MINUTE ITEM
This Calendar Item No. C33 was approved as Minute Item No. 33 by the California State Lands Commission by a vote of 3 to 0 at its 06/28/07 meeting.

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06/28/07
PRC 8443 WP 8443.1
J. McComas

AMENDMENT OF LEASE

LESSEE:

Wild Goose Storage, LLC
1200, 855 - 2nd Street, S.W.
Calgary, Alberta, Canada T2P 4Z5

AREA, LAND TYPE, AND LOCATION:

0.10 acres, more or less, of sovereign lands in the Sacramento River, east of the town of Delevan, Colusa County.

AUTHORIZED USE:

Continued use and maintenance of a horizontal directionally drilled, cathodically protected, 36-inch diameter natural gas pipeline and two fiber optic cables.

LEASE TERM:

20 years, beginning February 21, 2003.

CONSIDERATION:

$250 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT:

Reduce the required liability insurance from $250,000,000 to $50,000,000. All other terms and conditions of the lease shall remain in effect without amendment.

OTHER PERTINENT INFORMATION:

1. Lessee has the right to use the uplands adjoining the lease premises.

2. On February 21, 2003, the Commission authorized a General Lease – Right of Way Use with Wild Goose Storage, Inc., for the installation of a horizontal directionally drilled 36-inch diameter natural gas pipeline and two fiber optic cables. The natural gas pipeline serves an underground natural gas storage facility that is located on an upland parcel.

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3. Subsequently, Wild Goose Storage, Inc., converted it's status into a limited liability company. On February 5, 2007, the Commission authorized an Assignment of the lease and approved an Agreement and Consent to Encumbrancing of Lease to Wild Goose Storage, LLC. (WGSL).

4. The lease currently requires that liability insurance in the amount of $250,000,000 be provided for the construction and operational phase of the pipeline and this requirement carried over with the assignment of the lease to WGSL. The pipeline construction was completed in 2003 and the pipeline has been operated without incident since then.

5. WGSL is owned and operated by the Niska Gas and Storage group of companies, which (and its predecessor EnCana Corporation) has become the largest independent natural gas storage provider on the continent.

6. WGSL is now requesting the insurance requirement of the lease be reduced from $250,000,000 per occurrence to $50,000,000.

7. Staff is recommending that the liability insurance coverage for the lease be reduced to $50,000,000 based on the following: 1) Risk during construction has been eliminated, 2) The pipeline has been operated without incident since constructed, 3) The amount is sufficient to cover the potential risks associated with the pipeline and 4) Niska has provided a guaranty for the performance of all lease obligations of its subsidiary WGSL.

8. 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 it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

   Authority: Public Resources Code section 21066 and Title 14, California Code of Regulations, sections 15060(c)(3) and 15378.

EXHIBIT:

A. Site and Location Map

RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

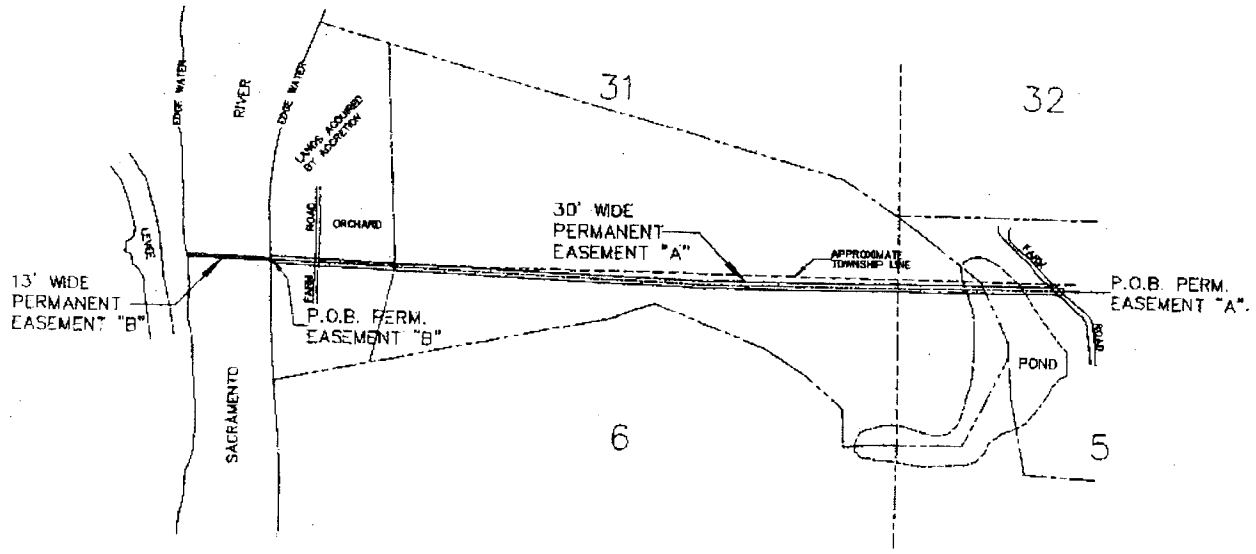
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 8443.1, A GENERAL LEASE - RIGHT OF WAY USE, OF LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE JUNE 28, 2007, TO REDUCE THE REQUIRED LIABILITY INSURANCE FROM $250,000,000 TO $50,000,000; ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

NO SCALE

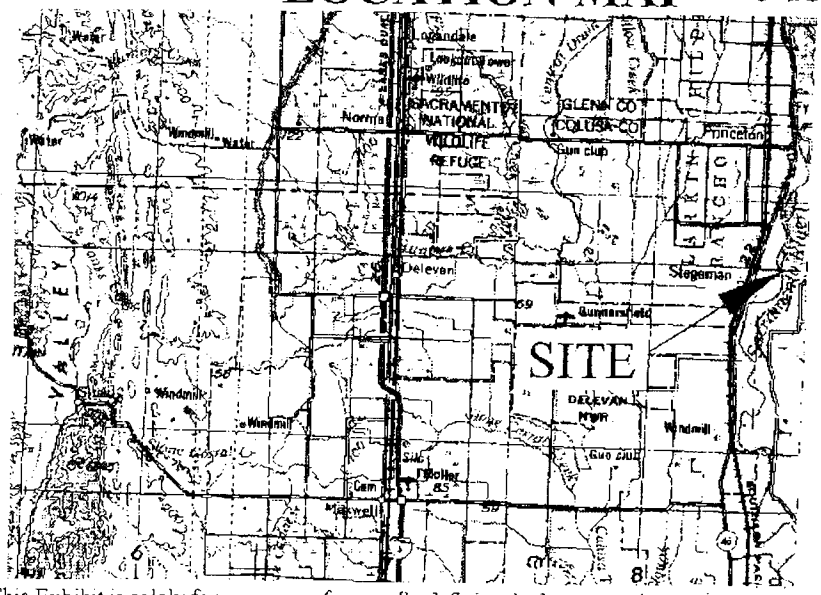
SITE MAP



PLAT TO ACCOMPANY
SACRAMENTO RIVER CROSSING

LOCATION MAP

NO SCALE



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

MAP SOURCE: USGS QUAD

Exhibit A

PRC 8443.1
APN: 012-170-001

Wild Goose Storage, LLC.
Colusa County

JM 1/07