

EXHIBIT G

ALTERNATIVE COMMISSION FINDINGS FOR APPROVING LEASES TO PXP

FIND AND DETERMINE, PURSUANT TO CALIFORNIA PUBLIC RESOURCES CODE SECTION 6244, THAT DRAINAGE OF STATE OIL AND GAS RESOURCES IS OCCURRING FROM OIL AND GAS DEVELOPMENT IN FEDERAL WATERS AND THAT THE PROPOSAL TO LEASE STATE-OWNED SUBMERGED LANDS IN THE CALIFORNIA COASTAL SANCTUARY IS IN THE STATE'S BEST INTEREST; AND APPROVE THE APPLICATION BY PLAINS EXPLORATION AND PRODUCTION COMPANY FOR THE LEASING OF STATE-OWNED SUBMERGED LANDS.

CEQA FINDING:

FIND THAT AN EIR SCH# 2006021055 WAS PREPARED FOR THIS PROJECT BY THE COUNTY OF SANTA BARBARA AND CERTIFIED BY THE COUNTY BOARD OF SUPERVISORS ON OCTOBER 7, 2008, AND THAT THE COMMISSION STAFF HAD PARTICIPATED IN THE PREPARATION OF THE EIR AND HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.

ADOPT THE FINDINGS MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTIONS 15091 AND 15096 (h), AS PROVIDED IN EXHIBIT G-1.

ADOPT THE MITIGATION MONITORING PROGRAM, AS PROVIDED IN EXHIBIT G-2 AND ADDITIONAL MITIGATION MEASURES AS PROVIDED IN EXHIBIT F.

ADOPT THE STATEMENT OF OVERRIDING CONSIDERATIONS MADE IN CONFORMANCE WITH TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15093, AS PROVIDED IN EXHIBIT G-3.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION (CLASS B: LIMITED USE) DESIGNATED BY THE

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COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

OTHER FINDINGS:

DETERMINE THAT DRAINAGE OF STATE RESOURCES IS OCCURRING FROM OIL AND GAS OPERATIONS IN THE FEDERAL OFFSHORE AREA KNOWN AS THE POINT PEDERNALES FIELD, ADJACENT TO THE PROPOSED LEASES, PURSUANT TO PUBLIC RESOURCES CODE SECTION 6244.

DETERMINE THAT THE CRITERIA OF PUBLIC RESOURCES CODE SECTION 6815(a) HAVE BEEN MET, THAT THE NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASES ARE THE BEST INSTRUMENT TO DEVELOP AND PROTECT OIL AND GAS RESOURCES THAT MAY UNDERLIE THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO, AND THAT THE PROPOSED TERMS AND CONDITIONS OF THE PROPOSED LEASES ARE IN THE BEST INTEREST OF THE STATE.

AUTHORIZATION

1. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6244, THE COMMISSION FINDS AND DECLARES THAT THE LOSS OF VALUABLE STATE RESOURCES IS OCCURRING, AND WILL CONTINUE TO OCCUR, AS A RESULT OF DRAINAGE BY THE ONGOING OIL AND GAS OPERATIONS IN ADJACENT FEDERAL LANDS, SPECIFICALLY BY MEANS OF PRODUCING WELLS IN THE POINT PEDERNALES FIELD, OFFSHORE NORTHERN SANTA BARBARA COUNTY, AND THAT THE PROPOSED LEASES ARE IN THE BEST INTERESTS OF THE STATE.
2. PURSUANT TO PUBLIC RESOURCES CODE SECTION 6815(a) ENTER INTO NEGOTIATED SUBSURFACE (NO SURFACE USE) OIL AND GAS LEASES WITH PLAINS EXPLORATION & PRODUCTION COMPANY (PXP) IN THE FORM ATTACHED AS EXHIBIT "C". THE LEASES WILL CONTAIN:
 - a. THE STATE LAND DESCRIBED IN EXHIBIT A, ATTACHED HERETO, (APPROXIMATELY 4964.34

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- b. ACRES AND 5261.89 ACRES);
 - b. A REQUIREMENT THAT A MINIMUM OF THREE WELLS BE DRILLED WITHIN THE FIRST TWO YEARS AFTER APPROVAL OF THE LEASE;
 - c. AN INITIAL ANNUAL RENTAL OF \$100.00 PER ACRE (A COMBINED \$1,022,500.00 FOR APPROXIMATELY 10,225 ACRES IN THE TWO LEASES), REDUCING TO \$10.00 PER ACRE (\$102,225.00) AFTER OIL OR GAS PRODUCTION BEGINS;
 - d. ROYALTY AS A PERCENTAGE OF ALL PRODUCED OIL AND GAS SUBSTANCES PURSUANT TO A SLIDING SCALE BASED ON THE PRICE OF OIL AS SHOWN IN EXHIBIT "D " OF THE LEASE;
 - e. AN INITIAL PERFORMANCE BOND OR OTHER SECURITY IN THE SUM OF \$6 MILLION DOLLARS, TO BE INCREASED TO \$_____ AFTER RECOVERY OF THE PRE-PAID ROYALTY;
 - f. A CONDITION REQUIRING ALL DRILLING & OIL AND GAS PRODUCTION OPERATIONS ON THIS LEASE TO CEASE ON OR BEFORE DECEMBER 31, 2022;
 - g. A CONDITION INCLUDING BY REFERENCE THE MITIGATION MEASURES ADOPTED BY SANTA BARBARA COUNTY AS PART OF THE CERTIFIED ENVIRONMENTAL DOCUMENT PREPARED FOR THE PROJECT (ENVIRONMENTAL IMPACT REPORT 06EIR-00000-00005; SCH #2006021055);
 - h. A CONDITION ADOPTING THOSE ADDITIONAL MITIGATION MEASURES AND ADDITIONAL CONDITIONS INCLUDED IN EXHIBIT "G" ATTACHED HEREWITH.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO ENTER INTO MEMORANDA OF AGREEMENTS FOR:
- a. THE MEASUREMENT AND ALLOCATION OF PRODUCTION WITH THE FEDERAL MINERALS MANAGEMENT SERVICE AND PXP, ATTACHED HERETO AS EXHIBIT "E"; AND
 - b. INSPECTION AND REGULATORY PROTOCOLS WITH THE FEDERAL MINERALS MANAGEMENT SERVICE AND THE DEPARTMENT OF CONSERVATION'S

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DIVISION OF OIL, GAS, AND GEOTHERMAL
RESOURCES, ATTACHED HERETO AS EXHIBIT "F".

4. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.