

Staff Report 48

LESSEE:

Arguello, Inc.

PROPOSED ACTION:

Acknowledgement of a full quitclaim deed for subsurface water injection lease No. 7180

AREA, LAND TYPE, AND LOCATION:

A parcel of tide and submerged land situated in the Santa Barbara Channel in the Pacific Ocean, near Gaviota, Santa Barbara County, (see Exhibits A and B, attached).

BACKGROUND:

On April 12, 1988, the Commission approved the issuance of water injection lease No. 7180 to Chevron USA, Inc. for a term of 30 years ([Item 29, April 12, 1988](#)). The lease authorized water injection into the formations known as the Vaqueros and Sespe-Algeria zones, within the depleted Gaviota offshore oil and gas field. The three existing injection wells, directionally drilled from shore into these zones, at subsurface depths between 5,100 feet and 5,700 feet, were utilized for injecting water.

On July 1, 2000, the lease was assigned from Chevron USA, Inc. to the Lessee ([Item 11, September 19, 2000](#)). The lease authorized the Lessee to continue injecting water produced through or processed by the consolidated oil and gas processing facilities at Gaviota into the three injection wells. The 30-year lease term expired on March 31, 2018, and did not have any clause for renewal and therefore, the lease went into holdover. While staff was processing a new lease application, the Lessee notified staff that they were planning to abandon the wells. As such, staff did not process the application and the application was never included on a Commission meeting agenda for consideration by the Commission.

STAFF ANALYSIS AND RECOMMENDATION:

In 2021, the Lessee submitted plans for plugging and abandonment of the three injection wells. The California Geologic Energy Management Division (CalGEM), the Petroleum Unit of the County of Santa Barbara, and Commission staff all approved the abandonment plans. Following current abandonment standards, the Lessee successfully plugged and abandoned all injection wells during January and February of 2022. As of February 20, 2022, staff confirmed all three injection wells were abandoned to regulatory standards.

On April 8, 2022, the Lessee submitted a full quitclaim deed (Exhibit C, attached) pursuant to Public Resources Code section 6804.1.¹ This document, dated April 7, 2022, quitclaims to the State all the Lessee's right, title, and interest in and to the leased lands.

The Lessee is currently preparing a surface restoration plan to remove and abandon well cellars and injection pipelines located on the upland private parcels, which are part of a separate abandonment project. The adjacent east and west upland parcels are properties of the California Department of Parks and Recreation and part of the Gaviota State Park and Beach. Staff confirmed with Department of Parks and Recreation staff that the beachfront parcel fronting the wellhead location is privately owned.

There is no lease infrastructure within the leased lands and all rents and royalties have been paid to date.

Staff reviewed and approved the abandonment plans and well work and confirmed that all the Lessee's outstanding obligations for lease management fee, rent, and injection fees were paid through the quitclaim date, April 7, 2022, and recommends releasing Arguello Inc. from its lease obligations.

AUTHORITY:

Public Resources Code section 6804.1.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Public Resources Code section 6804.1, and lease paragraph 27, permit the Lessee to make, at any time, a written quitclaim of all rights under the lease. The quitclaim

¹ Public Resources Code section 6804.1 – "...[s]uch quitclaim shall be effective as of the date of the filing, subject to the continued obligation of the lessee and his surety to make payment of all rentals and royalties theretofore accrued and to place all wells on the lands..., in condition for suspension or abandonment in accordance with applicable lease terms and regulations; thereupon the lessee shall be released from all obligations thereafter accruing under said lease...."

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 into the leased lands.

Consistent with Public Resources Code section 6804.1, because no lease obligations remain outstanding, Commission staff acknowledges receipt of the quitclaim deed. The quitclaim does not negatively impact the Public Trust needs and values at this location, is consistent with the Public Trust Doctrine, and is in the best interests of the State.

CONCLUSION:

The Lessee executed a full quitclaim deed releasing all rights, title, and interest in the lease and was effective April 7, 2022, the filing date of the quitclaim deed.

OTHER PERTINENT INFORMATION:

1. This action is consistent with paragraphs 1a, 1b, 2b, and 3a of the “Meeting Evolving Public Trust Needs” Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
2. Acknowledgment of a full quitclaim deed 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).

3. No default payments currently exist on the lease, and the Lessee has complied with all applicable laws and lease provisions.

EXHIBITS:

- A. Land Description
- B. Location Map
- C. Quitclaim Deed

RECOMMENDED ACTION:

It is Recommended that the Commission:

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Find that the acknowledgment of a full quitclaim deed will not substantially interfere with the Public Trust needs and values at this location at this time; is consistent with the Public Trust Doctrine; and is in the best interests of the State.

AUTHORIZATION:

1. Acknowledge receipt of a quitclaim deed on April 8, 2022, from Arguello, Inc., dated April 7, 2022, for state water injection lease No. 7180, wherein the Lessee quitclaims to the State all of its right, title, and interest in and to the State land held by virtue of the lease, which lands are described in the attached Exhibit A.
2. Release Arguello, Inc. from all obligations under the state water injection lease No. 7180 accruing after April 7, 2022, the filing date of the quitclaim deed.

EXHIBIT A

LEASE 7180

LAND DESCRIPTION

A parcel of tide and submerged land situated in the Santa Barbara Channel in the Pacific Ocean, Santa Barbara County, State of California, more particularly described as follows:

COMMENCING at a NGS monument "CHRISTENSEN" (Epoch 1991.35) having CCS83 Zone 5 coordinates of Northing (y) = 2002810.74 feet, Easting (x) = 5891321.50 feet which bears South 31° 05' 44" East, 3466.42 feet from a NGS monument "SCOTT" (Epoch 1991.35) having CCS83 Zone 5 coordinates of Northing (y) = 2005779.07 feet, Easting (x) = 5889531.14 feet; thence South 31° 35' 41" East 1496.68 feet to the POINT OF BEGINNING; thence the following seven (7) courses:

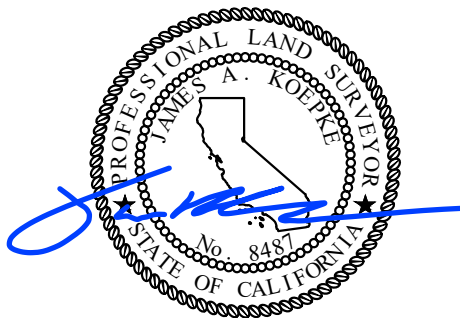
1. South 86° 46' 21" East 10576.78 feet;
2. South 00° 00' 00" East 8430.61 feet;
3. North 78° 31' 05" West 1928.60 feet;
4. South 89° 10' 19" West 3384.35 feet;
5. North 85° 39' 59" West 2633.53 feet;
6. North 84° 17' 22" West 2673.27 feet;
7. North 00° 00' 00" East 8226.07 feet to the POINT OF BEGINNING.

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

The BASIS OF BEARINGS of this description is the California Coordinate System of 1983, Zone 5 (1991.35). All distances are grid distances.

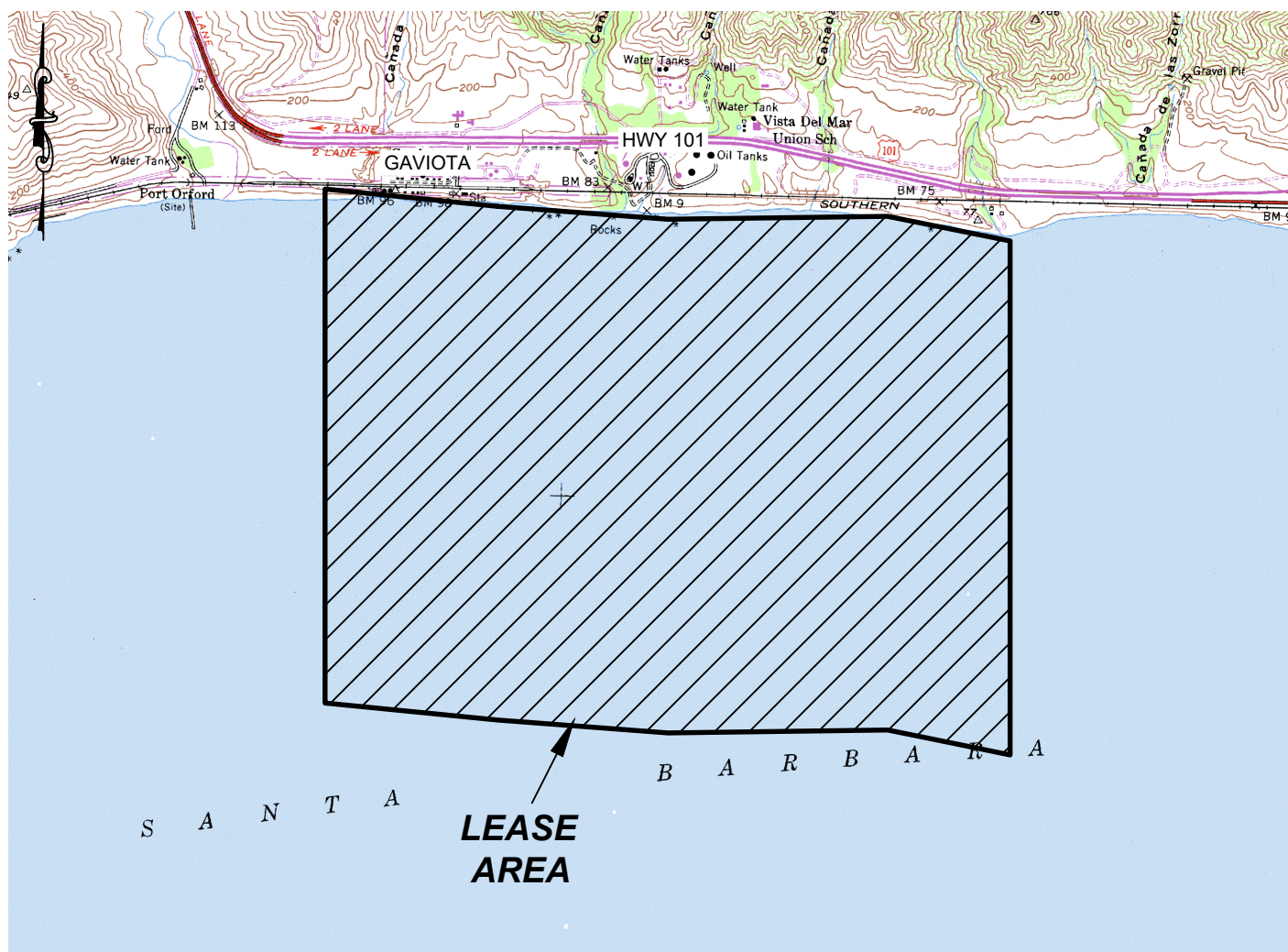
END OF DESCRIPTION

Revised on 03/23/2022 by the California State Lands Commission Boundary Unit.



NO SCALE

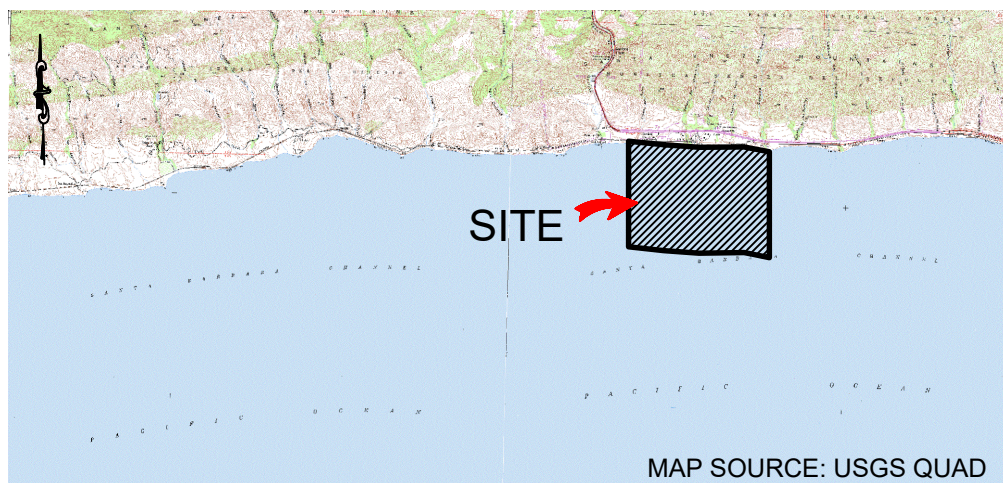
SITE



PACIFIC OCEAN, NEAR TOWN OF GAVIOTA

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 B

LEASE 7180
ARGUELLO, INC.
GENERAL LEASE -
COMMERCIAL USE
SANTA BARBARA COUNTY



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 WATER INJECTION LEASE

State Water Injection Lease No. PRC 7180 (Lease), covering certain State lands located in Santa Barbara County, State of California, was issued by the State of California, acting through the California State Lands Commission (State), on June 6, 1988, and was recorded in the Official Records of County, as _____, on _____.

(Attach additional recording information if leased lands are located in and Lease is recorded in more than one county.)

Arguello Inc. (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 until 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.

Such quitclaim and relinquishment is subject to the continued obligation of the Lessee to make payment of all rentals and royalties theretofore accrued, to place all wells on the lands,

or in the zones or horizons to be quitclaimed or relinquished, in a condition of abandonment in accordance with the terms of the Lease and all applicable state, local, and federal regulations, and to comply with all other terms and obligations of the Lease. Such quitclaim and relinquishment does not release Lessee from any liability for breach of any obligation of the Lease with respect to which the Lessee is in default at the time of filing the quitclaim.

IN WITNESS WHEREOF, this Quitclaim Deed is executed this _____ day of _____.

LESSEE: **Arguello Inc.**

By:



(Signature)

Todd R. Cantrall

(Name of Officer)

Vice President

(Title)

Acknowledgment

STATE OF CALIFORNIA

COUNTY OF _____

Acknowledged before me on this _____ day of April 2022.

Notary Public in and for
the State of California

My commission expires: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

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.

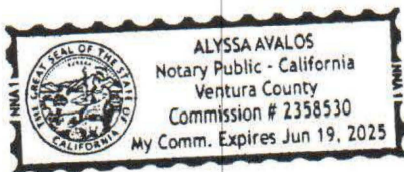
State of California

County of Ventura

On April 7, 2022 before me, Alyssa Avalos, Notary Public

personally appeared Todd R. Cantrall Here Insert Name and Title of the Officer
Name(s) of Signer(s)

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 the 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 Alyssa Avalos
Signature of Notary Public

Place Notary Seal and/or Stamp Above

OPTIONAL

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Quitclaim Deed

Document Date: 4/7/2022 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

☐ Corporate Officer – Title(s): _____

☐ Partner – ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian of Conservator

☐ Other: _____

Signer is Representing: _____

Signer's Name: _____

☐ Corporate Officer – Title(s): _____

☐ Partner – ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian of Conservator

☐ Other: _____

Signer is Representing: _____