



CITY OF SACRAMENTO

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DEPARTMENT OF ENGINEERING
915 I STREET SACRAMENTO, CALIFORNIA 95814
CITY HALL ROOM 207 TELEPHONE (916) 449-5281

CITY MANAGER'S OFFICE
RECEIVED
AUG 4 1981

R. H. PARKER
CITY ENGINEER
J. F. VAROZZA
ASSISTANT CITY ENGINEER

August 3, 1981

City Council
Sacramento, California

Honorable Members in Session:

Subject: Resolution Authorizing Amendment to the Subsurface Oil and Gas Lease with Quadren Corporation to Provide for a Drill Site - City Owned Property at 53rd Avenue and Power Inn Road

SUMMARY:

This report recommends an amendment to the subsurface oil and gas lease between the City of Sacramento and Quadren Corporation at City owned property at 53rd Avenue and Power Inn Road by providing a gas well drill site.

BACKGROUND:

In the summer of 1977 the Union Oil Company obtained a use permit from the County of Sacramento to drill a gas well at a site just south of the City limits and easterly of Power Inn Road. At that same time Union Oil approached the City of Sacramento with the request for a subsurface lease on approximately 16-1/2 acres of City property located at 53rd Avenue and Power Inn Road, the location of the Florin Water Reservoir. The lease offered by Union Oil contained a 1/6th or 16.67% royalty clause which they informed the City was standard in the industry. The City staff was unfamiliar with the legal aspects of oil and gas leases and therefore hired the firm of Downey, Brand, Seymour, Rohwer. After studying the issue, the law firm recommended that the lease be put out to public bidding as required by law. The City Council subsequently held a hearing on this matter and a resolution was adopted directing the City Clerk to advertise for bids in October of 1979. Three bids were received with royalties as outlined below.

Quadren Corporation	42.5%
Petroleum Properties	22.5%
Union Oil Company	16.67%

APPROVED
BY THE CITY COUNCIL

SEP 29 1981

OFFICE OF THE
CITY CLERK

Staff analyzed these bids and in consultation with Downey, Brand, Seymour, Rohwer recommended award of the subsurface lease to the high bidder, Quadren Corporation for a royalty of 42.5%. Because it had no drill site on the City property, Quadren Corporation approached Union Oil Company to form an operating unit for

By the City Council
Office of the City Clerk

Cont. to
9-8-81

AUG 25 1981

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producing the Florin gas pool. They offered additional land that they owned and the land they had leased from the City but Union Oil declined the proposal and told Quadren to drill their own well. Quadren proceeded to eventually drill their own well on property owned by them approximately 1600 feet south of the Union Oil well site. This well was unsuccessful in providing a producing gas well even though it was in the middle of the 640 acre Florin gas pool established by Union Oil Company. Quadren has informed the City that the Union Oil well is slant drilled from its site easterly of Power Inn Road so that it bottoms out just easterly of Power Inn Road in the County and right adjacent to our Florin Reservoir site. Quadren is confident because of the location of the Union Oil Company well that a producing gas well could be developed on the unused portion of the Florin Reservoir site if the lease is amended and they are given the right to drill a well.

The proposed amended lease attached to this report would provide for a drill site at the Florin Reservoir property at a location mutually agreeable to the City and the Quadren Corporation. It would also provide that Quadren be responsible for the procurement of all necessary permits. This would include a special permit from City Planning. Quadren would also be responsible for all cost incidental to obtaining all environmental clearances. The proposed amendment to the lease provides that Quadren shall have one year to complete a producing well and market the natural gas or to include the leased land in a producing pool with the consent of the City.

FINANCIAL:

Quadren Corporation, as owner of some house lot leases in the 640 acre Union Oil pool, received information from Union Oil regarding the gross revenues from sales in the Florin gas well. This information indicated that during the month of June Union Oil received gross revenues of \$95,607.54. If the City had signed the lease with Union Oil for 1/6th royalty for 16.5 acres in a 640 acre pool, the revenue to the City for the month of June would have been \$410.81. If Quadren Corporation is able to develop a producing well on the Florin Reservoir site, the revenue to the City would be much higher than the \$410.81 which would be due to the City under the Union Oil pooling arrangement.

RECOMMENDATION:

It is recommended that the City Council approve the amendment to the lease for the Florin Reservoir site for Quadren Corporation to include a drill site and making

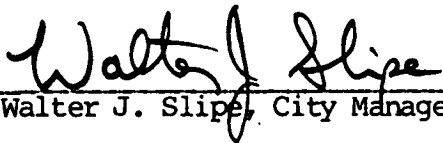
Quadren Corporation responsible for the procurement of all necessary permits and environmental documents by passage of the attached resolution.

Respectfully submitted,



R. H. PARKER
City Engineer

Recommendation Approved:



Walter J. Slipe, City Manager

August 25, 1981
District No. 6

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

August 11, 1981

RESOLUTION AUTHORIZING EXECUTION OF AN
AMENDMENT TO THE SUBSURFACE OIL AND GAS
LEASE BETWEEN THE CITY OF SACRAMENTO AND
QUADREN CORPORATION TO PROVIDE FOR A DRILL
SITE ON CITY OWNED PROPERTY AT 53RD AVENUE
AND POWER INN ROAD

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the City Manager is hereby authorized and directed to execute an amendment to the subsurface oil and gas lease between the City of Sacramento and Quadren Corporation to provide for a drill site on City owned property at 53rd Avenue and Power Inn Road.

MAYOR

ATTEST:

CITY CLERK

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

August 11, 1981

RESOLUTION AUTHORIZING EXECUTION OF
AGREEMENTS WITH RECLAMATION DISTRICT 1000
FOR THE SUNSET MEADOWS ASSESSMENT DISTRICT
AND THE NATOMAS STORM DRAINAGE AND SANITARY
SEWER DISTRICT

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

That the City Manager and the City Clerk are hereby authorized to execute on behalf of the City of Sacramento the following agreements with Reclamation District 1000.

1. Agreement concerning drainage for the Sunset Meadows Assessment District.
2. First Amendment to agreement for discharge of storm and surface waters from Natomas Storm Drainage and Sanitary Sewer District.

MAYOR

ATTEST:

CITY CLERK

FIRST AMENDMENT TO SUBSURFACE OIL AND GAS LEASE

That certain Subsurface Oil and Gas Lease (hereinafter "lease") made by and between City of Sacramento as "Lessor" and Quadren Corporation as "Lessee" made and entered into as of November 13, 1979, is amended in the following particulars only:

(1) Subject to the terms and conditions of this lease. Lessee shall have the right to enter upon the surface of the leased land and to drill a well or wells for natural gas. Notwithstanding anything to the contrary in this lease, Lessee shall, subject only to the condition of obtaining the necessary legal entitlements and permits, immediately commence and diligently and continuously pursue a program on site with the objective to drill and to place into production a well or wells and such other necessary or convenient facilities for the purpose of producing and marketing natural gas. For purposes of such well or wells, a single mutually satisfactory location approximately a total one acre in size for all such wells along with easements for ingress and egress shall be provided for surface access to the leased site for the purposes of producing and marketing gas from the leased land.

The use of such site and the easements for ingress and egress shall be restricted solely to purposes directly related to the purposes of this lease. In no event shall the site be used to store materials not currently in use, or anticipated to be used within a reasonable period of time, in operations conducted at the site. In the event that subsequent to completion of drilling operations, the entire original area of such site is not needed for production or marketing operations, the size of the site may be reduced. In the event any such reduction in size of the site is accomplished, Lessee shall move its materials, appliances, apparatus, fencing, screening and other property as may be required to accommodate such reduction. Lessee shall store and keep all rigging, appliances, apparatus and material and property of whatsoever nature on site in a clean and neat manner so as to never present any ugly, blighted or otherwise unsightly appearance taking into consideration the nature of Lessee's operations at the site and the nature of the surrounding neighborhood. Lessee shall fence the site and erect such barriers as may be necessary to assure the security and safety of the site and of the surrounding neighborhood taking into account the nature of Lessee's operations at the site and the nature of the surrounding neighborhood. Lessee shall conduct its operations at the site in a manner that will cause the least practicable interference and disturbance to the residents near the site. At the end of Lessee's operations at the site, Lessee shall, at its sole cost and expense, restore

the site to the condition existing as of the date it commenced its operations and seal any well or wells on site as required by state law.

(2) Lessee shall immediately commence all necessary applications and processing for all entitlements and permits necessary or convenient for the purpose of accomplishing all activities contemplated or reasonably inferred to be anticipated on the part of Lessee pursuant to this lease immediately upon execution of this agreement. Lessee shall diligently pursue all such applications and processing with a view to obtaining all such entitlements and permits as soon as possible after execution of this agreement. Insofar as possible, Lessee shall separately and independently pursue each such entitlement and permit with a view to expediting all necessary procedures such as to commence drilling, production, and marketing operations as soon as possible. Notwithstanding any provision in the lease to the contrary, Lessee shall be responsible for all costs incident to obtaining all environmental clearances or compliance with CEQA or NEPA whether or not these responsibilities might otherwise appear to be those of Lessor. Lessee shall be responsible for all costs and actions incident to giving any notice connected with any drilling, production, or marketing operations by either Lessee or Lessor pursuant to this Lease.

(3) By making this amendment to the lease, City does not waive or limit its discretion in any manner, expressly or by implication, to grant or deny any entitlement, permit or right in connection with any matter with which this agreement is

concerned directly or indirectly. No act, or failure to act, by City in its sovereign capacity shall be deemed to be an election of any type or kind with respect to this agreement.

(4) Notwithstanding any provision of the lease to the contrary, Lessee shall not enter into any pooling agreement with respect to the leased land without the prior express written consent of Lessor. With respect to this provision, it is the intent of the parties that this provision, to the extent necessary to be effective, supersedes any provision in the lease to the contrary and specifically it is not explanatory of any such provision. It is further the intent of the parties that in the event consent to any one such pooling agreement is given, it shall be specifically with the understanding that such consent shall not abrogate, affect or limit the requirement that Lessee obtain consent to any other pooling agreement or to any amendment, change or abridgement of the pooling agreement to which such initial consent was obtained.

(5) For any reason whatsoever, and any other term or condition of the lease to the contrary notwithstanding, in the event that Lessee does not complete a producing well and market natural gas to a bona fide third party, or alternatively, in the event that Lessee does not include the leased land in the producing pool with the consent of Lessor as heretofore set forth, prior to a date one (1) year subsequent to the date of this amendment, then Lessor shall have the right at any time subsequent to such date one year subsequent to the date of this agreement to record a quitclaim

deed which shall be delivered executed by Lessee in recordable form concurrently with this amendment. Upon the recording of said quitclaim deed, the lease shall be terminated and of no further force and effect excepting only that within thirty (30) days after such date of recording such quitclaim deed, Lessee shall, at its sole cost and expense, remove all its equipment, apparatus, structures and material of whatsoever nature from the site, restore the site to the condition that existed at the commencement of drilling operations, and seal the drilling site as required by state law.

In the event Lessee shall fail to fulfill any obligation set forth in the foregoing, Lessor shall have the following rights which it may pursue on an exclusive, joint or nonexclusive basis. The pursuit of any one such right shall in no event be construed to be an irrevocable election of remedies to the exclusion of any other right either mentioned in this agreement or otherwise available at law or in equity.

(1) Lessor may elect to treat any such equipment, material, structures, appliance or apparatus as abandoned and may salvage or market all or any part of such property.

(2) Lessor may accomplish all or any part of the responsibilities of Lessee, and Lessee shall pay to Lessor upon demand the costs incurred by Lessor in so doing.

(3) Lessor may give notice of the estimated cost of accomplishing all or any part of such work on behalf of Lessee, and Lessee shall

immediately deposit a sum or sums in cash equal to the estimated cost of such work.

In the event the cost of such work is more than the estimated cost, Lessee shall pay Lessor on demand an additional sum equal to such difference in cost. In the event the cost of such work is less than the estimated cost, Lessor shall promptly refund the difference to Lessee.

In the event Lessee shall fail to deposit funds as required by the foregoing, Lessor shall have the right to recover any sum which was required to have been deposited with Lessor regardless of whether Lessor has done any work or expended any sum to accomplish any of such work. Paragraph Nos. 9, 9A, 15 and 16 shall not apply to the terms and conditions set forth in this paragraph (5). Time and strict and punctual performance are of the essence to each and every term and condition of this paragraph (5).

(6) This agreement shall not constitute any agreement for joint venture, partnership or any other form of joint activity by Lessor and Lessee but rather is only an agreement for compensation for the rights given and any property or minerals taken from the leased property. Lessee shall defend, indemnify, and hold harmless Lessor from any claim, cause of action, action, damage, liability or cost or expense of whatsoever kind or nature arising, or claimed to arise, from Lessee's activities including without limitation of the generality of the foregoing, subsidence of any land or any damage to Lessor's facilities on the leased land. The foregoing shall include without limiting

the generality of the foregoing, results of the active negligence of Lessor. In the event of a refusal of tender of defense pursuant to the foregoing indemnity for which Lessee is ultimately liable, Lessee shall pay all attorney fees incurred by Lessor directly or indirectly with respect thereto. In the event of any action brought to enforce any right under this lease, the losing party shall pay the prevailing party its actual attorney fees and costs incurred in such action.

(7) No waiver of any breach of this agreement shall constitute a waiver of any prior or subsequent breach of the same or any other term or condition of this agreement. No indulgence, extension of time, or acceptance of any payment or other performance or tender of performance pursuant to this agreement shall constitute, or be construed in any manner or by implication to constitute, acceptance of deficient performance, or lack of performance, under this lease unless specifically agreed upon between the parties and reduced to writing delivered to the party accepting or purporting to accept the deficient performance or lack of performance within a reasonable time but not later than ten (10) days after tender of any such performance.

(8) Except as specifically set forth herein, the lease shall remain unchanged and in full force and effect.

LESSOR:

LESSEE

CITY OF SACRAMENTO, a
municipal corporation

QUADREN CORPORATION

By _____
City Manager

By _____
Its _____

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

DEPUTY CITY ATTORNEY



City of Sacramento

CALIFORNIA

LLOYD G. CONNELLY
COUNCILMAN, DISTRICT 6
CITY HALL
915 I STREET
SACRAMENTO, CALIFORNIA 95814
(916) 449-5409

RESIDENCE
6150 11TH AVENUE
SACRAMENTO, CALIFORNIA 95820
(916) 455-8950

August 24, 1981

Lorraine Magana
City Clerk

Dear Lorraine:

Would you please ensure that Nat Colley, George Heard and Danny Nunn are notified when the recommendation of the City Engineer regarding amendments to the Subsurface Oil and Gas Lease with Quadren Corporation to provide for a drill site is brought to the full Council for review.

Thank you for your assistance.

Cordially,

Lloyd G. Connelly
City Councilman
District 6

LGC/wl

cc: Nat Colley, Sr.
1810 S Street

George Heard
6421 Sun River Drive
Sacramento, CA 95824

Danny Nunn
7584 - 53rd Avenue
Sacramento, CA 95828

*Send letter
on 9-8-81 mtg*



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK

915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5426

LORRAINE MAGANA
CITY CLERK

August 26, 1981

Danny Nunn
7584 - 53rd Avenue
Sacramento, CA 95828

Dear Mr. Nunn:

At the request of Councilman Lloyd Connelly, I am writing to inform you that the recommendation of the City Engineer concerning amendments to the Subsurface Oil and Gas Lease with Quadren Corporation is scheduled to be presented to the Sacramento City Council on September 8, 1981. This item will appear on the agenda under the topic heading "STAFF/AGENCY REPORTS."

The City Council meeting will begin at 7:30 p.m. in the Council Chamber, Second Floor, City Hall, 915 "I" Street, Sacramento, California. You are welcome to attend this meeting, and to speak before Council on this issue.

Sincerely,

Michael A. Miller
Deputy City Clerk

MM/mm

cc: Councilman Connelly



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK

915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5426

LORRAINE MAGANA
CITY CLERK

August 26, 1981

George Heard
6421 Sun River Drive
Sacramento, CA 95824

Dear Mr. Heard:

At the request of Councilman Lloyd Connelly, I am writing to inform you that the recommendation of the City Engineer concerning amendments to the Subsurface Oil and Gas Lease with Quadren Corporation is scheduled to be presented to the Sacramento City Council on September 8, 1981. This item will appear on the agenda under the topic heading "STAFF/AGENCY REPORTS."

The City Council meeting will begin at 7:30 p.m. in the Council Chamber, Second Floor, City Hall, 915 "I" Street, Sacramento, California. You are welcome to attend this meeting, and to speak before Council on this issue.

Sincerely,


Michael A. Miller
Deputy City Clerk

MM/mm

cc: Councilman Connelly



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK

915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5426

LORRAINE MAGANA
CITY CLERK

August 26, 1981

Nat Colley, Senior
1810 "S" Street
Sacramento, CA 95814

Dear Mr. Colley:

At the request of Councilman Lloyd Connelly, I am writing to inform you that the recommendation of the City Engineer concerning amendments to the Subsurface Oil and Gas Lease with Quadren Corporation is scheduled to be presented to the Sacramento City Council on September 8, 1981. This item will appear under the topic heading "STAFF/AGENCY REPORTS."

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Sincerely,

Michael A. Miller
Deputy City Clerk

MM/mm

cc: Councilman Connelly

CITY CLERK'S OFFICE
CITY OF SACRAMENTO

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9-29-81

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Glen Elder Elder Creek Improvement Asso.
6222 Sun River Drive
Sacramento, California 95824

September 4, 1981

Office of The City Clerk
915 I Street
City Hall -Room 203
Sacramento, Ca. 95814

FILED
By the City Clerk
Office of the City Clerk

Cont. to
9-29-81

SEP 8 1981

Honorable City Council Members:

We request that the agenda item under the topic heading "STAFF AGENCY REPORTS" concerning the recommendation of the City Engineer concerning amendments to the Subsurface Oil and Gas Lease with Quadran Corporation be put over for a period of three(3) weeks so that we may more adequately prepare a presentation on this issue.

Sincerely,

Mildred Hatcher

Mildred Hatcher, Chairperson

George W. Heard

George Heard, Public Relations

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GLEN ELDER/ELDER CREEK IMPROVEMENT ASSOCIATION

September 28, 1981

Nathaniel S. Colley, Inc.
1810 'S' Street
Sacramento, Ca. 95814

Dear Attorney Colley,

At a special meeting on Sunday, September 27, 1981, members present voted unanimously that you or your father speak on our behalf before the City Council on Tuesday, September 29, 1981 requesting that the Gas Issue be taken to arbitration at the State level.

Respectfully submitted,
Mildred Hatcher
Mildred Hatcher, Chairperson
George W. Heard
George Heard, Public Relations

c.c. Councilman Lloyd Connelly
Supervisor Ila Collins
Supervisor Toby Johnson
Senator John Garamendi