

**CALENDAR ITEM
C41**

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S 35

09/01/11
WP 8409
J. Brown

**CONSIDER ACCEPTANCE OF A QUITCLAIM DEED FOR AN APPROXIMATELY 25-
ACRE PARCEL FOR THE SURFACE AND THAT PORTION OF THE SUBSURFACE
EXTENDING DOWNWARDS TO A DEPTH OF 500 FEET FOR THE POCKET AREA
OF THE BOLSA CHICA LOWLANDS, ORANGE COUNTY**

PARTIES:

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825

Aera Energy, LLC
10000 Ming Avenue
P.O. Box 11164
Bakersfield, CA 93389-1164

INTRODUCTION:

The purpose of this calendar item is to seek authorization from the State Lands Commission (Commission) to accept a quitclaim deed from Aera Energy, LLC (Aera) for an approximately 25-acre parcel known as the Pocket area previously used for oil and gas operations that is now part of the larger Bolsa Chica Lowlands Restoration Project (Project). Construction of the Project was approved by the Commission on January 30, 2002 (Calendar Item 49). The quitclaim deed pertains to the surface and that portion of the subsurface extending downwards to a depth of 500 feet. The Pocket area is located between the Bolsa Chica Mesa and the East Garden Grove-Wintersburg Flood Control Channel.

BACKGROUND:

The Commission acquired this property for the Project in 2002 (approved by the Commission on February 12, 1997, Calendar Item 89) as real property of the legal character of tidelands and submerged lands. The property was, however, subject to a pre-existing License Agreement dated July 1, 1999, by and between the Metropolitan Water District of Southern California, the Bolsa Chica Land Trust and David W. Farrar (collectively, Licensor), and Aera (Licensee) to continue pre-existing obligations connected with Aera's oil and gas operations. The Commission is the successor in

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interest to the Licensor. The License Agreement contains a termination provision that required Aera to abandon the two oil and gas wells in the Pocket area upon request by the Licensor. Pursuant to the Project's approval, Commission staff requested that the wells be abandoned to accommodate the reintroduction of ocean water into the Pocket area. Aera complied with this request. Paragraph 2.3 of the License Agreement required Aera to execute a quitclaim terminating all its rights, title, and interest under the License Agreement. Aera provided a quitclaim dated January 25, 2006; however, Commission staff requested copies of reports from the Department of Conservation, Division of Oil, Gas and Geothermal Resources (DOGGR) that the wells were properly abandoned.

Subsequently, Commission staff received Reports of Well Plugging and Abandonment of Wells North Bolsa 141 and North Bolsa 141A prepared by DOGGR substantiating that the surface plugging was completed in 2004 on November 23, and 19, respectively; and that, on December 13, 2004, a surface inspection was completed by DOGGR staff determining that all of the requirements of DOGGR had been fulfilled relative to plugging and abandonment of the well, removal of well equipment and junk, and the filing of well records.

The Pocket area has since been successfully opened to muted tidal influence with ocean water received through Outer Bolsa Bay and integrated into the Bolsa Chica Ecological Reserve managed by the California Department of Fish and Game.

STAFF ANALYSIS AND RECOMMENDATION:

Aera complied with its requirements under paragraph 2.3 of the License Agreement to provide a quitclaim. DOGGR determined that the two wells on the property were properly abandoned according to its requirements. Aera remains responsible for any environmental conditions related to its oil and gas operations on the property under provisions that survive the termination of the License Agreement. Staff therefore recommends that the Commission authorize the acceptance of the quitclaim.

OTHER PERTINENT INFORMATION:

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 determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by 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.

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EXHIBITS:

- A. Quitclaim Deed
- B. Location and Site Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

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.

AUTHORIZATION:

1. Accept a Quitclaim Deed for the surface and that portion of the subsurface extending downwards to a depth of 500 feet for the area of the Bolsa Chica Lowlands described on Exhibit A to the Quitclaim Deed.
2. Authorize the Executive Officer or his Designee to execute any documents necessary to implement the Commission's action.