

**CALENDAR ITEM  
C31**

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PRC 6942.1  
A. Scott

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**GENERAL LEASE - RIGHT OF WAY USE**

**APPLICANT:**

Point Arguello Pipeline Company (PAPCO)  
c/o Plains Exploration & Production Company  
1200 Discovery Drive, Suite 500  
Bakersfield, CA 93309

**AREA, LAND TYPE, AND LOCATION:**

10.22 acres, more or less, of sovereign lands in the Pacific Ocean near Point Conception, Santa Barbara County.

**AUTHORIZED USE:**

Continued operation and maintenance of an existing 24-inch diameter oil pipeline.

**LEASE TERM:**

20 years, beginning February 1, 2011.

**CONSIDERATION:**

\$66,450 per annum; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease

**SPECIFIC LEASE PROVISIONS:**

Insurance:

Liability insurance of no less than \$2,000,000. Applicant may satisfy all or part of the insurance requirement through maintenance of a staff-approved self-insurance program as outlined in the lease.

Bond:

\$100,000

Other:

1. Lessee agrees that the pipeline will be operated as a common carrier and will provide a tie-in facility on the portion of the pipeline located on State tide and submerged lands.

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**OTHER PERTINENT INFORMATION:**

1. Applicant has the right to use the uplands adjoining the lease premises.
2. The original lease for this pipeline was issued for a term of 25 years beginning on February 1, 1986 and will expire on January 31, 2011. The proposed new lease will extend the leasehold for an additional period of 20 years with similar terms and conditions as the expiring lease.
3. The pipeline transports wet crude oil emulsion from Platform Hermosa, in federal waters, to the shore.
4. Pipeline inspection requirements differ between the various federal and State agencies having jurisdiction over offshore pipelines in California. Because these differences in regulations caused confusion between the companies operating pipelines offshore of California and these agencies, the agencies prepared a Memorandum of Agreement (MOA) defining which agency had jurisdiction based on the location of the pipeline. The MOA was signed on January 21, 1999 by U.S. Minerals Management Service (MMS), U.S. Department of Transportation, California Department of Conservation, California State Fire Marshal, and the California State Lands Commission. Based on this MOA, the MMS has jurisdiction over inspection of this pipeline because the pipeline originates in federal waters of the Outer Continental Shelf. The applicant complied with the inspection requirements of the MMS by completing a visual inspection of the pipeline on August 18 and 20, 2010 and an internal inspection of the pipeline, most recently in September 2010 with a report prepared on October 20, 2010. This report was submitted to the Commission's Long Beach office and has been reviewed. There is no indication in the report of areas of concern for the safe operation of this pipeline.
5. This lease contains various provisions that would allow future State lessees access to the pipeline from other State mineral leases under reasonable terms, conditions and tariffs.
6. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined this activity is exempt from the requirements of CEQA as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; Title 2, California Code of Regulations, section 2905 (a) (2).

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Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300 and Title 2, California Code of Regulations, section 2905.

7. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon staff's consultation with the persons nominating such lands and through the CEQA review process, it is staff's opinion that the project, as proposed, is consistent with its use classification.

**EXHIBITS:**

- A. Site Map
- B. Land Description

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

It is recommended that the Commission:

**CEQA FINDING:**

Find that the activity is exempt from the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15061 as a categorically exempt project, class 1, Existing Facilities; Title 2, California Code of Regulations, section 2905 (a)(2).

**SIGNIFICANT LANDS INVENTORY FINDING:**

Find that this activity is consistent with the use classification designated by the Commission for the land pursuant to Public Resources Code sections 6370, et seq.

**AUTHORIZATION:**

Authorize Issuance of a General Lease - Right of Way Use to Point Arguello Pipeline Company (PAPCO) beginning February 10, 2011, for a term of 20 years, for the continued operation and maintenance of an existing 24-inch diameter oil pipeline as shown on Exhibit A attached and by this reference made a part hereof; annual rent in the amount of \$66,450, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease; liability insurance in an amount of no less than \$2,000,000 and surety in the amount of \$100,000.