MINUTE ITEM
This Calendar Item No. C40 was approved as Minute Item No. 40 by the California State Lands Commission by a vote of 3 to 0 at its 12-16-02 meeting.

CALENDAR ITEM
C40

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PRC3454

12/16/02
WP 3454.1
N. Smith

ASSIGNMENT OF LEASE

LESSEE/ASSIGNOR:

Ultramar, Inc.
Attn: Ms. Diane Sinclair
6000 N. Loop 1604 W
San Antonio, Texas 78249-1112

ASSIGNEE:

Tesoro Refining and Marketing Company
PO Box 630
Martinez, California 94553

BACKGROUND:

Ultramar Inc. currently has several leases with this office, and on May 17, 2002, Ultramar sold the Golden Eagle marine terminal (PRC 3454.1) to Tesoro Refining and Marketing Company (Tesoro). This leasehold is located in the Carquinez Strait in the city of Martinez, Contra Costa County.

Tesoro Refining and Marketing Company is a wholly owned subsidiary of Tesoro Petroleum Corporation. Tesoro Petroleum Corporation unconditionally guarantees the full performance by Tesoro Refining and Marketing Company obligations under the lease and staff has determined that they have the financial ability to carry out the terms of the lease.

This lease is presently in a holdover month-to-month tenancy. Tesoro has agreed to reimburse the Commission for completion of an environmental document for the renewal of the lease for the Golden Eagle terminal. Staff recommends conditioning approval of this assignment upon submission of an application within six months and the receipt *of* a complete application for renewal within one year. Until the Commission approves a renewal, the terms and conditions of the existing lease control during the holdover tenancy.

Lessee/Assignor will not be released from their obligations and responsibilities for performance under the covenants and conditions of this lease.

CONSIDERATION:

$66,169 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

OTHER PERTINENT INFORMATION:

1. Assignee owns the uplands adjoining the lease premises.

2. Tesoro Petroleum Corporation has provided a Guaranty for the performance of the lease obligations of its subsidiary, Tesoro Refining and Marketing Company.

3. Staff of the Commission has reviewed the financial statements for the last two years and determined Tesoro Petroleum Corporation has the means to provide financial assistance for any incidents that may occur.

4. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq., but such activity will not affect those significant lands.

5. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions 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 15060(c)(3) and 15378.

EXHIBITS:

A. Land Description - PRC 3454.1
B. Location Map
C. Guaranty

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) 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 WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON THOSE RESOURCES FOR WHICH SUCH LANDS ARE IDENTIFIED.

AUTHORIZATION:
AUTHORIZE THE ASSIGNMENT OF LEASE NO. PRC 3454.1, A GENERAL LEASE - INDUSTRIAL USE, OF SOVEREIGN LANDS DESCRIBED ON EXHIBIT A, ATTACHED, AND BY THIS REFERENCE MADE A PART HEREOF, FROM ULTRAMAR, INC. TO TESORO REFINING AND MARKETING COMPANY, EFFECTIVE MAY 17, 2002. EXECUTION OF THE ASSIGNMENT ON BEHALF OF THE COMMISSION IS CONDITIONED UPON THE SUBMISSION BY TESORO OF AN APPLICATION WITHIN SIX MONTHS, AND A COMPLETE MARINE TERMINAL LEASE APPLICATION WITHIN ONE YEAR OF THIS APPROVAL FOR THE LAST TEN-YEAR RENEWAL PERIOD OF THE EXISTING LEASE.

Exhibit A
Land Description

PRC 3454

A parcel of State owned submerged lands in Suisun Bay, Contra Costa County, California said parcel described as follows:

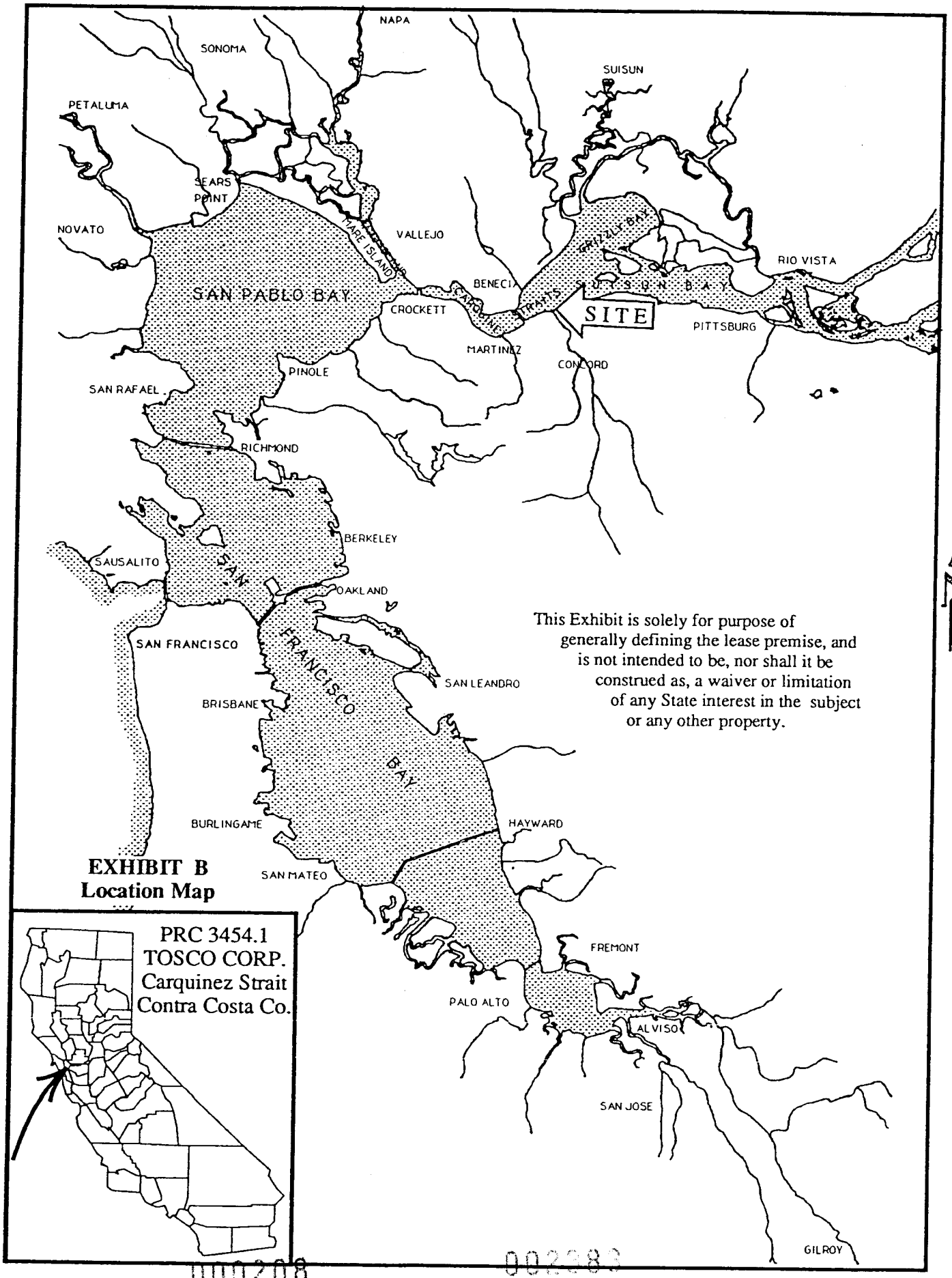
COMMENCING at a brass cap stamped "California Lands Commission - LANDS END - 1947"; thence N 22° 32' 28" E, 673.79 feet; thence S 72°06 '30" W, 661.27 feet to the **TRUE POINT OF BEGINNING**; thence the following twelve courses:

1.	N 34° 04' 15" W,	1889.52 feet;
2.	N 70° 30' 45" E,	177.70 feet;
3.	S 19° 29' 15" E,	65.00 feet;
4.	N 70° 30' 45" E,	370.00 feet;
5.	N 19° 29' 15" W,	75.00 feet;
6.	S 70° 30' 45" W,	210.00 feet;
7.	N 19° 29' 15" W,	145.00 feet;
8.	S 70° 30' 45" W,	1334.00 feet;
9.	S 19° 29' 15" E,	230.00 feet;
10.	N 70° 30' 45" E,	912.49 feet;
11.	S 34° 04' 15" E,	1809.03 feet;
12.	N 72° 06' 30" E,	104.12 feet to the true point of beginning.

Bearings and distances are based upon CCS27 Zone 3.

END OF DESCRIPTION

Revised April 1997 by SFBCC.



This Exhibit is solely for purpose of generally defining the lease premise, 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.

EXHIBIT B
Location Map

GUARANTY

For valuable consideration, the receipt of which is hereby acknowledged, Tesoro Petroleum Corporation unconditionally guarantees to the State of California, acting by and through the California State Lands Commission ("State"), the full performance by Tesoro Refining and Marketing Company of all of Tesoro Refining and Marketing Company's obligations under Leases No. PRC's 731.1, 1558.1, 2757.1, 3453.1, and 3454.1.

The rights afforded the State under this Guaranty are personal and not transferable by State.

This Guaranty shall be construed under and governed by the laws of the State of California.

Tesoro Petroleum Corporation represents and warrants that this Guaranty is a legal, valid and binding obligation of Tesoro Petroleum Corporation, enforceable against Tesoro Petroleum Corporation in accordance with its terms except as limited by bankruptcy, principles of equity or other laws of general application.

Tesoro Petroleum Corporation agrees that any amendments, modifications, alterations or changes made in the Lease covered by this guarantee or the giving by the State of any extension of time for the performance of any of the Lease terms, or the giving of any other forbearance on the part of the State or Tesoro Refining and Marketing Company, to the other, shall not in any way release Tesoro Petroleum Corporation, its successors or assigns, from any liability arising hereunder and notice to Tesoro Refining and Marketing Company of any such amendments, modifications, alterations or changes is hereby waived.

This Guaranty shall automatically terminate, except as to obligations already accrued, when 1) the Lease terminates or when the Lease has been assigned from Tesoro Refining and Marketing Company to a party approved by the State and as part of the assignment, Tesoro Refining and Marketing Company has been released from its obligations under the Leases by the State, or 2) Tesoro Petroleum Corporation sells, assigns or conveys a majority of its interest in Tesoro Refining and Marketing Corporation to an unaffiliated third party approved by the State.

IN WITNESS WHEREOF, Tesoro Petroleum Corporation has executed this Guaranty as of this 11th day of October, 2002.

TESORO PETROLEUM CORPORATION

By: S L Layman DHH

Sharon L. Layman
Vice President and Treasurer