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LEADS
1/26/78
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CALENDAR ITEM

1/78
WP 236
Horn
PRC 236

GENERAL LEASE
INDUSTRIAL USE

APPLICANT: Chevron U.S.A., Inc.
575 Market Street
San Francisco, California 94120

AREA, TYPE LAND AND LOCATION:
Approximately 33 acres of tide and submerged
land in San Francisco Bay southerly of
the Richmond-San Rafael Bridge, Contra
Costa County.

LAND USE: Marine petroleum wharf with appurtenances.

TERMS OF ORIGINAL LEASE:

Initial period: 20 years from August 19, 1947.

Renewal options: 3 successive periods
of 10 years each.

Surety bond: \$100,000.

Consideration (Original Lease):
\$4,380 per annum, first
5 years.
\$4,818 per annum, second
5 years.
\$5,256 per annum, third
5 years.
\$5,694 per annum, fourth
5 years.

TERMS OF LEASE DURING FIRST 10-YEAR RENEWAL:

Period: 10 years from August 19,
1967.

Renewal options: 2 successive periods
of 10 years each.

Surety bond: \$100,000.

Consideration: \$34,218.25 per annum.

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TERMS OF PROPOSED LEASE EXTENSION AND AMENDMENT:

Period: 10 years from August 19, 1977.

Renewal options: 1 additional period of 10 years.

Surety bond: \$500,000.

Public liability insurance: \$1,000,000 per occurrence for bodily injury and \$10,000,000 for property damage; or, alternatives acceptable to the State Lands Commission.

Special: Rental Impound: The proposed lease extension provides that rental in excess of \$100,000 minimum annual rental shall be paid into a Special Deposit Account in the State Treasury pending the outcome of pending litigation challenging the volumetric rental regulations. Should such regulations be declared invalid, impounded rentals shall be refunded and a new reasonable rental determined by the Commission.

CONSIDERATION: Commencing August 19, 1977 and ending August 18, 1982, volumetric rental accrues according to the following schedule:

- (a). \$0.01 per barrel of commodities until the minimum annual rental below (d) is equaled.
- (b). \$0.001 (1 mil) per barrel for the next 100,000,000 barrels; and
- (c). \$0.003 (3 mils) per barrel for each additional barrel passing over the State's land in that same lease year.
- (d). Minimum annual rental is \$100,000.

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Commencing August 19, 1982 and ending August 18, 1987, volumetric rental shall accrue according to the following schedule:

- (a). \$0.01 (one cent) per barrel of commodities until the minimum annual rental of \$100,000 is equaled.
- (b). Thereafter \$0.001 (1 mil) per barrel for the next 50,000,000 barrels; and
- (c). Thereafter \$0.002 (2 mils) per barrel for the next 50,000,000 barrels; and
- (d). Thereafter \$0.003 (3 mils) per barrel for each additional barrel passing over the State's land in that same lease year.

BASIS FOR CONSIDERATION:

Volumetric rental pursuant to 2 Cal. Adm. Code 2006.

PREREQUISITE TERMS, FEES AND EXPENSES:

Applicant is owner of upland.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: Div. 6, Parts 1 & 2.
- B. Administrative Code: Title 2, Div. 3, Arts. 1, 2, 6.5, 10 & 11.

OTHER PERTINENT INFORMATION:

- 1. The subject lease was originally let to Standard Oil Company of California and subsequently assigned (with Commission approval) to Chevron U.S.A., Inc. Negotiations concerning volumetric rental have delayed the timely renewal of the subject lease.
- 2. An Environmental Impact Report is not required. This transaction is within the purview of 2 Cal. Adm. Code 2907, Class 1B, which exempts a structure or facility that is in an acceptable

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state of repair and there is no evidence of record to show injury to adjacent property, shoreline erosion, or other types of environmental degradation.

3. This project is situated on State land identified as possessing significant environmental values pursuant to Public Resources Code 6370.1, and is classified in a use category, Class B which authorizes Limited Use.

Staff review of the terminal facility shows that the potential exists for damage to the environment. However, the applicant does operate the terminal under an approved (U.S. Coast Guard) terminal operations manual. In addition, the staff of the Commission has reviewed the piping/valving systems, terminal operations and clean-up/contingency procedures and finds that the facility operates in a manner that minimizes the potential for environmental degradation.

APPROVALS OBTAINED:

No additional approvals are required for this transaction.

EXHIBIT:

- A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL IMPACT REPORT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF PRC 21085, 14 CAL. ADM. CODE 15100 ET SEQ., AND 2 CAL. ADM. CODE 2907.
2. FIND THAT THE GRANTING OF THE LEASE EXTENSION AND AMENDMENT WILL HAVE NO SIGNIFICANT EFFECT UPON ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1, OF THE PUBLIC RESOURCES CODE.
3. AUTHORIZE THE FOLLOWING ACTION WITH RESPECT TO LEASE PRC 236.1:
 - A. THE ISSUANCE OF A 10-YEAR EXTENSION FROM AUGUST 19, 1977. COMMENCING AUGUST 19, 1977 AND ENDING AUGUST 18, 1982, ANNUAL RENTAL SHALL BE PAID AS FOLLOWS:

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- (1) UNTIL THE MINIMUM ANNUAL RENTAL PROVIDED FOR IN SUBPARAGRAPH (3) HEREOF IS EQUALED IN EACH LEASE YEAR, THE ANNUAL RENTAL SHALL BE COMPUTED BY MULTIPLYING THE NUMBER OF BARRELS OF CRUDE OIL AND PRODUCTS AND DERIVATIVES THEREOF PASSING OVER THE STATE'S LAND BY \$0.01 (1 CENT).
- (2) FOR THE NEXT 100,000,000 BARRELS BEYOND THE NUMBER OF BARRELS NECESSARY TO SATISFY THE MINIMUM RENTAL UNDER SUBPARAGRAPH (1) HEREOF, THE RENTAL SHALL BE \$0.001 (1 MIL) PER BARREL; AND THEREAFTER \$0.003 (3 MILS) PER BARREL FOR EACH ADDITIONAL BARREL OF SUCH COMMODITIES PASSING OVER THE STATE'S LAND IN THAT SAME LEASE YEAR.
- (3) THE MINIMUM ANNUAL RENTAL SHALL BE \$100,000.

B. COMMENCING AUGUST 19, 1982 ANNUAL RENTAL SHALL BE PAID AS FOLLOWS:

- (1) UNTIL THE MINIMUM ANNUAL RENTAL PROVIDED FOR IN SUBPARAGRAPH A(3) HEREOF IS EQUALED IN EACH LEASE YEAR, THE ANNUAL RENTAL SHALL BE COMPUTED BY MULTIPLYING THE NUMBER OF BARRELS OF CRUDE OIL AND PRODUCTS AND DERIVATIVES THEREOF PASSING OVER THE STATE'S LAND BY \$0.01 (1 CENT).
- (2) FOR THE NEXT 50,000,000 BARRELS BEYOND THE NUMBER OF BARRELS NECESSARY TO SATISFY THE MINIMUM RENTAL UNDER SUBPARAGRAPH (1) HEREOF, THE RENTAL SHALL BE \$0.001 (1 MIL) PER BARREL; AND THEREAFTER \$0.002 (2 MILS) PER BARREL FOR THE NEXT 50,000,000 BARRELS OF SUCH COMMODITIES PASSING OVER THE STATE'S LAND IN THE SAME LEASE; AND THEREAFTER \$0.003 (3 MILS) PER BARREL FOR EACH ADDITIONAL BARREL OF SUCH COMMODITIES PASSING OVER THE STATE'S LAND IN THAT SAME LEASE YEAR.

C. THE ISSUANCE OF AN AMENDMENT TO ADD PUBLIC LIABILITY INSURANCE IN THE AMOUNTS OF \$1,000,000 FOR BODILY INJURY AND \$10,000,000 FOR PROPERTY DAMAGE OR ALTER-NATIVES ACCEPTABLE TO THE STATE LANDS COMMISSION; INCREASE THE SURETY BOND REQUIREMENT TO \$500,000; REDUCE THE LEASE AREA TO THAT SHOWN ON A MAP ON FILE WITH THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF; FOR THE CONTINUED

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MAINTENANCE OF A MARINE PETROLEUM WHARF ON SAID LANDS; PROVIDED THAT ALL OTHER TERMS AND CONDITIONS OF LEASE PRC 236.1 SHALL REMAIN IN FULL FORCE AND EFFECT.

- D. PROVIDE IN THE AMENDMENT FOR PAYMENT OF RENTALS IN EXCESS THE \$100,000 MINIMUM ANNUAL RENTAL INTO A SPECIAL DEPOSIT ACCOUNT IN THE STATE TREASURY, PENDING FINAL DISPOSITION OF PENDING LITIGATION CONCERNING VALIDITY OF THE COMMISSION'S RENTAL REGULATIONS; SAID IMPOUNDED RENTALS TO BE REFUNDED AND A NEW REASONABLE RENTAL IMPOSED BY THE COMMISSION SHOULD THE COMMISSION'S VOLUMETRIC RENTAL REGULATIONS BE INVALIDATED.
- E. THE EFFECTIVE DATE OF THE AMENDMENT SHALL BE AUGUST 19, 1977.
- F. AUTHORIZE DIVISION STAFF AND/OR THE ATTORNEY GENERAL TO TAKE WHATEVER STEPS MAY BE NECESSARY, INCLUDING LITIGATION, TO EFFECTUATE THIS AGREEMENT.