

its employees, servants, agents or contractors. Nothing in this lease shall diminish any other rights or remedies which the State may have in connection with any such negligence or breach. The Lessee shall indemnify the State of California, its officers, agents and employees against all claims, demands, causes of action or liabilities of any kind which may be asserted against or imposed upon the State of California, its officers, agents or employees, by any third person or entity arising out of or connected with the issuance of this lease, operations hereunder, or the use by Lessee, its agents, employees or contractors of the leased lands.

15. BONDS

The Lessee shall furnish upon execution of this lease and maintain a bond in favor of the State of California in the sum of \$ _____ to guarantee the faithful performance by the Lessee of all provisions of this lease, Division 6 of the Public Resources Code and the regulations promulgated thereunder, including, but not limited to, immediate elimination of any contamination or pollution caused by or resulting from operations under this lease. If the Lessee places platforms or other fixed or floating structures on the leased lands, the Lessee shall file at the commencement of such placement and maintain an additional bond in favor of the State of California in a reasonable amount as specified by the State, but not

exceeding fifty percent (50%) of the replacement cost of the structures, to guarantee the faithful performance by the Lessee of the placement of the structures, their maintenance and their removal at the State's request upon the expiration or sooner termination of this lease. All bonds shall require the surety to give at least ninety (90) days' written notice of its intention to cease acting as guarantor. If a surety gives notice of its intention to cease acting as guarantor, the Lessee shall provide to the State within sixty (60) days of such notice a replacement bond of equal value to become effective upon the expiration of the existing bond. Failure to provide such a replacement bond within the required time shall constitute a default entitling the State to levy against the entire amount of the existing bond.

16. SURRENDER OF PREMISES

At the expiration of this lease or upon its sooner termination, the Lessee shall surrender the leased lands and all improvements on them in good condition, or the State may provide that the Lessee shall remove some or all of the structures and other fixtures placed upon the leased lands and restore the lands, in whole or in part, to their natural condition at no cost to the State. The Lessee shall not be denied the right to remove any drilling, development and production equipment having a reuse or salvage value.

* * * * *

17. DAMAGES TO THIRD PERSONS AND PROPERTY

(a) The Lessee shall furnish upon execution of this lease a certificate showing that at all times throughout the life of this lease, the Lessee is insured against damages to third persons and their property resulting from an oil spill or other pollution caused by operations under this lease. The insurance shall be for an amount not less than ten million dollars (\$10,000,000) for each occurrence. The minimum amount may be raised by the State if economic conditions change. The certificate of insurance shall indicate that the Lessee has obtained from a responsible insurance company doing business in California the required insurance coverage which shall include the State of California as a named insured, or shall demonstrate to the satisfaction of the State that the Lessee is capable of self-insuring the risk. The certificate of insurance shall remain in effect at all times throughout the life of the lease. A new certificate of insurance meeting the above requirements may be substituted by the Lessee with the State's approval.

(b) Should an oil spill or other polluting event occur which the State determines will result in the filing of a substantial number of claims against the Lessee, the Lessee shall be required to be bonded within ten (10) days of such occurrence with a surety company bonded for the purpose of providing personnel sufficient to process all

claims and having authority to settle all uncontested claims. Barring unusual circumstances, all claims shall be processed and all uncontested claims shall be settled within sixty (60) days of their filing. To facilitate settlement of contested claims, the Lessee shall agree to arbitration of claims of five thousand dollars (\$5,000) or less and mediation of claims in excess of five thousand dollars (\$5,000). The arbitration and mediation shall be conducted pursuant to agreements prepared by the State at or before the time of the invitation for bids.

18. SALES CONTRACTS AND EXCHANGE AGREEMENTS

The Lessee shall submit to the State for approval all contracts and other agreements for the sale, exchange or other disposition of oil, gas, natural gasoline and other substances produced from the leased lands. The Lessee shall not sell or otherwise dispose of the lease production except in accordance with sales contracts or other methods first approved in writing by the State.

19. EXAMINATION OF RECORDS AND INSPECTION OF PREMISES

Insofar as it has the right to do so, the Lessee consents to an examination by any person authorized by the State of the books and records of any individual, association or corporation which has transported for or received from the Lessee any oil, gas, natural gasoline or other products produced from the leased lands. The Lessee

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also consents to the inspection at all times by any person authorized by the State of its operations on the leased lands, including wells, improvements, machinery and fixtures used in connection with those operations.

20. SUBMISSION AND USE OF DATA

The Lessee shall file promptly with the State true copies of all geophysical data covering the leased lands and all logs (including electric logs), surveys, drilling records, well histories, core records, formation tests and related information as measured and recorded in the course of drilling, for the wells drilled into the leased lands. All data and information filed by the Lessee with the Division of Oil and Gas in connection with this lease, whether or not held in confidential status by the Division of Oil and Gas, shall be submitted to the State for its use in enforcing compliance with the terms of this lease and regulations of the State. All data and information supplied in confidence of the Lessee under this paragraph shall be kept confidential by the State and shall not be disclosed to any person or agency without the written consent of the Lessee or unless their disclosure is required by law. Notwithstanding the above, the State may disclose any data or information filed by the Lessee to any governmental agency needing the data or information to regulate the leased lands or adjacent lands, provided that the disclosure is made pursuant to an agreement with the

governmental agency specifying the purposes for which the data and information may be used and requiring the data and information to be kept confidential.

21. FACILITIES AND MEASUREMENT
OF PRODUCTION

The Lessee shall furnish to the State for its approval detailed plats, drawings and other pertinent data concerning the oil and gas facilities and pipelines to be used for the production, processing, measurement and transportation of the oil, gas and other hydrocarbon substances from the leased lands. Any changes, including emergency changes, in the facilities and pipelines shall be approved by the State. The Lessee shall install whatever sampling and measuring equipment the State deems necessary for the sampling and measuring of the oil, gas and other hydrocarbon substances. The Lessee shall measure and account for all oil, gas and other hydrocarbon substances produced from, used on or transported from the leased lands in accordance with the terms of this lease and the regulations of the State. The State shall have the right at all times to witness the measurement and sampling of all oil, gas and other hydrocarbon substances. The State may elect to measure and sample the oil, gas and other hydrocarbon substances in the presence of a representative of the Lessee. The Lessee shall furnish samples of oil, gas and other hydrocarbon substances that are required by the

State for laboratory tests. The Lessee shall be given the opportunity to witness the tests conducted by the State, and the readings and results of those tests shall be binding on the Lessee.

22. STATE'S RIGHTS TO DETERMINE WELL SPACING AND RATES OF DRILLING AND PRODUCTION

The State shall have the right to determine the spacing of wells and the rate of drilling and rate of production of wells to prevent the waste of oil and gas and promote the maximum economic recovery of oil or gas from, and the conservation of reservoir energy in, each zone or separate underground source of supply of oil or gas covered in whole or in part by this lease.

23. UNITIZATION

If the State determines that the ultimate recovery of oil or gas will be increased, oil or gas will be protected from unreasonable waste, land subsidence may be arrested or ameliorated, or adjacent landowners will be protected, the Lessee shall unite with other lessees of the State or with others owning or operating lands not belonging to the State, including lands belonging to the United States, in operating under a cooperative or unit plan of development or operation for the pool or field or any part thereof. The State, with the consent of the Lessee, may establish, change or revoke any drilling and production requirements of this lease, may permit apportionment of

production, and may make such regulations concerning the institution and operation of any cooperative or unit plan that the State deems necessary or proper for the protection of its interests.

24. OFFSHORE STRUCTURES

(a) Subject to the provisions of Exhibit "B", each well may be drilled or slant-drilled to and into the subsurface of the leased lands from platforms or other fixed or floating structures in, on or over the tide and submerged lands covered by the lease or otherwise available to the Lessee.

(b) If the Lessee proposes to drill one or more wells from platforms or other fixed or floating structures and if permission from any federal or state agency is legally required for construction of such structures, the Lessee shall be allowed a reasonable time following the execution of the lease to secure the necessary permission from such federal or state agencies and, upon securing such permission, a further reasonable time, determined with regard to the nature of the structure or structures to be constructed, to commence drilling operations on such well or wells. The State shall extend the drilling term of the lease by a period equal to the reasonable time necessary to secure the permission and, if necessary, to the date to which the time to commence drilling operations on such well or wells has been extended.

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(c) Any platforms or other fixed or floating structures shall conform to the regulations of the State in effect at the time of the invitation for bids.

25. POLLUTION AND CONTAMINATION OF WATERS PROHIBITED

Pollution and contamination of state waters, impairment of and interference with bathing, fishing or navigation in state waters, and impairment of and interference with developed shoreline recreational or residential areas are prohibited. No oil, tar, residuary product of oil or any refuse of any kind from any well or works shall be deposited on or allowed to pass into state waters. The permission given in section 6873(b) of the Public Resources Code to the deposition in state waters of water not containing any hydrocarbons or vegetable or animal matter and drill cuttings and drilling mud which are free of oil and materials that are deleterious to marine life, shall not supersede any restrictions on the deposition of such substances which are contained in this lease, which includes the exhibits.

26. SOLVENCY

If the Lessee at any time makes a general assignment for the benefit of its creditors, or a receiver is appointed over or an attachment is levied and permitted to remain for any unreasonable length of time upon or against the interest of the Lessee in any oil, gas, natural

gasoline or other products produced from the wells drilled into the leased lands, the State may terminate this lease by giving written notice to the Lessee.

27. USE OF PRODUCTION FOR LEASE OPERATIONS

With the approval of the State, the Lessee may use oil produced from the Lessee's wells drilled into the leased lands for lease operations only. Oil so used shall be reported to the State monthly. The value of such oil shall not be used in determining net profits pursuant to Exhibit "D". With the approval of the State, the Lessee may also use gas produced from the Lessee's wells drilled into the leased lands, or gas received currently in exchange for gas so produced, for the following purposes only: fuel, gas lift, injection into oil sands from which the well or wells may be producing and reinjection into the leased lands. Gas so used, or gas given in exchange for gas so used, shall be reported to the State monthly, but shall not be used in determining net profits pursuant to Exhibit "D". The State may take, free of cost to it and at no expense to the Lessee, all produced surplus gas which cannot be marketed or beneficially utilized by the Lessee. The surplus gas taken by the State shall be for the use of the State of California.

28. NOTICES

All notices to be given under this lease shall be deemed to have been fully given when made in writing and

deposited in the United States mail, registered and postage prepaid, and addressed as follows:

To the State:

To the Lessee:

The addresses to which the notices shall be mailed may be changed by written notice given by one party to the other as provided above. Nothing contained in this paragraph shall preclude the giving of any notice by personal service to the Lessee or its officer or agent. All payments specified in this lease shall be made to the State at the address provided for notices to the State.

29. TAXES

The Lessee shall be responsible for paying timely all taxes applicable to Lessee's interests in and operations on the leased lands and to all oil, gas and other hydrocarbons produced from the leased lands. Taxes shall be charged to the net profits account as provided in Exhibit "D".

30. FAILURE TO ENFORCE

The failure of the State to enforce any provision of this lease, which includes the exhibits, shall not

* * * * *

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constitute a waiver by the State of that or any other provision.

STATE LANDS COMMISSION OF THE
STATE OF CALIFORNIA

By:

Executive Officer

LESSEE:

ATTEST

EXHIBIT "A"
MAP

24.

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EXHIBIT "B"

DRILLING REQUIREMENTS

1. All operations shall be conducted in accordance with generally accepted good oil field practices.

2. An oil or gas zone is defined as any sequence of strata containing oil, gas or other hydrocarbon substances, where the reservoir characteristics, such as pressure, temperature, specific gravity, viscosity, permeability, and porosity, are similar and whenever such sequence of strata is separated from dissimilar producing strata by a competent layer of shale or other impervious rock.

3. Within one hundred twenty (120) days after the date of the cessation of drilling operations in the first well, the Lessee shall commence operations for the drilling of the next well. Operations for the drilling of each succeeding well shall commence within one hundred twenty (120) days after the cessation of drilling operations in the preceding well. The term "drilling operations" as used in this paragraph 3 shall include any of the following: actual drilling in the ground, logging or surveying the well bore, coring, sidewall sampling or coring, drill stem or formation testing, carrying on fishing operations, running and cementing protection or production casing, running tubing, perforating casing, milling casing, reaming, setting whipstock for redrilling, operations to stop lost

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circulation, and actual plugging and abandonment of the well. The term "cessation of drilling operations" as used in this paragraph 3 shall not include a temporary stoppage of drilling operations of less than seventy-two (72) hours relating to the resumption of drilling operations in the same well or a similar stoppage of longer duration which has been approved by the State. Irrespective of the requirements of this paragraph 3, the Lessee may suspend and resume drilling operations at any time during the drilling term of three (3) years or any extension of it. After oil or gas is discovered in commercial quantities in any oil or gas zone in the leased lands, wells shall be drilled to each commercially productive oil or gas zone, if it is mechanically practicable to do so, as follows:

- a. At least one (1) well for the production of oil into each twenty (20) acres of the area contained in the leased lands where the bottom of the productive interval of the well as completed for production is at a vertical depth of less than 6,000 feet.
- b. At least one (1) well for the production of oil into each forty (40) acres of the area contained in the leased lands where the bottom of the productive interval of the well as completed for production is at a vertical depth in excess of 6,000 feet.

c. At least one (1) well for the production of gas or gas condensate from any zone which produces gas or gas condensate into each one hundred-sixty (160) acres, or major fraction thereof, of the area contained in the leased lands.

The drilling requirements set forth in subparagraphs a, b, and c of this paragraph 3 are required for and are applicable to each separate commercially productive oil or gas zone. With the approval of the State, a well may be completed in more than one zone and shall be considered a well for each zone into which it is completed and producing for the purpose of satisfying the drilling requirements of sub-paragraphs a, b, and c of this paragraph. The zones shall be segregated within the well bore and produced through separate tubing strings. The Lessee shall not be required to operate more than one (1) drilling string at any time, unless the operation of more than one (1) drilling string at any time is necessary in order to commence an offset well within the time required by paragraph 5 of this exhibit.

4. Any well drilled in accordance with the provisions of this lease shall be drilled only from a surface location and on a course and to an objective approved in writing by the State prior to the commencement of drilling. The Lessee shall submit a detailed well drilling program to the State for its review and approval

prior to commencement of drilling. Any significant changes in the approved drilling program, such as altering the casing program or re-drilling, deepening or abandoning a well, shall require advance approval by the State.

5. If any well producing in commercial quantities only gas and/or gas condensate has been, is or shall be completed on other than State lands, with any part of its producing interval within fourteen hundred eighty-nine (1489) feet from the exterior boundary of this lease, or if any well producing in commercial quantities oil and gas has been, is or shall be completed on other than State lands, with any part of its producing interval within five hundred (500) feet from the exterior boundary of this lease, the State may notify the Lessee in writing to drill an offset well. Within the time specified in the notice, which shall be a reasonable time, taking into account the availability, type and location of facilities required, and which in no event shall be less than one hundred-twenty (120) days from the date of the notice, the Lessee shall commence operations for the drilling of an offset well on the leased lands to the same zone as that zone from which such well is producing, or is capable of producing, oil or gas. For the purpose of this paragraph, an offset well for the production of only gas and/or gas condensate shall mean a well, the midpoint of the producing interval of which is situated at a location on the leased land not more than fourteen hundred

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eighty-nine (1489) feet from the point on the boundary of the lease nearest to the producing interval of the well to be offset. For the purpose of this paragraph, an offset well for the production of oil and gas shall mean a well, the midpoint of the producing interval of which is situated at a location in the leased lands not more than five hundred (500) feet from the point on the boundary of the lease nearest to the producing interval of the well to be offset.

6. An electric log or logs shall be made of all formations penetrated to the drilled depth of each well or to such depth as is mechanically possible. At least one oriented core or dipmeter record shall be made during the drilling of the first well to each zone if it is mechanically practicable to do so, or during the drilling of the earliest subsequent well in which it is mechanically practicable to make such core or record. True copies of all electric logs, surveys, paleontological reports, dipmeter records, oriented core records, rock core records, and all other drilling, test and production data taken by lessee or its agents shall immediately be available to the representatives of the State. State representatives also shall have ready access to all rock cores and samples which may be obtained during the drilling of each well.

7. Each well drilled landward of the ordinary high water mark shall be completed in such manner that all production equipment and facilities are recessed, covered or

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otherwise screened from view to the satisfaction of the State.

8. The State reserves the right, upon receipt of any evidence of subsidence of the surface of either the leased or adjacent lands, to determine that any or all further operations under this lease would or might cause or aggravate subsidence in or cause damage to the leased lands or other properties. In the event of such determination, the State may notify the Lessee in writing to suspend, in the manner and to the extent specified in the notice, its operations under this lease within thirty (30) days of the notice, and the Lessee shall suspend its operations within the time, in the manner and to the extent specified.

Exercise of either or both of the foregoing rights by the State is subject to the following:

(a) The determination may be made by the State at any time during the term of this lease but only at a meeting of the State Lands Commission at least thirty (30) days after written notice to Lessee that the State has received evidence of subsidence and proposes to determine whether any or all further operations under this lease would or might cause or aggravate subsidence in or cause damage to the leased lands or other properties. At this meeting, Lessee may present facts and arguments relevant to such determination.

(b) At least thirty (30) days prior to the

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meeting, the State, to the best of its ability and to the extent permitted by law, shall make available to the Lessee for study, any written or graphic information or opinions received by or prepared for the State relative to subsidence of the surface of the leased and adjacent lands.

(c) Operations under this lease that have been suspended pursuant to this paragraph 8 may be resumed by the Lessee only in the manner and to the extent provided and subject to conditions contained in a program designed to alleviate or prevent further subsidence that has been agreed to by the State and the Lessee.

(d) Notwithstanding any agreement by the State to any such program, the State, upon receipt of evidence of further subsidence occurring after the resumption of operations under such program, may notify the Lessee again to suspend operations in accordance with the provisions of this paragraph, and Lessee shall so suspend operations.

During any period of suspension pursuant to this paragraph 8, the drilling, offset and production obligations of Lessee shall likewise be suspended only to the extent that the performance of such drilling, offset and production obligations is rendered impracticable or unreasonable as a result of the notice to suspend issued by the State pursuant to this paragraph 8.

The rights reserved by the State under this paragraph 8 shall be exercisable to the extent that such exercise is permitted by law.

EXHIBIT "D"

SPECIAL OPERATING REQUIREMENTS

1. SUBSEA COMPLETIONS

In preparing a development plan, the Lessee shall give the same consideration to the use of subsea completions as it does to fixed platforms. When approving a development plan, the State may require the use of subsea completions in those cases where it determines that economics, technical feasibility, environmental impacts, compatibility with commercial fishing operations and the religious beliefs of Native Americans, considered together rather than separately, indicate that subsea completions would be preferable to fixed platforms. When subsea completions are used, the Lessee shall promptly prepare and continually update maps showing the exact location of every subsea installation and shall make such maps available to commercial fisherman and other members of the public.

2. PIPELINE FEASIBILITY

(a) Pipelines will be required by the State for the transportation of produced oil, gas and other hydrocarbons if pipeline rights-of-way can be obtained and the State, acting upon information supplied by affected parties and responsible governmental agencies, determines that the laying of pipelines is economically and technologically feasible and environmentally preferable to other methods of transportation. The State reserves the

right to require the placement of any pipeline in certain designated pipeline corridors.

(b) Following the completion of a pipeline, no hydrocarbons produced from the leased lands shall be transported by surface vessel from offshore production sites, except in cases of emergency as determined by the State.

(c) Where the criteria in subparagraph (a) above are not met and surface transportation must be employed, all vessels used for transporting produced hydrocarbons shall conform with all standards established for such vessels under the Port and Tanker Safety Act of 1978 (33 U.S.C. sections 1221 et seq.).

(d) The State shall not approve any development or production plan which proposes the use of tankers or barges to transport produced hydrocarbons unless the Lessee, in cooperation with the State, has performed a study which demonstrates to the satisfaction of the State that a pipeline cannot meet the criteria in subparagraph (a) above.

(e) If the State determines that a pipeline cannot meet the criteria in subparagraph (a) above, the Lessee shall use the safest available transport vessels. The use of oil barges will be permitted only if the Lessee demonstrates to the satisfaction of the State that barging is environmentally preferable to tankering.

3. POTENTIAL GEOHAZARDS

Drilling operations shall not be conducted and seafloor wellheads and fixed structures for the production, transportation or storage of oil, gas or other hydrocarbons shall not be placed within geologically unstable portions of the leased lands such as potentially unstable sediments, areas of mass movement, submarine canyons or channels, shallow gas zones and areas near active faulting or surface ruptures unless the Lessee has demonstrated to the satisfaction of the State that such operations can be conducted and such wellheads and such structures can be designed and placed so as to withstand the maximum probable effects of the identified geohazards. Site-specific surveys shall be conducted prior to exploration and development operations to determine the potential for unstable bottom conditions and other geologic hazards. Extension of these surveys outside the leased lands may be required where necessary to evaluate the magnitude and significance of the hazard. All potentially unstable areas, including fault zones, must be mapped before any seafloor wellheads or fixed structures are installed. The State may require site-specific soil testing before exploration and development operations are allowed.

4. MANDATORY BIOLOGICAL AND MARINE MAMMAL SURVEYS

(a) Prior to the commencement of any drilling operations and prior to the commencement of construction

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or placement of any structure, including pipelines, on the leased lands, the Lessee shall conduct site-specific biological and marine mammal surveys as specified by the State after consulting with the Department of Fish and Game, the United States Fish and Wildlife Service, the Minerals Management Service and the National Marine Fisheries Service. The site-specific biological and marine mammal surveys shall determine whether the site contains areas of special biological significance that may be adversely affected, either directly or indirectly, by drilling operations or the placement of structures on the leased lands. The surveys shall also determine whether adjacent areas of special biological significance may be similarly affected. Areas of special biological significance include, but are not limited to: (1) existing or potential critical habitats for rare, threatened or endangered species, including but not limited to the California sea otter and the California gray whale; (2) areas used by rare, threatened or endangered species for breeding or migration; (3) areas containing very unusual or rare ecosystems or ecotones; (4) areas with large numbers or high diversity of species; and (5) areas containing species of limited regional distribution due to natural range or significantly reduced populations.

(b) The biological surveys shall include a characterization of (1) the area within a one (1) kilometer

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radius of the development site (or within three hundred (300) meters of pipelines) and (2) areas potentially affected by the development by on-site observations of a marine biologist using a submersible device for deep water or scuba equipment for shallow water. A remote camera survey (video and/or film) may suffice in soft bottom areas. Observations shall be accompanied by photodocumentation and the taking of samples. Box core samples shall be taken on soft bottoms. Rocks, portions of rocks or organisms living on rocks shall be taken from hard bottoms. Sampling and observations shall be most intense within three hundred (300) meters of the development site and within one hundred (100) meters of pipelines. Sample species collected shall be identified to the lowest possible taxonomic level.

(c) The marine mammal surveys shall be performed by a qualified mammalogist and shall consist of systematic observations which accurately describe mammal occurrences in and uses of the project area, including an on-site census and behavioral observations of feeding, breeding and migration. The surveys shall also indicate the relationship of project area observations to known data on sea otter and other marine mammal population, size, dynamics, structure and movements in adjacent, present or potential habitats.

(d) If the results of site-specific biological and marine mammal surveys show the existence of a special

biological resource that may be adversely affected by lease operations, the Lessee shall (1) pursue feasible alternatives which will not have a significant adverse effect upon the resource identified or employ mitigation measures, (2) establish through submissions to the State of such documents as an oil spill contingency plan and critical operation and curtailment plan, that operations will not have a significant adverse effect upon the resource identified, or (3) establish that it is in the best interests of the State to permit the project even though no feasible alternatives or mitigation measures exist. The State will review all data submitted and after consultation with the Department of Fish and Game, the United States Fish and Wildlife Service and the National Marine Fisheries Service and preparation of a project specific environmental impact report, will determine in writing whether a special biological resource exists and whether it may be significantly affected by lease operations. No lease operations may be commenced until the State has approved the project and has given the Lessee written directions on how to proceed and the Lessee has obtained all necessary governmental approvals and permits. Any mitigation measures provided in the State's written directive shall be based on laws and regulations of the State governing offshore oil and gas activities on State lands and shall be made in consultation with the Department of Fish and Game, the

United States Fish and Wildlife Service and the National Marine Fisheries Service.

(e) If any area of biologically significant resources should be endangered during the conduct of any lease operations, the Lessee shall immediately report such occurrence to the State and take every reasonable effort to protect the resource.

5. FISHERIES TRAINING PROGRAM

The Lessee shall include in its exploration and development plans a proposed fisheries training program. The training program shall be subject to approval by the State after consultation with the Department of Fish and Game and the National Marine Fisheries Service. The training program shall be for the personnel involved in operating vessels used in carrying out lease operations and platform and shore-based supervisors. The purpose of the training program shall be to familiarize persons working on the leased lands of the value of the commercial fishing industry, methods of offshore fishing operations and potential hazards, conflicts and impacts resulting from offshore oil and gas activities. The training program shall be formulated and implemented by qualified instructors.

6. SUSPENSION OF OPERATIONS AND EVACUATION OF AND SHELTER FOR PERSONNEL

(a) Before the Lessee operates or causes to be operated on its behalf boat or aircraft traffic into

individual, designated warning areas, the Lessee shall coordinate and comply with instructions from the Commander, Western Space and Missile Center (WSMC) or other appropriate military agency. Such control and instruction will provide for positive control of boats and aircraft operating in the warning areas at all times.

(b) Recognizing that mineral exploration, exploitation and recovery operations on the leased lands can impede tactical military operations, the Lessee acknowledges and agrees that the United States reserves and has the right to suspend temporarily lease operations in the interest of national security requirements. Such temporary suspension of operations, including the evacuation of personnel and appropriate sheltering of personnel not evacuated (an appropriate shelter shall mean the protection of all personnel engaged in operations on the lease for the duration of any Department of Defense activity from flying or falling objects or substances), will become effective upon the order of the Commander, WSMC, other appropriate military agency or higher authority when national security interests necessitate such action. Any temporary suspension of operations for national security may not exceed seventy two (72) hours, provided that any such suspension may be extended by order of the appropriate authority. Equipment may remain in place during periods of suspension.

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(c) The Lessee shall control its own electromagnetic emissions and those of its agents, employees, invitees, independent contractors and subcontractors emanating from individual, designated defense warning areas in accordance with requirements specified by the Commander, WSMC or other appropriate military agency, to the degree necessary to prevent damage to, or unacceptable interference with, Department of Defense flight, testing or operational activities conducted within individual, designated warning areas. Necessary monitoring, control and coordination with the Lessee, its agents, employees, invitees, independent contractors and subcontractors, will be effected by the Commander of the appropriate onshore military installation conducting operations in the particular warning area, provided that control of such electromagnetic emissions shall permit at least one (1) continuous channel of communication between the Lessee, its agents, employees, invitees, independent contractors or subcontractors, and onshore facilities.

7. ASSUMPTION OF RISK AND HOLD HARMLESS

Whether or not compensation for damage or injury might be due under a theory of strict or absolute liability or otherwise, the Lessee assumes all risks of injury or damage to persons or property which occurs in, on or above the leased lands to any person or any property of any person who is an agent, employee or invitee of the

Lessee, or its agents, independent contractors or subcontractors, in connection with any activities being performed by or for the Lessee in, on or above the leased lands, if such injury or damage to such person or property occurs by reason of the activities of an agency of the United States, its contractors or subcontractors, or any of their officers, agents or employees, being conducted as a part of, or in connection with, the programs and activities of the WSMC or other appropriate military agency.

Notwithstanding any limitations of the Lessee's liability in this lease, the Lessee assumes the risk whether such injury or damage is caused in whole or in part by any act or omission, regardless of negligence or fault, of the United States, its contractors or subcontractors, or any of their officers, agents or employees. The Lessee shall indemnify and save harmless the United States against all claims for loss, damage or injury to the Lessee and to the agents, employees and invitees of the Lessee, its agents, independent contractors and subcontractors, in connection with the programs and activities of the aforementioned military installations and agencies, whether the same be caused in whole or in part by the negligence or fault of the United States, its contractors or subcontractors, or any of their officers, agents or employees, and whether such claims might be sustained under theories of strict or absolute liability or otherwise.

3. LABOR REQUIREMENT

(a) During exploration, development and production activities on the leased lands, all vessels, rigs, platforms and other vehicles or structures under the control of the Lessee must be manned by citizens of the United States or aliens lawfully admitted to the United States for permanent residence.

(b) The requirements of subparagraph (a) do not apply if the Lessee files with the State and the Department of Industrial Relations a report, deemed adequate by these agencies, showing that there is an insufficient number of qualified citizens of the United States, or aliens lawfully admitted to the United States for permanent residence, available for such work.

EXHIBIT C

The following findings relate to each of the potential significant effects identified in the environmental impact report prepared for the project:

WATER QUALITY

Impact: Minor degradation of water quality in the project area from the ocean disposal of sanitary sewage and produced water, as well as barge pollution, small spills and other inputs

Finding:

a) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR.

b) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. (Regional Water Quality Control Board, Central Coast Region.) Such changes have been adopted by such other agency, or can and should be adopted by such other agency.

Facts Supporting Finding:

Oil and gas operations in the proposed lease area will result in several water quality impacts to the marine environment from daily operations in the area. These discharges could result from drilling vessels, supply and support vessels, and production platforms and appurtenant structures. These impacts will be most pronounced within a few hundred meters of the discharge point. Outside of this zone of mixing, no difference from ambient conditions is anticipated to be detected.

The Regional Water Quality Control Board, Central Coast Region, has jurisdiction and responsibility over all discharges into the waters of the State of California in the proposed lease area. (Division 7 of the Water Code.) The authority of the Board also extends to the administration of regulations under the Federal Clean Water Act. A copy of a National Pollution Discharge Elimination System (NPDES) permit for oil and gas operations in state waters is located in Appendix C to the final EIR.

The State Regional Water Quality Control Board enforces strict regulations on discharges into the marine environment. As such, all drilling vessels, production platforms, and other dischargers of sewage maintain on board sewage treatment facilities. Discharge standards are set by

the Regional Water Quality Control Board, and discharges must be sampled periodically to determine they are within the specified standards. Prohibitions and limitations contained in a typical discharge permit are given in section 4.4.2.1 of the final EIR.

The proposed leases require the lessee to ". . . abide by all measures designed to mitigate the environmental impacts of its operations under this lease set forth in site-specific environmental studies, including EIRs completed prior to the consideration and approval of exploratory and development activities." (See proposed lease paragraph 10, Royalty Lease and paragraph 11, Net Profits Lease).

The proposed lease also requires that the lessee comply with all regulations administered and permit conditions imposed by the Regional Water Quality Control Board regarding the project. (See proposed lease paragraph 10, Royalty Lease and paragraph 11, Net Profits Lease.)

The measures summarized above will mitigate the identified water quality effects to a substantial extent. However, certain effects may remain.

Oil exploration activities did occur near Point Conception during the late 1950's and early 1960's. The

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proposed lease area is relatively pristine and unaffected by oil and gas development to date. As such, the activities resulting from the proposed project may result in localized increases in the oxygen demand, nutrients, residual chlorine, and, in addition, some light attenuation will occur from the discharge of treated sewage. Other pollutants, i.e., small spills, metal ions from bilge, will have localized impacts as well.

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AIR QUALITY

Impacts:

Minor increases in short-term air pollutant concentrations are projected during light, southeast winds. Specifically, under worst conditions:

- a) SO₂ would slightly exceed the 3-hour average significant level (25 ug/m³) and reach 14 percent of the 1-hour State standard.
- b) total suspended particulates would reach 15 to 45 percent of the 24-hour State standard;
- c) NO₂ would reach 57 percent of the 1-hour State standard.

Finding:

a) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR.

b) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding (Santa Barbara Air Pollution Control District and the California Air Resources Board).

Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Facts Supporting Finding:

For the purposes of the EIR, worst-case emissions for NO_x, SO₂ and TSP were estimated by analyzing four types of facilities used in petroleum operations. The selected facilities include a nearshore production platform with a supply boat along side; a derrick barge in the process of installing a platform, and three tugboats associated with it; an offshore processing facility for both oil and gas; and a tanker-maneuvering operation typically involved when loading is to be undertaken. These four operation scenarios were analyzed using standard modeling techniques to determine the worst-case short-term air emissions occurring from the proposed lease sale area.

The values produced through this analysis peak at the shore or 1 to 2 kilometers offshore. The predicted increases in short-term concentrations constitute only minor increases in existing ambient onshore conditions. According to the Air Resources Board, ambient air standards now occasionally violate federal and/or state ozone and particulate standards.

Jurisdiction and regulatory authority over air quality in the proposed lease area resides with the Santa

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Barbara Air Pollution Control District and the Air Resources Board. The District has and enforces rules and regulations applicable to oil and gas projects in the waters of the State of California. These rules and regulations require the use of best available control technology, trade-offs of emissions where standards are violated, and other applicable measures.

The EIR identifies several potential mitigation measures that these agencies should consider. These include:

- a) the use of craft and machinery with emission controls;
- b) the use of low-nitrogen/sulfur fuel, and
- c) lowering peak power use to the extent practicable.

The lease proposed to the Commission includes a condition that all federal, state and local requirements regarding air quality control applicable to this project be complied with. (See lease form, paragraph 10, Royalty Lease and paragraph 11, Net Profits Lease) This provision will serve to mitigate the air quality impacts otherwise associated with this project.

As identified in the EIR and several public comments, a major source of air pollution generated by petroleum

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operations in the project area would be tanker transportation of oil from offshore drilling facilities to receiving points. The required use of oil pipelines in lieu of tanker transportation would mitigate substantially these air quality impacts. Proposed lease stipulation no. 2 requires the pipeline transportation option, if prescribed conditions are met.

Under the worst case conditions analyzed in the EIR, certain pollutant concentrations still significantly increased during some meteorological conditions. However, only minor changes to existing onshore ambient conditions would result.

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MARINE BIOTA

Impact:

Disruption of benthic communities by anchors, pipelines, wells, platforms and other activities which might affect the bottom.

Finding:

Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR.

Facts Supporting Finding:

Impacts to benthic communities result primarily from the burial, removal or displacement of marine organisms in adjacent areas. Drilling platforms typically displace 7 square meters for a 6 jacket leg configuration and 18 square meters for a 12 jacket leg configuration. Subsea completion systems typically occupy 13 to 21 square meters of bottom area. Along pipeline corridors, 15 meters on each side of the installed pipeline are typically disturbed. Other disturbances can occur from anchoring drilling vessels and also from work barges that disturb 6970 to 7430 square meters of bottom area.

The Characterization of Marine Biota completed in connection with the leasing proposal documents the diversity and sensitivity of marine organisms inhabiting the project area. Any future oil exploration and production activities must be performed in a manner that minimizes adverse impacts on the marine community. Accordingly, the lease form proposed to the Commission contains a detailed stipulation that requires site-specific biological surveys of all proposed specific project areas in the marine environment. (See stipulation no. 5 to proposed lease form.) A separate stipulation requires special year-long biological inventories of the proposed lease area, under the direction of the California Department of Fish and Game, to determine the chronic effect of oil and gas dispersants on marine biota. (See stipulation no. 12 to proposed lease form in this calendar item.) Under the lease, site-specific environmental impact reports for both exploration and development activities are also required. Particular mitigation measures for site-specific activities will be developed in those future EIRs in response to information gleaned from the site-specific biological surveys. These potential mitigation measures, to be considered as conditions for approval for the site-specific proposals, include:

- 1) Use of turbidity-reducing and seafloor disturbance reducing construction methods would lower some impacts.

2) If found at a specific site, benthic populations unique to the area of disturbances will be avoided or organisms shall be transplanted to another area.

3) The additional mitigation measures identified in proposed lease stipulation no. 5.

WATER QUALITY

Impact:

Localized, short-term degradation of water quality from the discharge of drilling muds and cuttings into the marine environment, by increasing trace metal concentrations and increasing turbidity.

Finding:

- a) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR;
- b) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. (Regional Water Quality Control Board, Central Coast Region) Such changes have been adopted by such other agency, or can and should be adopted by such other agency.

Facts Supporting Finding:

The proposed project is the leasing of tide and submerged lands. Site specific environmental impact reports for both exploration and development activities will be required under the lease. Site specific biological surveys

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will also be required. (See proposed lease stipulation no. 5.) Mitigation measures for site specific activities will be developed in conjunction with those site specific environmental impact analyses and will become conditions for approval for site-specific drilling proposals.

There is currently a large volume of research information regarding the methods of disposal used for drilling muds and cuttings, their physical behavior in a variety of oceanographic environments etc., and their impacts on marine organisms. With few exceptions, however, few of such studies have been done in southern California waters and none have been done on site in the Santa Barbara Channel area where existing oil and gas exploratory and development activities are presently concentrated. In addition, there have been few, if any, studies to test the toxicities of drill muds or drill mud components on southern California marine organisms.

Various parties in this proceeding have emphasized that comprehensive studies on the effects of drilling muds and cuttings on water quality and the marine environment are currently underway. These studies are expected to go far in resolving present uncertainties.

For example, the Central Coast District Water Quality Control Board has initiated action to investigate the impacts of disposing drilling muds and cuttings on the marine environment in this general area. The scope of this project, initiated in early 1982, has been the subject of considerable debate.

The Board's September 10, 1982 decision to require monitoring of muds and cuttings disposal at all exploratory well sites has been appealed to the State Water Resources Board. That appeal is still pending at this time. (For a more detailed discussion of the procedural history of this matter, see the staff report in Exhibit "B".)

Additionally, a comprehensive study of drilling muds and cuttings has been commissioned under the auspices of the National Academy of Sciences. The N.A.S., through its Marine Board of the National Research Council, has established a panel on Assessment of Fates and Effects of Drilling Muds and Cuttings in the Marine Environment. The panel is composed of 13 members representing industry and academia and is expected to publish its report at the end of Summer 1983.

Specifically, the panel is conducting a "critical appraisal of reports that synthesize the abundant technical

literature concerning the fates and effects of drilling fluids and cuttings on the U.S. Outer Continental Shelf and what needs to be established to support resource decision-making. The applicability of research and studies to the marine environment will be assessed, as will the transferability of research results from site to site and in different hydrodynamic regimes. The operational implications of the fates and effects, will also be established." Many parties commenting on this project have indicated the belief that information acquired in this study will have relevance to California waters and marine life.

A third study pertinent to this lease proposal is one proposed for the Point Conception/Point Arguello area by the University of Southern California. The study, presented to the Nation Science Foundation, will investigate the identified "upwelling" of currents in the area. This upwelling is thought to contribute to the abundant marine food supply. In brief, the study will attempt to "understand the relationship between circulation and plankton processes that lead to persistent upwelling structures." As proposed, the study will run through 1985, but some preliminary information should be developed by December 1983. Again, various commentators have suggested that this work will further assist the analyses of the dispersion of materials, such as muds and cuttings, in the area.

Given the fact that these pertinent studies are not yet completed, it would be premature at this time to mandate permanently any particular means of disposal. The results of this research will be available before specific well construction proposals come before the Commission for review. This information will be integrated with the site-specific EIRs and biological surveys in an effort to arrive at the most environmentally acceptable means of resolving these water quality impacts.

Depending on the information obtained from those studies, a final decision could be made to:

- a) require drilling muds and cuttings to be disposed on shore, thus eliminating this impact;
- b) permit discharge into marine environment, with appropriate mitigating conditions; or
- c) barging these materials to one or more centralized offshore disposal site(s).

At the same time, sufficient data has been presented concerning the potential harm muds and cuttings could have on the marine environment to demonstrate that care is warranted pending conclusion of the research studies summarized above. Proposed stipulation No. 10 therefore provides that until

these studies are completed and reviewed, all drilling muds and cuttings generated by the project must be disposed onshore. This will eliminate these water quality impacts in the short term, and permit any long term Commission decision on muds and cuttings disposal to be based on the best possible scientific information.

Finally, the Commission recognizes the principal role of the Central Coast District Water Quality Control Board in regulating water pollution, including drilling muds and cuttings, in the project area.

The Commission's Regulations for Oil and Gas Drilling and Production Operations on State Tide and Submerged Lands specifically provide:

"The lessee shall dispose of these drill cuttings and drilling muds associated with drilling and production well work, in accordance with regulations promulgated by the appropriate Regional Water Quality Control Board. The method employed to dispose of the drill cuttings and drilling muds shall be submitted to the Staff for approval along with the drilling mud program that is required in section 2128(d)(1)." (2 Cal.Admin.Code section 2138)

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AIR QUALITY: NO_x

Impact:

Strong NO_x point source (e.g., barge, vessel) emissions are projected to create a significant increase in peak Oxidant (O₃) episode concentrations in coastal valleys during certain meteorological (post-Santa Ana) conditions.

Finding:

(a) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR.

(b) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. (Santa Barbara Air Pollution Control District and the California Air Resources Board). Such changes have been adopted by such other agency, or can and should be adopted by such other agency.

Facts Supporting Finding:

Photochemical modeling of expected worst-case emissions from the lease area indicates that under certain meteorological conditions significant Oxidant (O₃)

concentrations may potentially occur in coastal valleys north of the project area. The primary areas would be Lompoc/Santa Ynez, Los Alamos and possibly Santa Maria Valley.

This meteorological condition would occur when an air mass from the Los Angeles basin containing substantial quantities of reactive hydrocarbon (RHC) moves parallel to the coast, passing over federal OCS tracts and the lease area. NO_x emissions from the federal OCS tracts and State leases may combine with RHC in a photochemical reaction and cause significant increases in oxidant in those coastal valleys.

Jurisdiction and regulatory authority over air quality in the proposed lease area resides with the Santa Barbara Air Pollution Control District and, indirectly, the California Air Resources Board. The District enforces rules and regulations applicable to oil and gas projects in the waters of the State of California. These rules and regulations require the use of best available control technology, trade-offs of emissions where standards are violated, and other applicable measures.

There are several potential mitigation measures applicable to the project that these agencies should consider. First, approved site-specific air quality modeling studies should be performed. These may demonstrate that such impacts

would not in fact occur. Alternatively, during the described meteorological conditions described above, operation of strong NO_x emission sources should be curtailed. These measures should be approved by the Santa Barbara Air Pollution Control District and the California Air Resources Board.

Due to the cumulative nature of these pollutants, O₃ episode peak concentrations may persist, irrespective of conditions on the State project area, unless NO_x emissions are also curtailed on federal OCS tracts and other sources in the region.

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MARINE BIOTA:COMMERCIAL FISHING/GEOPHYSICAL EXPLORATION

Impact:

Geophysical exploration done in conjunction with exploratory well drilling may cause conflicts with fishermen due to gear damage, vessel conflicts and dispersal of fish from fishing grounds.

Finding:

Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR.

Facts Supporting Finding:

Vessels used in geophysical exploration trail long cables used to record sounds emanating from the noise source aboard the boat. These cables, sometimes over one mile long, can get caught in fishing gear. This in turn can result in lost crab/or lobster traps, net damage and lost time and area for fishing.

To mitigate this impact, the Commission has implemented and will continue to enforce a permit system for seismic activities affecting State lands which include

"Notification Procedures for the Conduct of Geophysical Surveys
and Geological Surveys on State Lands"

These procedures, adopted by the Commission on August 26, 1982, require advance notification to fishermen by all geophysical vessel operators. Among other things, notification provides a map of proposed operations, proposed dates of activity, types of equipment and use, and a contact person for further information. The intent of these measures is to reduce conflict by notifying fishermen so that gear in place can be moved or, alternatively, that the seismic operator can learn of the gear's presence so that conflicts and damage may be avoided.

In the event damage to fishing gear does occur, the Commission procedures provide for compensation to fishermen.

(Copies of these Notification Procedures are on file at the offices of the State Lands Commission. The provisions thereof are incorporated herein by reference.)

A permit mandated under these procedures shall be required for any geophysical activities conducted by or on behalf of potential lessees. With these measures in place, the impacts to the commercial fishermen from geophysical exploration activities are reduced considerably.

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MARINE BIOTA :DISPOSAL OF DRILLING MUDS AND CUTTINGS

Impact:

Ocean disposal of drilling muds and cuttings will cause adverse impacts on marine organisms by turbidity, alteration of sediments and potential toxicity to marine biota of chemicals in drill muds. Some dispersion and dilution through circulation will occur.

Finding:

(a) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR;

(b) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. (Regional Water Quality Control Board) Such changes have been adopted by such other agency or can and should be adopted by such other agency.

Facts Supporting Finding:

The ocean disposal of drill muds and cuttings may have several different kinds of potential impacts on benthic (sea floor) organisms. Those living in the immediate area of

the platform or exploratory drilling area would be buried. Discharge of muds would also increase turbidity, thereby reducing light. These activities could lead to a localized change in the ocean floor.

In addition to the physical impacts, there is a possibility that some of the substances used in drilling muds could be toxic to benthic organisms; accumulation of drilling mud components in food chains is another possibility.

The Commission has completed a major survey of the marine biota within the project area. That survey demonstrates the diversity and sensitivity of marine organisms in the project area. The information obtained from this survey is a necessary first step in determining the appropriate means of disposal and avoidance of specific sensitive areas.

Individual, site specific EIRs will be done prior to the consideration of future exploration and production projects in the lease sale areas. The proposed lease also requires the lessee to abide by mitigation developed in such studies to respond to stated significant environmental impacts. A stipulation to all leases further requires that a site-specific biological survey be performed before any drilling activity takes place. (See stipulation no. 5.) These will identify

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specific areas of biological significance. Furthermore, these measures will further an informed decision on the final disposal method to be made by the Commission and responsible agencies so that appropriate balancing of the different environmental impacts can be achieved.

As noted above, several academic and governmental studies are currently underway on the effects of drilling muds and cuttings on the marine environment. (See discussion under Water Quality at pp 37, above.)

Depending on the information obtained from those studies, a decision could be made to:

- (a) require drilling muds and cuttings to be disposed onshore, thus eliminating this impact;
- (b) permit discharge into marine environment, with appropriate mitigating conditions; or
- (c) barging these materials to one or more centralized offshore disposal site(s).

See discussion in Water Quality, p. 37 herein.

At the same time, sufficient data has been presented concerning the potential harm muds and cuttings could have on the marine environment to demonstrate that care is warranted pending

conclusion of the research studies summarized above. Proposed stipulation No. 10 therefore provides that until these studies are completed and reviewed, all drilling muds and cuttings generated by the project must be disposed onshore. This will eliminate these water quality impacts in the short term, and permit any long term Commission decision on muds and cuttings disposal to be based on the best possible scientific information.

The Commission recognizes the principal role of the Central Coast District Water Quality Control Board in regulating the effects of drilling muds and cuttings on marine biota in the project area. The Commission's Regulations for Oil and Gas Drilling and Production Operations on State Tide and Submerged Lands specifically provide:

"The lessee shall dispose of these drill cuttings and drilling muds associated with drilling and production well work, in accordance with regulations promulgated by the appropriate Regional Water Quality Control Board. The method employed to dispose of the drill cuttings and drilling muds shall be submitted to the staff for approval along with the drilling mud program that is required in Section 2128(d)(1)." (2 Cal. Admin. Code section 2138)

Finally, the lease contains a provision that any ocean disposal of drilling cuttings and muds be performed in

strict compliance with all federal, state and local laws and requirements relating to water quality. (See proposed lease, paragraph 10, Royalty Lease and paragraph 11, Net Profits Lease.)

MARINE BIOTA: INJURY TO ANIMALS DUE TO BLASTING

Impact:

Possible injury to marine birds or marine mammals, including some protected species, by blasting in hard substrate for pipeline construction.

Finding:

(a) Changes or alterations have been required in, or incorporated into, the project which mitigate or avoid the significant environmental effects thereof as identified in the final EIR.

Facts Supporting Finding:

Blasting, such as may be required to bury subsea pipelines in bedrock, can pose a threat to marine birds and mammals, including some rare and endangered species. Death or permanent hearing and balance disorders could result to birds which are too close to the blasting area. Marine mammals, such as seals, sea lions and even possibly a gray whale, can conceivably be killed by underwater blasts. The proposed lease forms contain a provision to require site specific EIRs prior to any exploratory or production-related construction activities. The lease also requires compliance by the lessee with all mitigation measures developed as a result of the site-specific environmental review. Stipulation 2, as proposed, also provides: "The State reserves the right to

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