 of unpaid rent (\$1,350/year for years 2019, 2020 & 2021) and \$1,020.05 of penalty and interest.

Pursuant to our lease agreement, you are obligated to take action to plug and abandon well Walnut Grove 36-1, which is located on State lands. Below, you will find some background information related to this lease and our previous correspondence.

### **Background**

On March 19, 2020, Commission staff sent you a letter after determining Stream Energy, Inc. (Stream), and Summit Exploration, LLC (Summit) are not in compliance with the provisions of State Lease No. 8395. The review revealed that due to lack of production, Stream and Summit's rights under the lease had terminated.

Prior to that, on September 19, 2019, staff had sent a letter requesting a production plan or abandonment program for well Walnut Grove 36-1. Our records indicate that Walnut Grove 36-1, ceased gas production in February 2011, and has not produced since then. Staff understands that Stream and Summit made attempts to market gas from the lease without success, as explained in your letter to Commission staff dated April 1, 2020.

Paragraph 1(a) of the lease document states "If the Lessee fails to commence the operations before or to prosecute them diligently after the expiration of the primary term, this lease shall terminate. Whenever the leased lands cease to produce oil or gas, the lease will continue in force if within six months after production ceases, or such longer period as the State may authorize, the Lessee commences and prosecutes with reasonable diligence, drilling, deepening, repairing, redrilling or other operations for restoring production of oil or gas from the leased lands." Paragraph 30 of the lease further requires that "[a]t the expiration of this lease or upon its sooner quitclaim or other termination, the Lessee shall surrender the leased lands and all improvements on them in good condition, or the State may provide that the Lessee shall remove some or all of the structures and other fixtures placed upon the leased lands and restore the lands, in whole or in part, to their natural condition at no cost to the State."

James G. Waldrup, III, Stream Energy, Inc  
Terry L. Shyer, Summit Exploration (California), LLC  
Michael Phillips, Energeo Resources, LLC  
John Tanigawa, Energeo Resources, LLC  
August 3, 2021  
Page 3

In your April 1, 2020, letter, you indicated that you would abandon the well during June/July 2020, by following all California Geological Energy Management Division's (CalGEM) rules and regulations. However, as of today, we understand that you have not provided CalGEM all documents that it requires, and the well has not been abandoned.

### **Desertion of the Lease**

At this time, it is unclear whether the lessee exists as a valid entity. According to the California Secretary of State, neither Stream or Summit appear as registered entities authorized to conduct business and no assignment of the lease to Energeo was approved by the Commission. The failure of a lessee to maintain the qualifications of holding a lease under Public Resources Code section 6801 is an additional breach.

### **Requirement for Plug and Abandonment of well Walnut Grove 36-1**

In accordance with Paragraph 30, Walnut Grove 36-1 must be plugged and abandoned, and the lease site restored to its natural state no later than 30 days from the date of termination. Staff understands that you commenced the abandonment plan approval process with CalGEM but have not diligently responded to their requests for further information. It is important that you do so forthwith.

If the abandonment process has not commenced in the time specified, staff will work with CalGEM and the California Attorney General's office to enforce compliance with the lease provisions.

If you would like to submit a quitclaim deed, you may do so at your option. Submission of a quitclaim does not waive or release any residual obligations to pay back rent and restore the lease premises.

Should you have any questions, please contact Nazee Heda via email [Nazee.Heda@slc.ca.gov](mailto:Nazee.Heda@slc.ca.gov).

Sincerely,

DocuSigned by:  
  
DD4294F3553748A...  
COLIN CONNOR  
Assistant Executive Officer

James G. Waldrup, III, Stream Energy, Inc  
Terry L. Shyer, Summit Exploration (California), LLC  
Michael Phillips, Energeo Resources, LLC  
John Tanigawa, Energeo Resources, LLC  
August 3, 2021  
Page 4

Attachments:

Letter to Stream Energy and Summit Exploration dated September 19, 2019  
Letter to Stream Energy and Summit Exploration dated March 19, 2020  
Letter from Stream Energy dated April 1, 2020

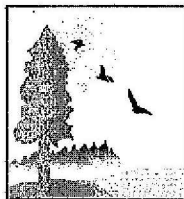
cc: Kelly Morgan, Associate Oil & Gas Engineer  
California Department of Conservation  
Geologic Energy Management Division  
801 K Street, MS 24-01, Sacramento, CA 95814

STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

**CALIFORNIA STATE LANDS COMMISSION**

301 E. Ocean Blvd., Suite 550  
Long Beach, CA 90802-8833



*Established in 1938*

JENNIFER LUCCHESI, Executive Officer  
(916) 574-1800 Fax (916) 574-1810  
California Relay Service TDD Phone 1-800-735-2929  
from Voice Phone 1-800-735-2922

**Contact Phone: (562) 590-5291**  
**Contact Fax: (562) 432-6035**

September 19, 2019

File Ref: PRC 8395

Mr. James G. Waldrup, III  
Stream Energy, Inc.  
P.O. Box 950606  
Oklahoma City, Ok 73195

Mr. Terry L. Shyer  
Summit Exploration (California), LLC  
755 W. Covell Rd. Ste 100  
Edmond, Ok 73003

Dear Mr. Waldrup and Mr. Shyer:

The California State Lands Commission (CSLC) recently conducted a review to determine whether Stream Energy, Inc. (Stream), and Summit Exploration, LLC (Summit) are in compliance with the provisions of State Lease No. PRC 8395. The review revealed that due to a lack of any production, Stream and Summit's rights under the lease are in jeopardy.

On January 26, 2012, the CSLC approved the assignment of an undivided 75 percent of the lease from Stream to Summit. The term of the lease was for 5 years and for so long thereafter as oil or gas is produced in paying quantities or so long as the Lessee is diligently conducting activities to develop the lease.

Our records show that the only well located on the lease, Walnut Grove 36-1, ceased gas production in February 2011 and has not produced since. CSLC understands that Stream and Summit have made attempts to market gas from the Lease without success.

Mr. Waldrup & Mr. Shyer  
September 19, 2019  
Page 2

In order to avoid staff initiating a process to terminate the lease, please share your plans regarding either a return to production or a plan of abandonment for the lease within 30 days of the date of this letter. Staff are available to discuss future plans for the lease and answer any questions.

Should you have any questions, please contact Nazee Heda at (562) 590- 5233.

Sincerely,

A handwritten signature in black ink, appearing to read "Marina Voskanian". The signature is fluid and cursive, with a long horizontal stroke at the end.

Marina Voskanian, P.E.  
Chief, Mineral Resources Management

cc:

Cortney Luxford  
Stream Energy, Inc.  
865 Tahoe Blvd., Suite 110  
Incline Village, NV 89451



STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

**CALIFORNIA STATE LANDS COMMISSION**

301 E. Ocean Blvd, Suite 550  
Long Beach, CA 90802



*Established in 1938*

**JENNIFER LUCCHESI**, Executive Officer

**916.574.1800**

California Relay Service TDD Phone **1.800.735.2929**  
from Voice Phone **1.800.735.2922**

**Contact Phone: 562.590.5291**

March 19, 2020

James G. Waldrup, III  
Stream Energy, Inc  
P.O. Box 950606  
Oklahoma City, Ok 73195

File Ref: Lease 8395

Terry L. Shyer  
Summit Exploration (California), LLC  
755 W. Covell Rd. Ste 100  
Edmond, Ok 73003

**Subject: Expiration of Lease 8395 for lack of production**

Dear James Waldrup and Terry Shyer:

The Commission recently conducted a review to determine whether Stream Energy, Inc. (Stream), and Summit Exploration, LLC (Summit) are in compliance with the provisions of State Lease No. PRC 8395 (Lease). The review revealed that due to lack of production, Stream and Summit's rights under the lease remains in jeopardy.

A letter was sent to you on September 19, 2019, requesting a future production plan or abandonment program for well, Walnut Grove 36-1, within 30 days. Over the last 6-months, we have not received any official communication regarding your plan to either produce, a requirement under the lease, or to abandon the idle well. Based on the lack of production, the term of lease has expired. Section 1(a) of the Lease provides:

Whenever the leased lands cease to produce oil or gas, the lease will continue in force if within six months after production ceases, or such longer period as the State may authorize, the Lessee commences and prosecutes with reasonable diligence, drilling, deepening, repairing, redrilling or other operations for restoring production of oil or gas from the leased lands. (emphasis added).

This lease has not produced gas since February 2011. Staff worked cooperatively to extend the time due to certain obstacles which occurred during the production and development phase of this lease. However, despite the extended time, the lease could not be brought to compliance with section (1) in the Lease document.



March 19, 2020  
James G. Waldrup, III  
Stream Energy, Inc

Terry L. Shyer  
Summit Exploration (California), LLC  
Page 2

Pursuant to Lease section (30), "at the expiration of the lease, the Lessee shall surrender the leased lands and all improvements on them in good condition, or the State may provide that the Lessee shall remove some or all of the structures and other fixtures placed upon the leased lands and restore the lands, in whole or in part, to their natural condition at no cost to the State." Therefore, we are requesting that you provide an abandonment plan for well Walnut Grove 36-1 within 30 days of the date of this letter.

If you choose to submit a quitclaim, please be aware that the filing of the quitclaim of the Lease by the Commission is subject to the continued obligation of the lessee and its surety to pay all the accrued rentals and royalties up to expiration of the lease period, and to abandon all wells drilled on, in or through State lands.

Should you have any questions, please contact Nazee Heda at (562) 590-5233.

Sincerely

A handwritten signature in dark ink, appearing to read "Marina Voskanian", written in a cursive style.

Marina Voskanian, P.E.,  
Chief, Mineral Resources Management

cc: Courtney Luxford  
Stream Energy, Inc.  
865 Tahoe Blvd., Suite 110  
Incline Village, NV 89451

## ***STREAM ENERGY, INC.***

April 1st, 2020

Subject: Response to Expiration of Lease 8395 for lack of production.

Dear State Lands Commission:

Stream Energy has been actively trying to connect the Walnut Grove Farms 36-1 well back into production. While no official communication, I have been in informal discussions with the Commission, providing BTU data and correspondence with PG&E. Stream believes there is commercial value and reserves yet to be produced. However, multiple efforts to reconnect into PG&E's gathering system have yielded unfavorable results. PG&E cited a low BTU value of the WG 36-1. Stream invested in pipeline repairs and pipeline testing to accomplish the reconnection. Stream has active leases and prospects in close proximity to the WG 36-1. The plan was to drill another well with higher BTU value and blend gas to meet PG&E criteria. With no assurances from PG&E, this makes this plan unreasonable.

Stream has decided the best course of action is to abandon the well per the DOGGR's rules and regulations. Because of the low elevation and rainy season, getting a rig onto the site can be difficult until the ground has had several months of dry weather. The best case scenario would be to get a rig for abandonment to the location in June/July 2020. Obviously the current COVID-19 pandemic has significant ramifications on the situation, adding uncertainty to the time frame for abandonment. I have included the proposed abandonment procedure and applicable permits to accomplish proper abandonment.

The State Lands Commission's patience is appreciated with regard to this lease. Stream will provide correspondence when a clear timeline for the abandonment procedure is available.

Regards,

*Courtney D. Luxford*

865 Tahoe Blvd Suite 110

Incline Village, NV

89451

530-386-5933