

**CALENDAR ITEM
C26**

A 27, 28, 33

02/08/10
PRC 7772.1
D. Simpkin

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GENERAL LEASE – RIGHT OF WAY USE

APPLICANT:

Mobil Pacific Pipeline Company

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Salinas River, five miles northwest of the town of Bradley, Monterey County.

AUTHORIZED USE:

The continued maintenance of two existing non-operational steel pipelines (one 12-inch diameter and one 4-inch diameter) as shown on attached Exhibit A.

LEASE TERM:

Five years, beginning May 1, 2009.

CONSIDERATION:

Annual rent in the amount of \$224; 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 in the amount of no less than \$1,000,000.

Bond:

Surety bond in the amount of \$20,000.

OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the uplands adjoining the lease premises.
2. On May 26, 1994, the Commission authorized the issuance of a General Lease – Right of Way Use, PRC 7772.1, to Mobil Pacific Pipeline Company (Mobil) for a 15-year term, effective May 1, 1994. The lease expired April 30, 2009. The Applicant is now applying for a new General

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Lease – Right of Way Use for the two existing non-operational steel pipelines (one 12-inch diameter and one 4-inch diameter).

3. The pipelines were formerly used to transport crude oil produced at Mobil's San Ardo Production Field in Monterey County to Chevron's Estero Marine Terminal where the crude oil was loaded onto ships. In 1998, Mobil began transporting the crude oil by train and the use of the pipeline was discontinued. In February 2000, the Commission authorized an amendment to the lease to change the use of the pipelines from the transport of crude oil to the transport of filtered production water. The filtered water was being transported from the San Ardo Production Field to be used for steam flooding oil wells in the San Joaquin Valley. The pipelines were subsequently taken out of service and are currently non-operational.
4. The new lease will allow Mobil's continued maintenance of the facilities until it is determined if and when the facilities may be returned to service. The lease will require Mobil to submit to the Commission, no later than two years prior to the expiration of the lease, either: (a) an application for a new lease for the continued use of the Lease Premises, or (b) a plan for restoration of the Lease Premises to be completed prior to the expiration of the lease term. In the event the pipeline is abandoned in place, Mobil will provide a detailed abandonment plan and procedures for the existing pipeline, including a long-term monitoring plan.
5. Prior to being taken out of service, these pipelines were cleaned of all hazardous liquids. A poly pig pushed by nitrogen was utilized to achieve displacement of all liquid to ensure the pipelines were taken out of service pursuant to State and/or federal requirements. A block valve was placed at the end of each pipeline system. The pipelines are buried five feet below the mean river bottom.
6. The lease has been in hold-over status since April 30, 2009, pursuant to Section 4 Paragraph 14 of the lease. Mobil has continued to pay annual rent pursuant to the terms of the previous lease.
7. Pursuant to the Commission's delegation of authority and State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), 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.

8. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq. Based upon the 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. Location and Site Map
- B. Land Description

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 five-year General Lease – Right of Way Use to Mobil Pacific Pipeline Company beginning May 1, 2009, for the continued maintenance of two existing non-operational steel pipelines (one 12-inch diameter and one 4-inch diameter) as shown on Exhibit A (for reference purposes only) and as described on Exhibit B attached and by this reference made a part hereof; annual rent in the amount of \$224, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease; liability insurance in the amount of no less than \$1,000,000; and surety bond in the amount of \$20,000.