



**Contra
Costa
County**

To: Board of Supervisors
From: Brian M. Balbas, Public Works Director/Chief Engineer
Date: August 7, 2018

Subject: APPROVE a Subsurface Oil and Gas Lease with Sunset Exploration, Inc., for 46 acres of District owned property, Antioch area.

RECOMMENDATION(S):

As the governing body of the Contra Costa County Flood Control and Water Conservation District (District), APPROVE and AUTHORIZE the Chief Engineer, or designee, to execute a two year Subsurface Oil and Gas Lease ("Lease") beginning July 16, 2018 through July 15, 2020 and EXERCISE any options to extend the lease between Sunset Exploration, Inc., and the 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 Section 31 of the Contra Costa County Flood Control and Water Conservation District Act and Government Code Section 7051. Project No. WL83PV-FS1200128.

FISCAL IMPACT:

100% Applicant Fees.

BACKGROUND:

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **08/07/2018** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I
Supervisor
Diane Burgis, 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: August 7, 2018

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

By: June McHuen, Deputy

Contact: Charlotte Nelson,
925-957-2458

cc:

On February 10, 2015, the District entered into a Lease with Sunset Exploration,

BACKGROUND: (CONT'D)

Inc., under the same terms and conditions as set forth in the Lease attached (except the previous lease was for 3 years and for a lesser payment amount).

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. 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. 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.

An upfront payment of \$12,000.00 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 \$6,000 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.

On February 10, 2015 the County Board of Supervisors determined and approved that this activity is not subject to the California Environmental Quality Act (CEQA), pursuant to Article 5, Section 1 5061 (b)(3) of the CEQA guideline (CP#14-30).

CONSEQUENCE OF NEGATIVE ACTION:

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

ATTACHMENTS

Lease