

CALENDAR ITEM
C06

MINUTE ITEM
This Calendar Item No. C06
was approved as Minute Item
No. 06 by the State Lands
Commission by a vote of 3
to 0 at its 2-5-01
meeting.

A 8, 10

S 4, 5

02/05/01
PRC 8207.1
L. Burks

**APPROVAL OF AN AGREEMENT
AND CONSENT TO ENCUMBRANCING OF LEASE**

LESSEE:

Lodi Gas Storage, LLC,
a Limited Liability Company
1822 W. Kettleman Lane, Suite 3
Lodi, California 95242

SECURED PARTY-LENDER:

Newcourt Capital USA, Inc. (D/B/A CIT-Structured Finance)
1211 Avenue of the Americas, 22nd Floor
New York, New York 10036

BACKGROUND INFORMATION:

On September 19, 2000, the California State Lands Commission (CSLC) approved the issuance of a 20 year General Lease - Right of Way Use (PRC 8207.1) to Lodi Gas Storage, LLC for the installation of a directionally bored single 24-inch diameter high-pressure gas pipeline under the Mokelumne, North and South Mokelumne rivers, and Georgiana, Three Mile, Jackson and Tomato sloughs, in Sacramento and San Joaquin counties.

CURRENT SITUATION:

Lodi Gas Storage requires, and will obtain, indebtedness in the amount of \$50,000,000. pursuant to a loan agreement for the installation of improvements to be acquired, constructed, maintained, repaired or reconstructed by Lodi Gas Storage. All parties have agreed as to the form of the Agreement and Lodi Gas Storage, and the Secured Party-Lender have executed the Agreement. The terms of the loan agreement are set forth in the Agreement and Consent to Encumbrancing of Lease document, which is on file in the principal office of the CSLC.

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OTHER PERTINENT INFORMATION:

1. 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 that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

2. 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 the staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBIT:

- A. Location Map

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 THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

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.

CALENDAR ITEM NO. C06 (CONT'D)

AUTHORIZATION:

AUTHORIZE EXECUTION BY THE CALIFORNIA STATE LANDS COMMISSION'S EXECUTIVE OFFICER OF AN "AGREEMENT AND CONSENT TO ENCUMBRANCING OF LEASE" OF LESSEE'S RIGHT, TITLE AND INTEREST IN LEASE NO. PRC 8207.1 IN THE AMOUNT OF \$50,000,000, IN FAVOR OF NEWCOURT CAPITAL USA, INC., AS SECURED PARTY-LENDER.

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NO SCALE

LOCATION MAP

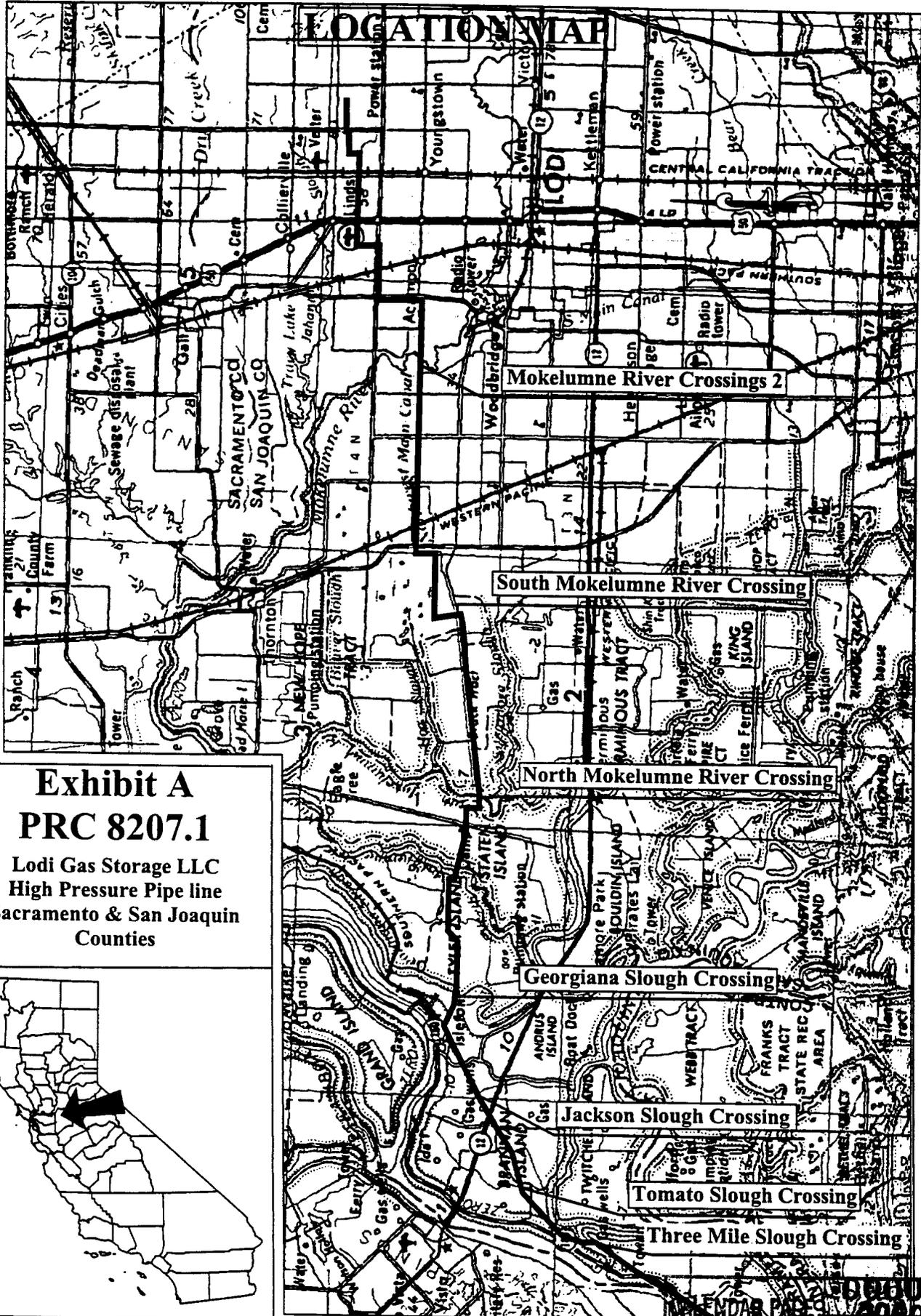


Exhibit A
PRC 8207.1
 Lodi Gas Storage LLC
 High Pressure Pipe line
 Sacramento & San Joaquin
 Counties

