

Staff Report 82

APPLICANT:

California Resources Production Corporation

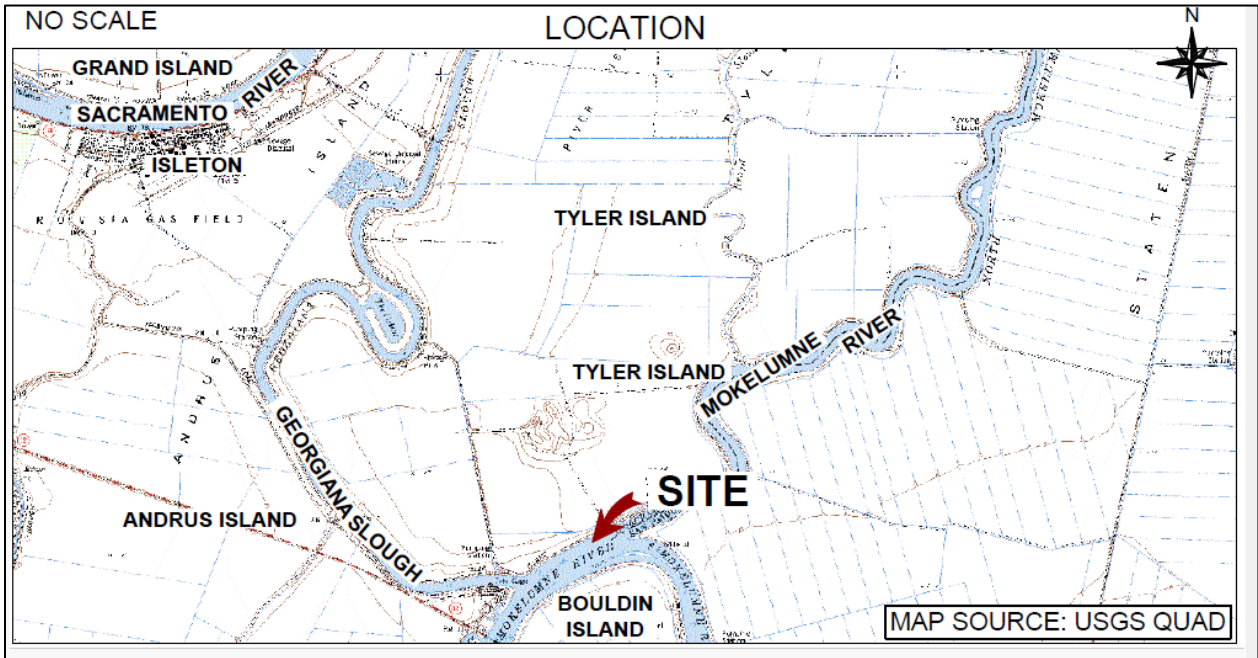
PROPOSED ACTION:

Acknowledgment of a Quitclaim Deed for negotiated subsurface (No Surface Use) Oil and Gas Lease No. 8349.

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. 8349 contains 58.59 acres of tide and submerged land, Sections 5, 6, 7 and 8, Township 3 North, Range 4 East, Mount Diablo Baseline & Meridian, in the bed of the Mokelumne River, Sacramento and San Joaquin Counties (as shown in Figure 1).

Figure 1. Location



BACKGROUND:

On January 10, 2024, the Lessee submitted a lease quitclaim deed (Exhibit C, attached) for Oil and Gas Lease No. 8349 (Lease) pursuant to Public Resources Code section 6804.1¹. This document, dated January 10, 2024, surrenders to the State all the Lessee's rights, title, and interest in and to the leased lands. Oil and Gas Quitclaim deeds are effective the date they are filed. However, they do not relieve a lessee from any existing defaults or the obligation to decommission improvements on the leased property.

STAFF ANALYSIS AND RECOMMENDATION:

On November 26, 2001, the Commission authorized negotiated subsurface Oil and Gas lease No. 8349 to Town Exploration Company, LP ([Item 75, November 26, 2001](#)). The Lease included 58.59 acres of tide and submerge lands in the bed of the Mokelumne River, Sacramento and San Joaquin Counties. The Lessee was required to pay an annual rental of \$25 per acre (\$1,464.57 for 58.59 total acres), a royalty of 20 percent on produced gas, and maintain a performance bond in the amount of \$5,000.

On September 20, 2013, the Commission approved the assignment of an undivided 100 percent interest of the Lease from Town Exploration Company LP, to Vintage Production California LLC, which later was acquired by California Resources Production Corporation ([Item 103, September 20, 2013](#)). The current lessee and operator is California Resources Production Corporation.

A review of the Commission's files and those of the California Division of Geological Energy Management (CalGEM) confirms that only the well "Tyler Island Farms 5-2" produced from the leased lands, although the wellhead and infrastructure is located on adjacent private lands.

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...."

On December 7, 2023, staff received reports by CalGEM confirming that this well was properly plugged and abandoned. There are no default payments on the Lease, and the Lessee has complied with all applicable laws and Lease provisions.

On January 12, 2024, staff received the Quitclaim Deed for State Oil and Gas Lease No. 8349 (Exhibit C, attached). This document was dated January 10, 2024, and surrenders to the State all the Lessee's rights, title, and interest in and to the leased lands described in the attached Exhibit A.

AUTHORITY:

Public Resources Code section 6804.1.

PUBLIC TRUST AND STATE'S BEST INTERESTS:

Public Resources Code section 6804.1, and lease paragraph 29, permit the Lessee to make, at any time, a written quitclaim of all rights under the lease. The quitclaim is effective when it is filed with the State subject to 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. Staff has reviewed the lease terms and obligations and found no outstanding default or breach of the lease at the time the quitclaim deed was filed. In addition, no improvements connected to the Lease were placed on the lease premises. Therefore, there is no decommissioning or infrastructure removal work under the lease that needs to be completed.

Consistent with Public Resources Code section 6804.1, because no lease obligations remain outstanding, staff recommend that the Commission acknowledge receipt of the quitclaim deed. The lease quitclaim does not negatively impact the Public Trust needs and values at this location. The Lessee did not place any improvements on the lease premises and thus the proposed action in fact frees up the leased land for future Public Trust uses. The proposed action is consistent with the Public Trust Doctrine and is in the best interests of the State.

CONCLUSION:

The Lessee executed a lease quitclaim deed releasing all rights, title, and interest in the lease effective as of January 10, 2024, the filing date of the quitclaim deed. Staff recommends acknowledgement of the lease quitclaim deed.

OTHER PERTINENT INFORMATION:

1. This action is consistent with the “Meeting Evolving Public Trust Needs” Strategic Focus Area of the Commission’s 2021-2025 Strategic Plan.
2. Acknowledgement of a 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 including plugging and abandoning of the only well within the leased land.

EXHIBITS:

- A. Land Description
- B. Map for Lease Area
- C. Quitclaim Deed

RECOMMENDED ACTION:

It is recommended that the Commission:

PUBLIC TRUST AND STATE’S BEST INTERESTS:

Find that the acknowledgment of the quitclaim deed filed January 10, 2024, 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 filed on January 10, 2024, for Oil and Gas Lease No. 8349, wherein the Lessee surrenders to the State all of its rights, title, and interest in and to the leased lands described in the attached Exhibit A.

2. Release California Resources Production Corporation from any remaining obligations under Lease No. 8349 accruing after January 10, 2024, the filing date of the lease quitclaim deed.

EXHIBIT A

LEASE 8349

LAND DESCRIPTION

A parcel of State-owned tide and submerged land in the bed of the Mokelumne River, Sacramento and San Joaquin Counties, California, lying adjacent to Swamp and Overflowed Land Survey No. 956, Tyler Island, and more particularly described as follows:

That portion of the bed of the Mokelumne River situated easterly of the easterly line of PRC 415.1, Vintage Petroleum/EOG Resources Inc., Oil and Gas Lease, Rio Vista Gas Field; and lying westerly of the westerly line of PRC 3131.1, Chevron USA, Compensatory Oil and Gas Agreement, River Island Area, both leases are on file in the Records of the California State Lands Commission.

EXCEPTING THEREFROM any portion of the bed of the South Fork of the Mokelumne River.

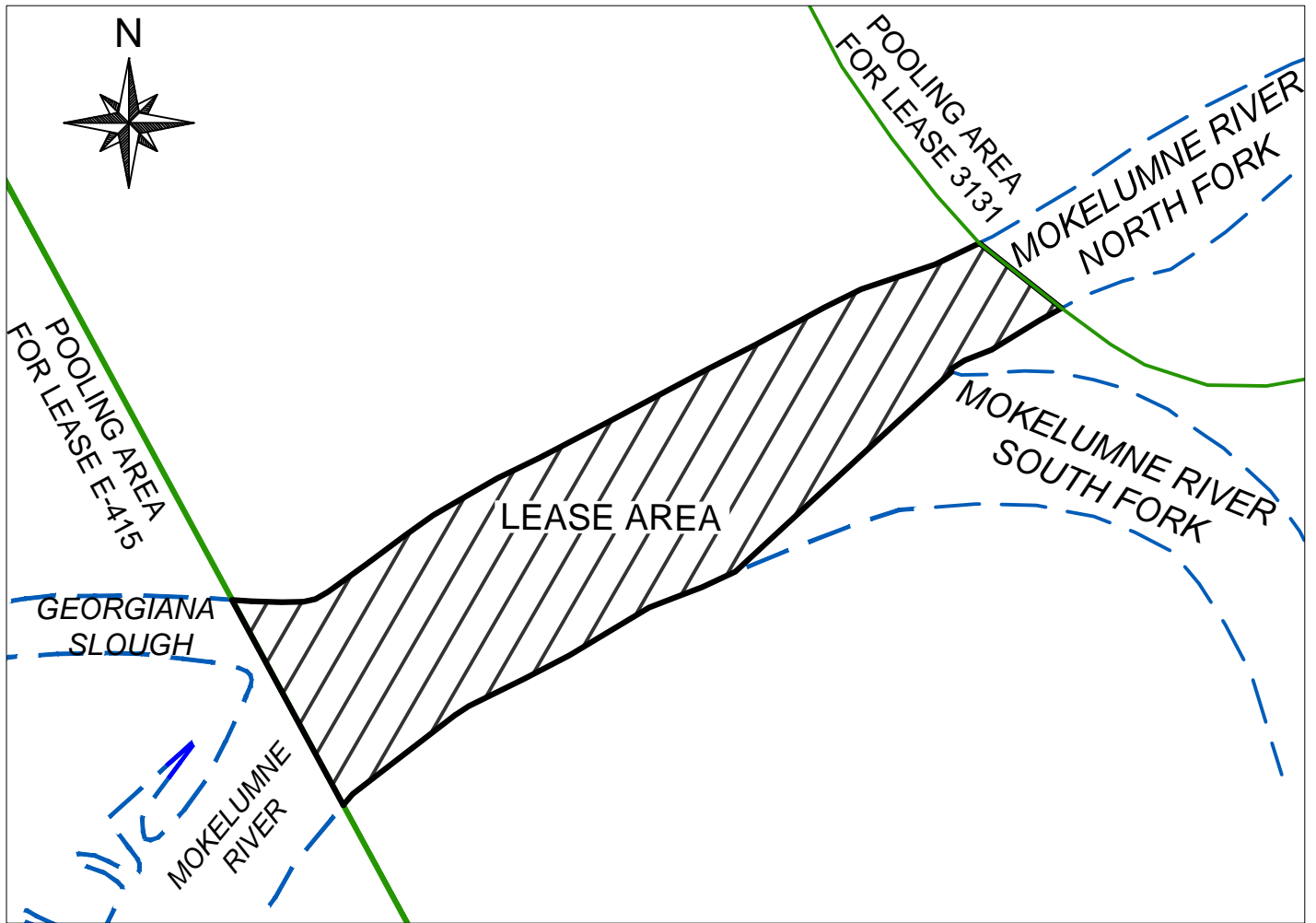
END OF DESCRIPTION

Prepared by the California State Lands Commission Boundary Unit August 10, 2023



NO SCALE

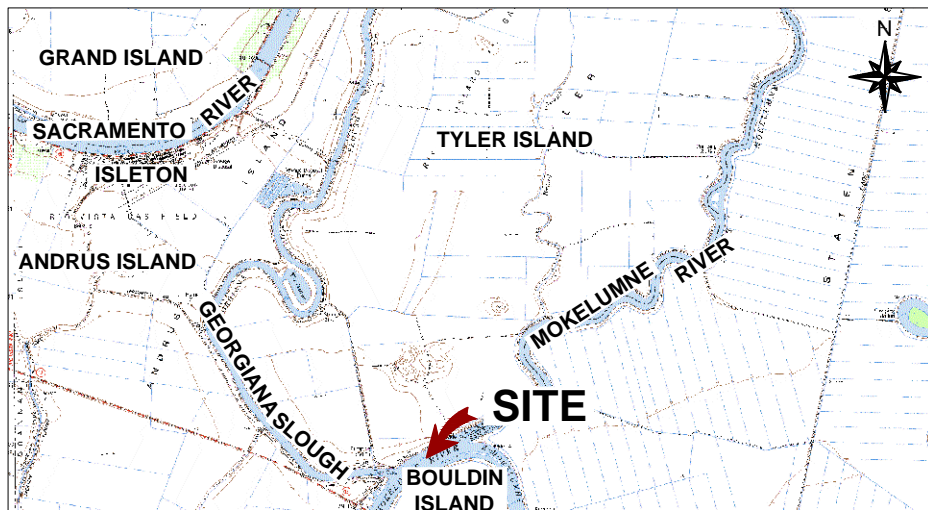
SITE



MOKELUMNE RIVER & GEORGIANA SLOUGH

NO SCALE

LOCATION



ISLETON

MAP SOURCE: USGS QUAD

Exhibit B

LEASE 8394
 CALIFORNIA RESOURCES
 PRODUCTION CORPORATION
 QUITCLAIM OF 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.

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 OIL AND GAS LEASE

State Oil and Gas Lease No. PRC 8349 (Lease), covering certain State lands located in Sacramento and San Joaquin County, State of California, was issued by the State of California, acting through the California State Lands Commission (State), on November 8, 2001, and was recorded in the Official Records of County, as Book 2002114 Page 1591, on January 14, 2002.
(Attach additional recording information if leased lands are located in and Lease is recorded in more than one county.)

California Resources Production Corporation (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 unto 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 10 day of January, 2024.

LESSEE: California Resources Production Corporation

By: Valerie Riley
(Signature)
Valerie Riley
(Name of Officer)
Director - Land / Attorney-in-fact
(Title)

Acknowledgment

ACKNOWLEDGMENT

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

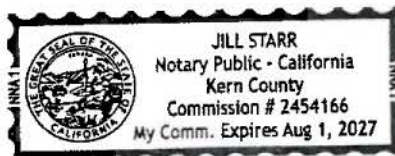
County of Kern

On January 10, 2024 before me, Jill Starr, Notary Public
(insert name and title of the officer)

personally appeared Valerie Riley, 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  (Seal)