MINUTE ITEM
This Calendar Item No. 43
was approved as Minute Item
No. 43 by the State Lands
Commission by a vote of 3
to 0 at its 4-28-93
meeting.

MINUTE ITEM

43

WP 5107
04/28/93
Jones

AMENDMENT OF GENERAL LEASE — RIGHT-OF-WAY USE

Calendar Item 43 was moved from Regular Calendar to Consent Calendar.

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CALENDAR PAGE
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CALENDAR ITEM

43

A 8

S 2, 4, 5

04/28/93
WP 5107
Jones
PRC 5107

AMENDMENT OF GENERAL LEASE - RIGHT-OF-WAY USE

APPLICANT:
Shell Western E & P Inc.
P. O. Box 11164
Bakersfield, California 93389

AREA, TYPE LAND AND LOCATION:
10.901 acres of submerged sovereign land, in Sacramento, Yolo, Contra Costa and Solano Counties.

LAND USE:
Industrial, natural gas pipeline for the installation, use and maintenance of a gas pipeline from Sacramento to the Shell Oil Company refinery in Martinez.

TERMS OF ORIGINAL PERMIT:

Initial period:
Fifteen (15) years beginning April 1, 1976.

Renewal Options:
Two (2) successive periods of Ten (10) years each.

Surety bond:
$100,000.

Public liability insurance:
$1,000,000 per occurrence for bodily injury and for property damage.

Special:
The pipeline shall be used solely for the transportation of natural gas for process feed and process fuel at Lessee's refinery in Martinez.

(REVISED 05/28/93)

Consideration:
$2,676.88 per annum; five-year rent review.

1991 RENEWAL OF LEASE:
Initial period:
Ten (10) years beginning April 1, 1991.

Surety Bond:
$100,000.

Public Liability Insurance:
$1,000,000 per occurrence for bodily injury or property damage.

Consideration:
$3,186 per annum; five-year rent review.

BASIS FOR CONSIDERATION:
Pursuant to 2 Cal. Code Regs. 2003.

APPLICANT STATUS:
Applicant is lessee of upland.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:
Filing fee and processing costs have been received.

STATUTORY AND OTHER REFERENCES:
A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

AB 884:
N/A.

OTHER PERTINENT INFORMATION:
Background: Prior to the issuance of Lease PRC 5107 in 1976, negotiations between Commission staff and Shell Oil Company ensued over the designation of the pipeline as a common carrier line. It is the Commission's policy to, when appropriate, require that pipelines which cross State-owned lands be operated as a common carrier. At that time, agreement could not be reached between Shell and the Commission staff over the common carriage issue. Since Shell indicated its primary purpose in constructing the pipeline was to deliver process feed and process fuel to its Shell Martinez Refinery, the Commission approved the subject lease authorizing construction of the pipeline, with the

following restrictive provision in Section 2, paragraph 2 of the Lease:

> "Lessee covenants that the pipelines covered by this lease shall be used solely for the transportation of natural gas controlled by Lessee in the Sacramento Basin to Lessee's refinery located in Martinez, California. The gas transported through the subject pipelines will be used solely as process feed and process fuel for Lessee's Martinez Refinery."

In 1991, in accordance with its lease provisions, the Commission renewed the lease for a ten-year period, retaining the above provision.

Current Situation: Shell has now applied to the Commission to amend its lease to delete the above provision in order that it can deliver natural gas not only to its Shell Martinez Refinery, but also to refineries adjacent to the pipeline which are owned by Tosco Corporation and Chevron U.S.A., Inc., and to deliver natural gas to its facilities throughout the State for use in enhanced oil recovery. Shell believes that this expansion in authorized end users will allow the pipeline to maintain full capacity, except in rare instances when processing problems occur, such as plant shutdowns. Shell further contends that requiring the pipeline to be operated as a common carrier would provide little benefit to the public or State.

Staff of the Commission has agreed to recommend the deletion of the above-referenced Paragraph 2, Section 2. In exchange for deleting this provision, special conditions will be included in the lease. The pertinent portions of these conditions are summarized below. The full text of the amendments are on file in the office of the State Lands Commission.

a. Natural gas transported through the pipeline may only be used for the needs of the manufacturing complexes located in Contra Costa County which are presently owned by Shell Oil Company, Chevron U.S.A., Inc., and Tosco Corporation or their subsidiaries or for use in enhanced oil recovery projects in oil fields located in the State of California which are owned by Lessee or its affiliates.

b. In order to keep from shutting down producing natural gas wells in the event of temporary interruption or

reduction in the demand for natural gas resulting from occurrences that reduce the capacity of a refinery to take natural gas, Lessee may deliver displaced natural gas to Pacific Gas and Electric Company for transport or sale to third parties as determined by the above listed Companies.

c. Lessee shall submit an annual report to the Commission with information concerning daily volumes, reductions in demand, and capacity and utilization of the pipeline.

d. In the event long-term excess capacity exists in the Pipeline [long term meaning ninety (90) days or more], Lessee shall notify Lessor of such excess capacity and make such capacity available to the State to use to exchange natural gas which is owned by the State under specified conditions.

e. In the event Lessee becomes a Common Carrier pursuant to California Public Utilities Commission jurisdiction and regulation, these special conditions shall become null and void.

Shell has informed the staff of the Commission that it may have inadvertently violated the restrictions contained in Section 2 of the existing lease. Staff believes that these violations, if they occurred, were of minor impact on the interests of the State, and recommends that the Commission take no action to terminate the lease.

Shell has offered to pay $100,000 as a compromise and settlement of public trust title, and use questions with the money to be deposited into the Kapiloff Land Bank Fund pursuant to Sections 8600, et seq., of the P.R.C.

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: 14 Cal. Code Regs. 15061(b)(1).

EXHIBITS:

A. Site Map.
B. Location Map.

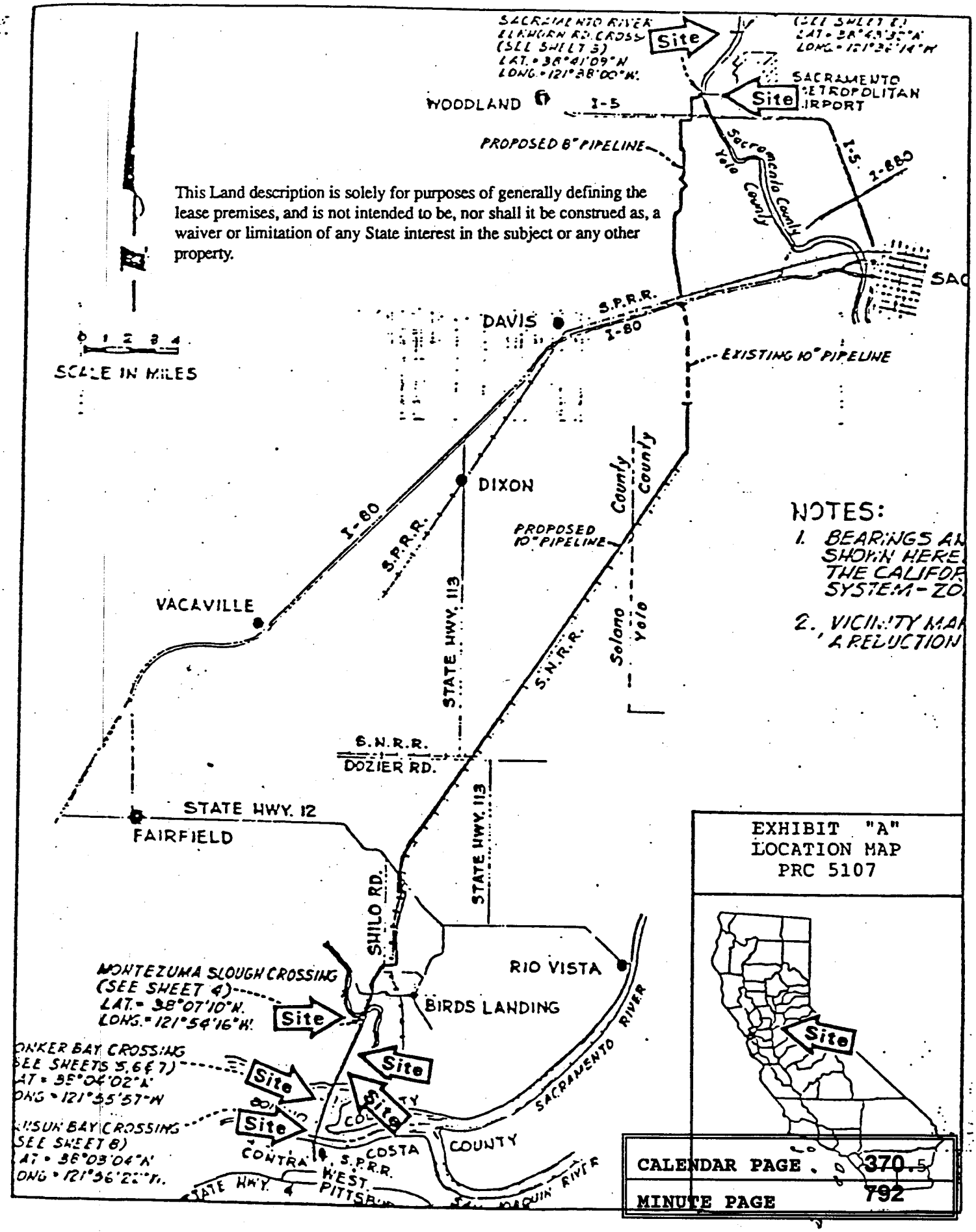
IT IS RECOMMENDED THAT THE COMMISSION:

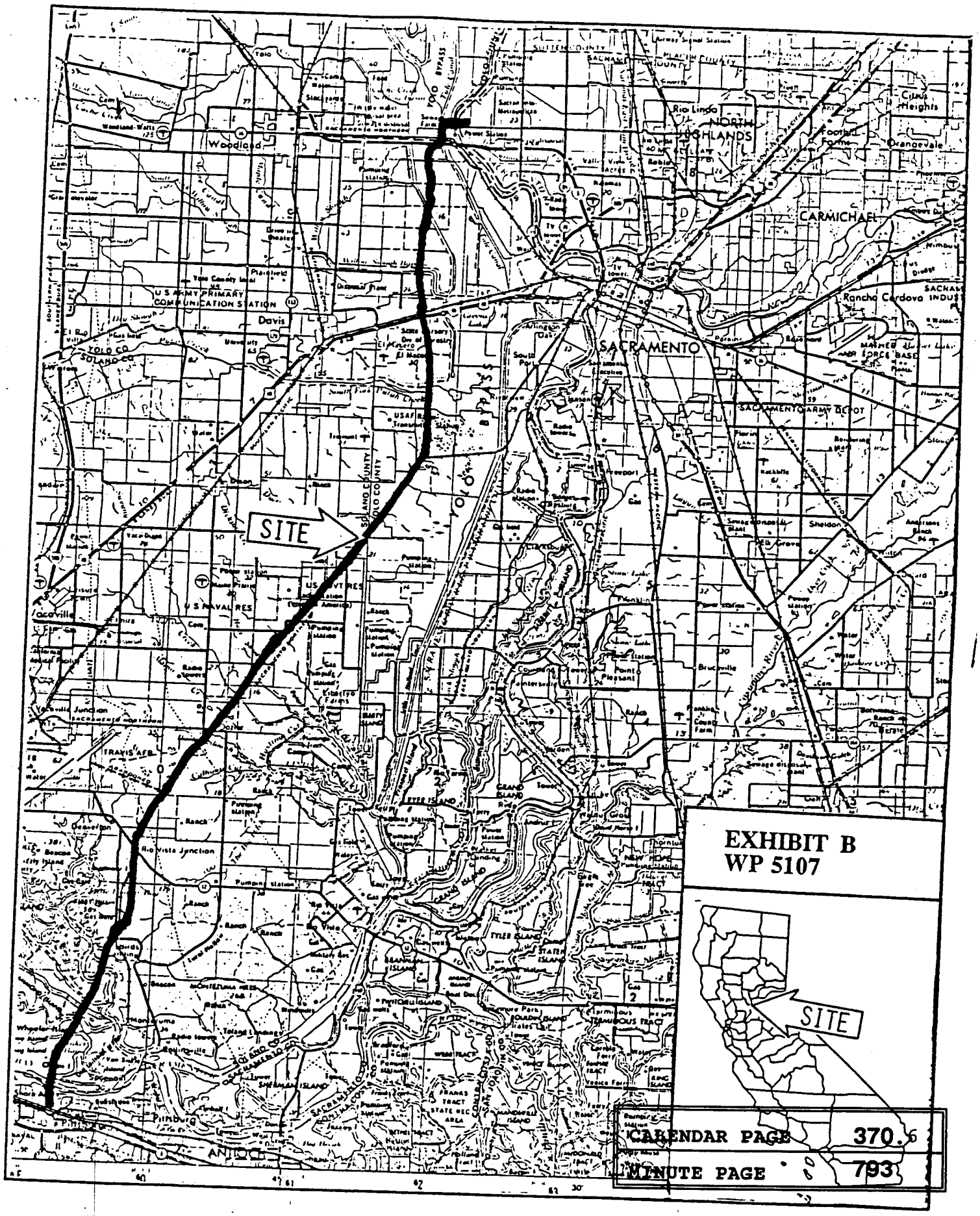
1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.

2. AUTHORIZE ISSUANCE TO SHELL WESTERN E & P INC. OF AN AMENDMENT TO TEN-YEAR GENERAL LEASE - RIGHT OF WAY USE, PRC 5107, WHICH AMENDMENT DELETES THE EXISTING SECTION 2 PARAGRAPH 2 AND REPLACES IT WITH AMENDMENTS WHICH ARE ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF; IN CONSIDERATION OF ANNUAL RENT IN THE AMOUNT OF $3,186.00, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENTAL ON EACH FIFTH ANNIVERSARY OF THE LEASE; PROVISION OF A $100,000 SURETY BOND; PROVISION OF PUBLIC LIABILITY INSURANCE IN THE AMOUNT OF $1,000,000 PER OCCURRENCE FOR BODILY INJURY AND PROPERTY DAMAGE FOR THE CONTINUED USE OF THE NATURAL GAS PIPELINE FACILITIES ON THE LAND DESCRIBED IN SAID LEASE. THE EFFECTIVE DATE OF THE LEASE IS APRIL 1, 1991. ALL OTHER TERMS AND CONDITIONS OF SAID LEASE REMAIN UNCHANGED.

3. AUTHORIZE THE COMMISSION TO WAIVE ITS RIGHT UNDER SECTION 30 OF THE LEASE TO RE-ENTER, REPOSSESS, OR TERMINATE THE LEASE FOR ANY BREACH BY LESSEE OF ANY COVENANT CONTAINED IN THE LEASE, OR FOR ANY FAILURE OF LESSEE TO OBSERVE THE TERMS, CONDITIONS, OR RESTRICTIONS CONTAINED IN THE LEASE, INSOFAR AS SUCH BREACH OR FAILURE BY LESSEE OCCURRED PRIOR TO APRIL 28, 1993 AND AGREES TO WAIVE MONETARY DAMAGES ARISING FROM SUCH BREACHES, OTHER THAN FOR ENVIRONMENTAL DAMAGES, PROPERTY DAMAGES, OR PERSONAL INJURIES.

4. ACCEPT THE DEPOSIT OF ONE HUNDRED THOUSAND DOLLARS ($100,000) INTO THE KAPILOFF LAND BANK FUND PURSUANT TO SECTIONS 8600, ET SEQ. OF THE PUBLIC RESOURCES CODE AS A COMPROMISE OF PUBLIC TRUST TITLE, AND USE QUESTIONS.


This Land description is solely for purposes of generally defining the lease premises, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.
SACRAMENTO RIVER ELKHORN RD. CROSS (SEE SHEET 3) LAT. = 38°41'09"N LONG. = 121°38'00"W.
Site
(SEE SHEET 2) LAT. = 38°43'37"N LONG. = 121°36'14"W
SACRAMENTO METROPOLITAN AIRPORT
WOODLAND
I-5
PROPOSED 8" PIPELINE
Sacramento County
Yolo County
I-5
I-880
SAC
S.P.R.R.
DAVIS
I-80
EXISTING 10" PIPELINE
SCALE IN MILES
0 1 2 3 4
DIXON
I-80
S.P.R.R.
PROPOSED 10" PIPELINE
Solano County
Yolo County
NOTES:
1. BEARINGS AR SHOWN HERE THE CALIFOR SYSTEM-ZO
2. VICINITY MAP A REDUCTION
VACAVILLE
STATE HWY. 113
S.N.R.R.
S.N.R.R.
DOZIER RD.
STATE HWY. 12
FAIRFIELD
STATE HWY. 113
SHILO RD.
RIO VISTA
MONTEZUMA SLOUGH CROSSING (SEE SHEET 4) LAT. = 38°07'10"N. LONG. = 121°54'16"W.
Site
BIRDS LANDING
ONKER BAY CROSSING SEE SHEETS 5, 6 & 7) AT = 38°04'02"N ONG = 121°55'57"W
Site
Site
Site
Site
SUISUN BAY CROSSING SEE SHEET 8) AT = 38°03'04"N ONG = 121°56'22"W.
Site
CONTRA COSTA COUNTY
S.P.R.R.
WEST PITTSBURG
STATE HWY. 4
SACRAMENTO RIVER
SAN JOAQUIN RIVER
EXHIBIT "A"
LOCATION MAP
PRC 5107
Site


SITE
Woodland
Davis
SACRAMENTO
CARMICHAEL
Rio Linda
NORTH HIGHLANDS
Orangevale
Rancho Cordovo
U S ARMY PRIMARY COMMUNICATION STATION
SACRAMENTO ARMY DEPOT
McCLELLAN AIR FORCE BASE
YOLO BYPASS
SOLANO COUNTY
YOLO COUNTY
SUTTER COUNTY
PLACER COUNTY
U S NAVAL RES
TRAVIS AFB
Vacaville
Rio Vista Junction
Pittsburg
ANTIOCH
Sheldon
Point Pleasant
Courtland
Walnut Grove
Isleton
GRAND ISLAND
TYLER ISLAND
STATEN ISLAND
BRANNAN ISLAND
SHERMAN ISLAND
MONTEZUMA HILLS
SACRAMENTO CO
CONTRA COSTA CO
SOLANO CO
YOLO CO
EXHIBIT B
WP 5107
SITE
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