

~~MINUTE ITEM~~
This Calendar Item No. C23 was approved as
Minute Item No. 23 by the California State Lands
Commission by a vote of 2 to 2 at its
10-22-05 meeting.

**CALENDAR ITEM
C23**

A 15,17,26

10/20/05

S 05,14,31

PRC 8639

W 26083
J. McComas

GENERAL LEASE - RIGHT OF WAY USE

APPLICANT:

ABA Energy Corporation
5700 Truxtun Avenue, Suite 225
Bakersfield, CA 93380

AREA, LAND TYPE, AND LOCATION:

0.275 acres, more or less, of tide and submerged lands in the San Joaquin River
Stockton Ship Channel/Stockton Deep Water Channel, near the city of Stockton,
San Joaquin County.

AUTHORIZED USE:

Construction, use, and maintenance of a horizontal directionally drilled, six-inch
diameter steel natural gas gathering pipeline.

LEASE TERM:

20 years, beginning October 20, 2005.

CONSIDERATION:

\$105 per annum; with the State reserving the right to fix a different rent
periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Liability Insurance:

Coverage of \$10,000,000 per each occurrence for bodily injury and
property damage.

Bond:

\$50,000.

Other:

Applicant required to submit for Commission staff's review and approval
final engineering designs and construction plans.

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OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the uplands adjoining the lease premises.
2. ABA Energy Corporation (ABA) is a natural gas exploration and production company engaged in exploring for and developing natural gas reserves in the project area. As part of these activities, ABA recently acquired a group of natural gas wells located on the north side of the San Joaquin River Stockton Ship Channel/Stockton Deep Water Channel (Stockton Ship Channel) on Rindge Tract in San Joaquin County. In order to transport production-grade natural gas from these wells to a pipeline conveying natural gas to the statewide distribution system, ABA proposes to install a natural gas pipeline between two existing gathering pipeline risers north of the Stockton Ship Channel and an existing ABA natural gas pipeline south of the Stockton Ship Channel. The proposed natural gas pipeline will be approximately 19,928 feet (3.77 miles) in length of which approximately 800 feet of the pipeline will cross lands under the jurisdiction of the Commission.
3. ABA proposes to install a welded steel 6-inch natural gas pipeline under the Stockton Ship Channel. The pipeline will be installed by the horizontal directional drilling method (HDD) with a length of approximately 800 feet and a minimum depth of 65 feet below the channel bottom. This pipeline will be designed, constructed and tested to provide a maximum operating pressure of 1,360 PSI.
4. Staff of the Commission has reviewed financial statements of ABA and has determined that ABA Energy Corporation has the financial ability to carry out the terms of the lease.
5. The CSLC has been the lead agency under the provisions of the CEQA for numerous pipeline projects that have used HDD to bore under major waterways. A specific operations plan is required for the conduct of such activities and such plans have been evaluated for their effectiveness in avoiding or reducing the level of potential impacts to the environment in the documentation prepared for each project. In brief, such documentation has concluded that potential environmental impacts would be avoided or reduced below the level of significance with the implementation of such plans. Subsequent monitoring of HDD activities by CSLC staff has contributed to the modification and improvement of subsequent plans and procedures based on actual field experience.

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An Operations Plan, based on the proposed activity in consideration of the area's site specific conditions, e.g., geology, was prepared and submitted to CSLC staff. The Applicant's plan incorporates a series of component plans to govern HDD operations, anticipate potential contingencies, and stipulate specific responses to protect the environment. Such plans include:

- HDD Abandonment Contingency Plan
- Contingency Plan for Drilling Fluid Release During HDD
- Hazardous Material Contingency Plan

In brief, such plans address drilling safety, prevention of potential spill releases of drilling fluids, spill detection and clean up, a contingency for crossing abandonment, and emergency spill response.

CSLC staff will also monitor the proposed HDD operation to ensure that the plan, as approved, will be executed properly and that the operation is completed without incident.

In addition, the Applicant must comply with CSLC's Special Pipeline Requirements prior to the start of construction. Staff's review may include, but not be limited to, geophysical investigation, engineering design, structure details of the pipeline and cathodic protection, details of safety controls and appurtenances, details of directional boring programs, equipment, construction contract specifications, contractor's work execution plan, qualified welding procedure specifications, project quality assurance and control, hydrotest information, post construction operation and maintenance program, as-builts, post construction pipeline integrity test results, and a post construction report.

Authority: Title 14, California Code of Regulations, section 15061(b)(3).

6. 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 under the general rule that the CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, that there is no possibility that this project may have a significant effect on the environment.

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7. This activity involves lands identified as possessing significant environment 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.

APPROVALS OBTAINED:

Reclamation District 2037, and Reclamation District 684.

FURTHER APPROVALS REQUIRED:

U. S. Army Corps of Engineers, U. S. Fish and Wildlife Service, NOAA Fisheries, California Department of Fish and Game, Regional Water Quality Control Board, the State Reclamation Board, and the San Joaquin Valley Air Pollution Control District

EXHIBITS:

- A. Site Map and Location Map

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 THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061(b)(3)

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:

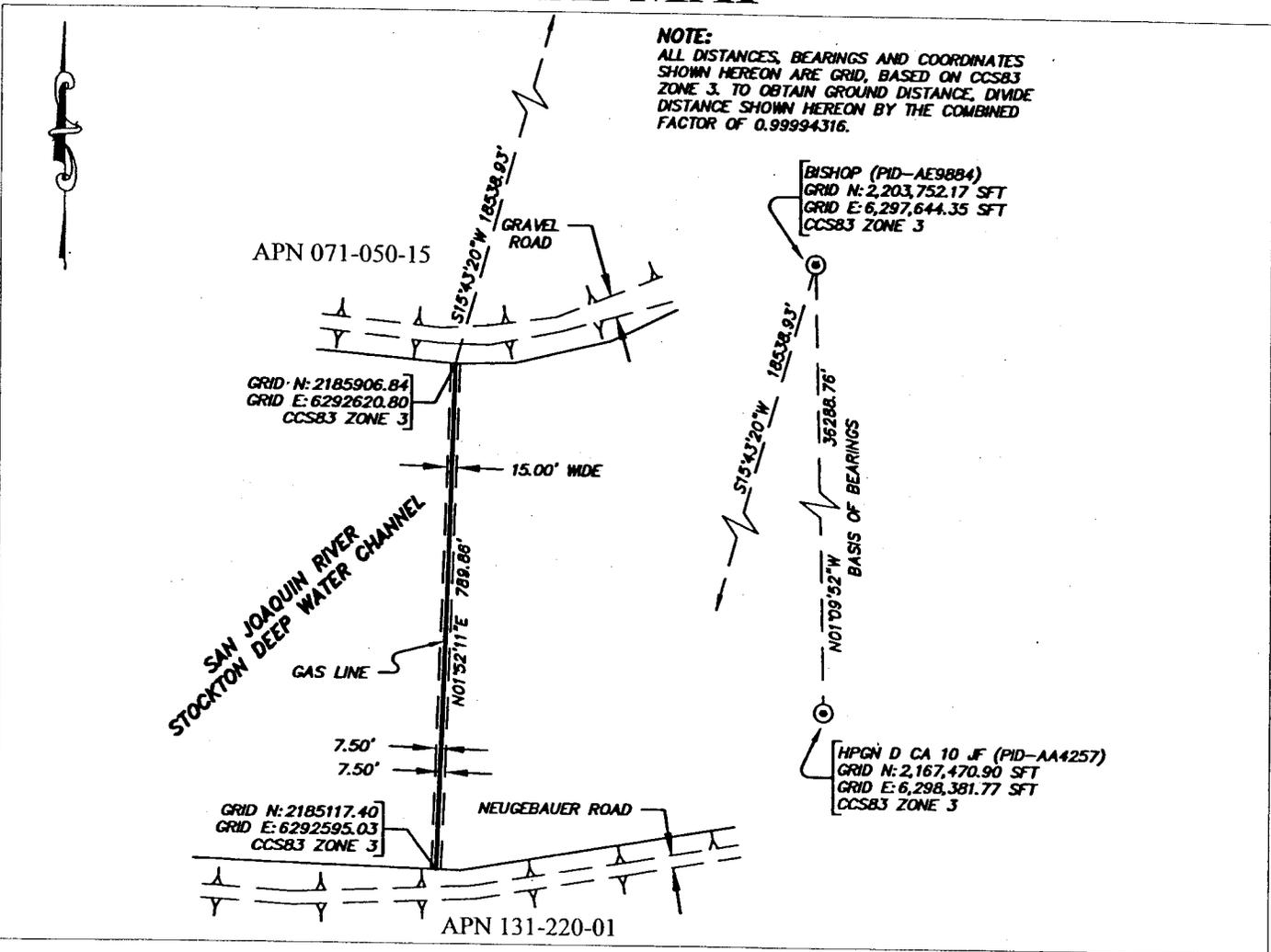
AUTHORIZE ISSUANCE TO ABA ENERGY CORPORATION OF A GENERAL LEASE – RIGHT OF WAY USE, BEGINNING OCTOBER 20, 2005, FOR A TERM OF 20 YEARS, FOR THE CONSTRUCTION, USE,

CALENDAR ITEM NO. C23 (CONT'D)

AND MAINTENANCE OF A HORIZONTAL DIRECTIONALLY DRILLED, SIX-INCH STEEL NATURAL GAS GATHERING PIPELINE AS REPRESENTED ON THE LAND SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; CONSIDERATION BEING \$105 PER ANNUM; WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; LIABILITY INSURANCE COVERAGE OF \$10,000,000 PER EACH OCCURANCE FOR BODILY INJURY AND PROPERTY DAMAGE; SURETY BOND IN THE AMOUNT OF \$50,000.

NO SCALE

SITE MAP



NO SCALE

LOCATION MAP

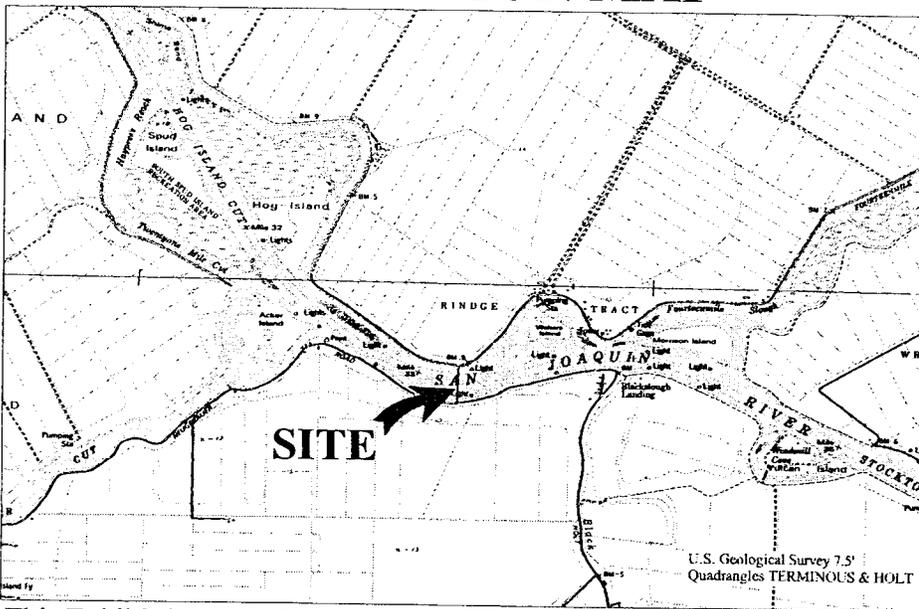


EXHIBIT A W26083

APNs 071-050-15;
and 131-220-01
ABA Energy Corporation
San Joaquin County



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by Lessee or other parties, 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.