



**Contra
Costa
County**

To: Board of Supervisors
From: Julia R. Bueren, Public Works Director/Chief Engineer
Date: February 10, 2015

Subject: APPROVE a subsurface oil and gas lease with Sunset Exploration, Inc. and related CEQA actions for 46 acres of District owned property, Antioch area.

RECOMMENDATION(S):

APPROVE and AUTHORIZE the Chief Engineer, or designee, to execute a three-year subsurface oil and gas lease beginning December 1, 2014 and ending November 30, 2017, and EXERCISE any options to extend the lease between Sunset Exploration, Inc., and the Flood Control and Water Conservation District (District) for a maximum of thirty-five years, for approximately 46 acres of land in the Antioch area commonly known as Upper Sand Creek Detention Basin (Basin), for the exploration and extracting of oil and gas, under the terms and conditions set forth in the lease pursuant to Government Code Section 7051. Project No. WL83PV-FS1200128

DETERMINE that the lease will not substantially interfere with the public use of the Basin.

DETERMINE that this activity is not subject to the California Environmental Quality Act (CEQA), pursuant to Article 5, Section 15061 (b)(3) of the CEQA guidelines; and,

DIRECT the Director of the Department of Conservation and Development to file a Notice of Exemption with the County Clerk; and,

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **02/10/2015** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I
Supervisor
Mary N. Piepho, District III
Supervisor
Karen Mitchoff, District IV
Supervisor
Federal D. Glover, District V
Supervisor

ABSENT: Candace Andersen, District II
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: February 10, 2015

David Twa, County Administrator and Clerk of the Board of Supervisors

By: Stephanie L. Mello, Deputy

Contact: David Krammer (925)
313-2227

cc:

AUTHORIZE the Chief Engineer, or designee, to arrange for payment of a \$25 fee to the Department of Conservation and Development for processing, and a \$50 fee to the County Clerk for filing the Notice of Exemption.

FISCAL IMPACT:

100% Applicant Fees.

BACKGROUND:

Sunset Exploration, Inc., has secured drilling permits and other oil and gas leases from the properties nearby and adjacent to the Basin and requires a subsurface lease from the District in order to include the Basin with the adjacent properties and extract the oil and gas from no less than 500 feet beneath the surface of the Basin. The lease includes largely boilerplate language typical of lease agreements of this type. No surface rights are included in the lease and no physical impacts will occur as a result of the lease. All surface drilling will be done from adjacent or nearby properties and Sunset Exploration, Inc., is responsible for obtaining all permits associated with its drilling permits at its sole cost.

The Flood Control District has received comment letters from Save Mount Diablo which, along with the District's responses, are attached to this Board Order. It is important to note that with or without this particular lease, Sunset Exploration, Inc., has the capability and the necessary rights to extract oil and gas from the Brentwood Oil Field, because they already hold a number of lease agreements with surrounding land owners as well as previously issued land-use authorizations that allow such drilling. Also attached to this Board Order is an example of an authorization the City of Antioch has granted for a drilling location associated with this particular oil field.

An upfront payment of \$15,513.00 has been received for the first year of the lease. During the remaining term of the lease, the District will receive minimum annual royalty payments of \$4,500 as well as additional royalty payments of 6.67% of the gross proceeds of all oil and gas produced from the Basin above the minimum annual royalty payments to Flood Control Zone 1 Funds.

CONSEQUENCE OF NEGATIVE ACTION:

Failure to approve the lease may result in the District not receiving royalty payments.

CHILDREN'S IMPACT STATEMENT:

Not applicable.

ATTACHMENTS

Oil and Gas Lease

CEQA Documents

Example Authorization - City of Antioch

Letter 1 - Save Mt Diablo

Letter 2 - Save Mt Diablo

Letter 3 - Save Mt Diablo

Response - Sunset Exploration

Response - CCC Flood Control