CALENDAR ITEM

C30

A 33 04/09/09
WP 6911.1, WP 6923.1,
and W 503.1445
S 19 S.Young

TERMINATION OF TWO GENERAL LEASES – RIGHT OF WAY USE AND ISSUANCE OF A NEW GENERAL LEASE – RIGHT OF WAY USE

LESSEE/APPLICANT:

Plains Exploration & Production Company (PXP)
700 Milam Street, Suite 3100
Houston, Texas 77002

AREA, LAND TYPE, AND LOCATION:

33.288 acres, more or less, of sovereign lands in the Pacific Ocean, near Point Pedernales, offshore of the city of Lompoc, Santa Barbara County.

AUTHORIZED USE:

Continued operation, use, and maintenance of an existing power cable, an existing 20-inch diameter crude oil pipeline, an existing 8.625-inch diameter gas pipeline, and an existing 8.625-inch diameter wastewater pipeline serving federal gas development from Platform Irene.

LEASE TERM:

13 years beginning November 1, 2009 and ending October 31, 2022.

CONSIDERATION:

$69,800 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Comprehensive general liability and property damage insurance in the amount of no less than $2,000,000.

Bond:

$3,000,000

Additional Provisions:

1. PXP to comply with all existing and subsequently enacted laws or regulations promulgated by the federal government, including, but not limited to the Department of Transportation or the National Transportation Safety Board or any other governmental agency having lawful authority and jurisdiction over the pipelines.

2. Prior review and approval by Commission staff of any repairs or structural modifications to any portion of the pipelines or other improvements located within the Lease Premises.

3. The Commission reserves the right for its staff to examine all records and data associated with the pipeline within the Lease Premises as well as the right to go on the Lease Premises for any purpose associated with the Leases or for carrying out any function required by law, or the rules, regulations or management policies of the Commission.

4. PXP will maintain all records of inspection, repair, testing, and maintenance activities in accordance with provisions of 49 CFR Part 192 and 195, and in accordance with any Mineral Management Service Pacific OCS Regional Manager orders, directives, or other requirements regarding pipeline testing and surveillance and provide copies of those records to the Commission.

5. PXP will provide copies of all pipeline inspection test procedures, prior to testing, for Commission staff's review and approval as well as submit results of all testing for Commission staff's review and approval. Under this provision, PXP is required to provide copies and plans for any other inspections, repair or maintenance activities on the Lease Premises.

6. PXP will provide Commission staff with a copy of the current pipeline operations manual and provide updates, as they are available. PXP is required to conduct training classes and periodic drills simulating a pipeline leak and the procedures to be followed when a potential leak is detected.

7. Specific language is included as to Oil Spill Emergency procedures and notification requirements.

8. The Commission may modify the rent on the first and fifth year and each successive fifth year anniversary from the beginning date of the lease, as outlined in the lease.

9. PXP will continue to operate and maintain the oil and gas pipelines, from Platform Irene to the Lompoc Oil and Gas Plant (LOGP), as a common carrier.

OTHER PERTINENT INFORMATION:

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

2. In settlement of litigation, on October 24, 1985, the Commission approved the issuance of a 25-year General Lease – Right of Way Use, Lease No. PRC 6911.1, to Union Oil Company of California (UNOCAL) for a power cable extending from a substation located at Surf, near the Amtrak train station, south of the Santa Ynez River, Santa Barbara County, to the OCS Platform Irene. On November 21, 1985, the Commission approved the issuance of a 25-year lease to UNOCAL for a General Lease - Right of Way Use, Lease No. PRC 6923.1, for construction, use and maintenance of one 20-inch diameter crude oil pipeline, one 8.625-inch diameter gas pipeline and one 8.625-inch diameter wastewater pipeline linking Platform Irene to shore at a point just north of the Santa Ynez River at Wall Beach near Lompoc in Santa Barbara County. Through a series of assignments or mergers, the leases came to be held by PXP.

3. The pipelines extend onshore to the Lompoc Oil and Gas Plant (LOGP). The oil and gas pipelines bring production to the LOGP for treatment, while the wastewater or produced water pipeline carries about 30,000 barrels per day of water separated from the production and treated at the LOGP back to the Platform for injection to the offshore oil field. Any remaining treated produced water is injected into the onshore Lompoc Oil Field.

4. PXP has applied to the Commission to extend the term of the existing leases or at the Commission's discretion, to terminate the leases and issue a new lease. Staff is recommending that the two existing leases, which will expire October 31, 2010, be terminated and consolidated into one new General Lease – Right of Way Use be issued for the existing

power cable, the crude oil pipeline, the gas pipeline, and the wastewater pipeline.

6. On September 28, 1997, part of the 20-inch oil emulsion pipeline in State waters (lease PRC 6923.1) ruptured about 2.5 miles from shore spilling crude oil into the Pacific Ocean. Oil reached shore at the pipeline break/Surf Beach area and was found coming ashore at Point Arguello. About one mile was considered heavily oiled and moderately to lightly oiled for about four miles. Abalone and seastars were oiled and hundreds of seabirds were killed. Snowy plovers were most affected because they nest at Surf Beach and the oil and cleanup activity displaced the plovers and their shrubs and nesting habitat were trampled or oiled. Collections of sand crabs revealed that they were oiled over a two mile length of beach. In the days following the spill, the ruptured pipeline was wrapped in fiberglass to prevent further leakage and by November 11, 1997, the pipeline was completely repaired. Studies concluded that the leak was caused by a faulty weld. Soon after the 1997 spill, the operator took several actions to reduce ongoing corrosion in the oil line, including an aggressive corrosion control program, additional inspections to detect and respond to signs of corrosion, and lowering ("derating") of the maximum allowable operating pressure of the pipeline to address the reduced wall thickness of the pipeline. Annual inspection and regular maintenance of the pipelines, as required by State Lands Commission regulations, and agreed to by the U. S. Mineral Management Service (MMS) since the spill, have helped ensure the pipeline is maintained and operated safely.

7. The oil, gas and water pipelines serving Platform Irene are inspected pursuant to a Memorandum of Understanding between the MMS and the Commission. Commission staff has reviewed the results of the inspections conducted in July of 2007, and the pertinent pipelines have been approved for continued use and operation.

8. **Termination of Leases:** 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 21065 and Title 14, California Code of Regulations, section 15060 (c)(3) and 15378.

9. **Issuance of New Lease:** 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 as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; Title 2, California Code of Regulations, section 2905 (a)(2).

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300 and Title 2, California Code of Regulations, section 2905.

10. 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.

EXHIBITS:

A. Location and Site Map
B. Land Description

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

TERMINATION OF LEASES: 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.

ISSUANCE OF NEW LEASE: FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 1, EXISTING FACILITIES; TITLE 2, CALIFORNIA CODE OF REGULATIONS, SECTION 2905 (a)(2).

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.

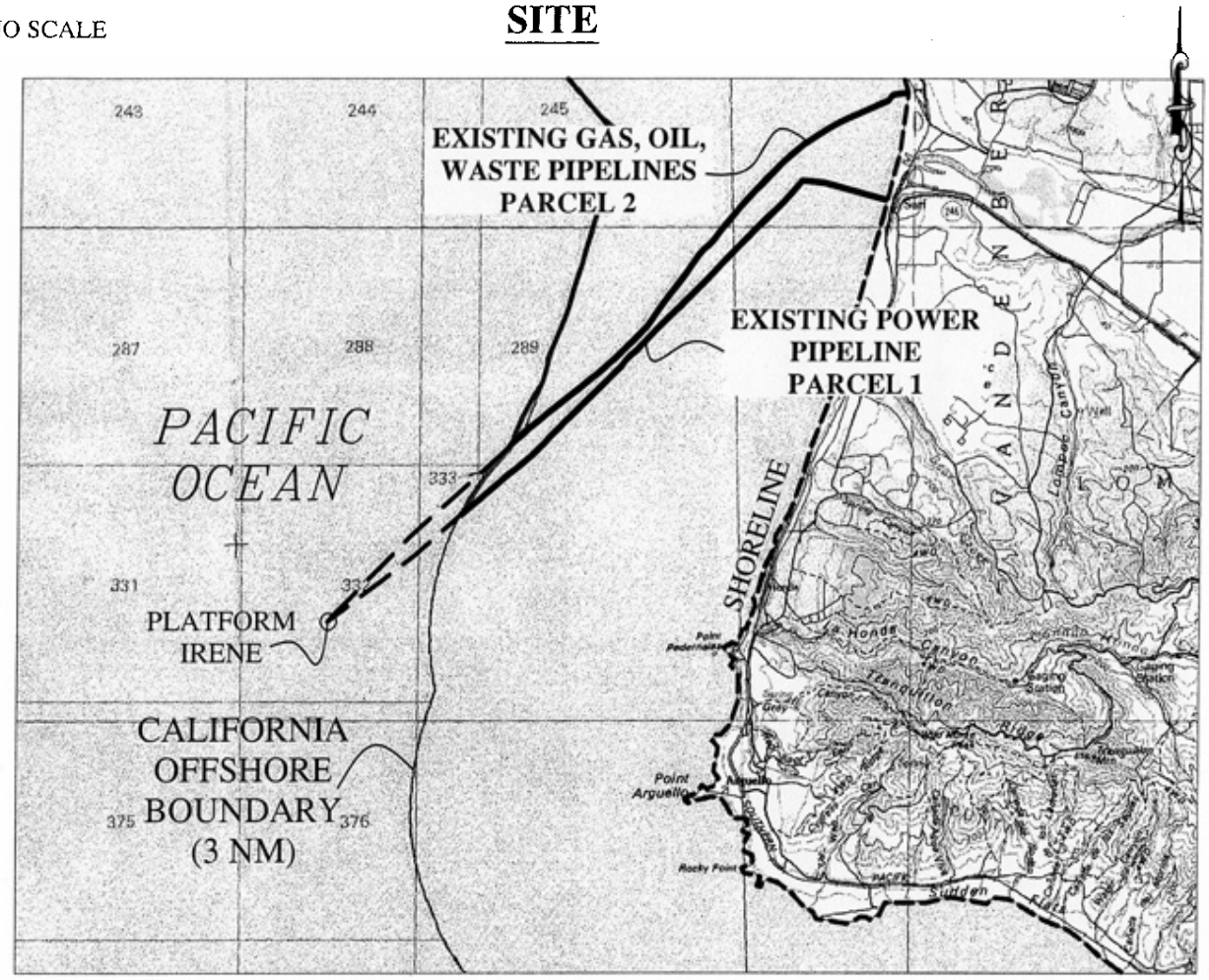
AUTHORIZATION:

AUTHORIZE THE TERMINATION OF GENERAL LEASE – RIGHT OF WAY USE, LEASE NO. PRC 6911.1, AND GENERAL LEASE – RIGHT OF WAY USE, LEASE NO. PRC 6923.1, EFFECTIVE OCTOBER 31, 2009, FOR THE LANDS SHOWN ON EXHIBIT A (FOR REFERENCE PURPOSES ONLY) ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF.

AUTHORIZE ISSUANCE OF A GENERAL LEASE – RIGHT OF WAY USE TO PLAINS EXPLORATION & PRODUCTION COMPANY BEGINNING NOVEMBER 1, 2009 FOR A TERM OF 13 YEARS FOR THE CONTINUED OPERATION, USE, AND MAINTENANCE OF AN EXISTING POWER CABLE, AN EXISTING 20-INCH DIAMETER CRUDE OIL PIPELINE, AN EXISTING 8.625-INCH DIAMETER GAS PIPELINE, AND AN EXISTING 8.625-INCH DIAMETER WASTEWATER LOCATED AS SHOWN ON EXHIBIT A (FOR REFERENCE PURPOSES ONLY) AND AS DESCRIBED ON EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; ANNUAL RENT IN THE AMOUNT OF $69,800, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; LIABILITY INSURANCE WITH COVERAGE OF NO LESS THAN $2,000,000; AND SURETY BOND IN THE AMOUNT OF $3,000,000.

NO SCALE

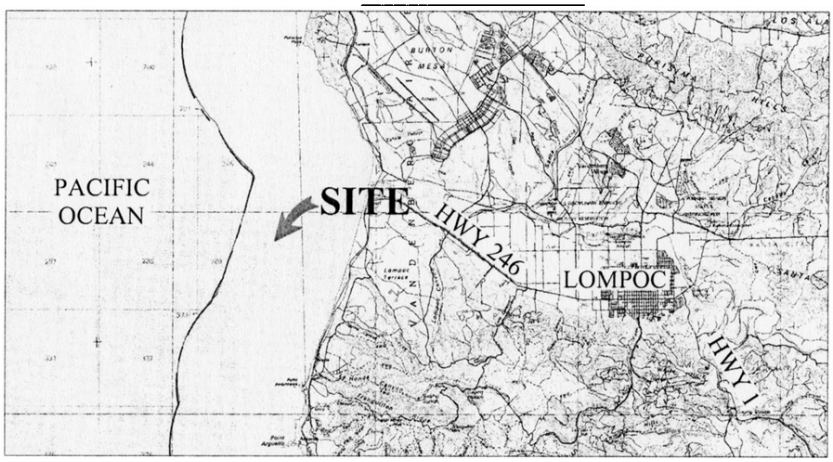
SITE



PACIFIC OCEAN
8 miles west of Lompoc

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

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.

Exhibit A

WP 6911
PLAINS EXPLORATION & PRODUCTION CO. (PXP)
GENERAL LEASE
RIGHT-OF-WAY USE
SANTA BARBARA COUNTY

MJF 3/03/09