

MINUTE ITEM

20

03/28/85
PRC 3014
PRC 3015
PRC 3016
PRC 3017
PRC 3027
Lipphardt

APPROVAL OF TERMINATION OF LEASES PRC 3014,
PRC 3015, PRC 3016, PRC 3017, AND PRC 3027
AND APPROVAL OF A GENERAL LEASE - RIGHT-OF-WAY USE

Calendar Item 20, attached, was pulled from the agenda prior to
the meeting.

Attachment: Calendar Item 20.

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CALENDAR ITEM

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03/28/85
PRC 3014
PRC 3015
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Lipphardt

APPROVAL OF TERMINATION OF LEASES PRC 3014,
PRC 3015, PRC 3016, PRC 3017, AND PRC 3427
AND APPROVAL OF A GENERAL LEASE - RIGHT-OF-WAY USE

APPLICANT: Shell California Production, Inc.
Attention: William Harper
P. O. Box 11164
Bakersfield, California 93389

AREA, TYPE LAND AND LOCATION:
Five parcels of tide and submerged lands
totalling approximately 38,996-acres in the
Pacific Ocean near the mouth of the
Arroyo Hondo Creek, Santa Barbara County.

LAND USE: Operation and maintenance of 23 submarine
flowlines and two submarine outfall lines.

BACKGROUND:

On May 23, 1963, and May 26, 1966, the State Lands
Commission approved five Right-of-Way Easements, PRC 3014,
PRC 3015, PRC 3016, PRC 3017, and PRC 3427, to Shell Oil
Company, who assigned its interests in the leases to Shell
California Production, Inc. on June 1, 1982. The
right-of-way easements, totalling approximately
38,996 acres, provide for operation and maintenance of
submarine flowlines which service five natural gas wells.
The wells are authorized under Oil and Gas Lease PRC 2920,
which is located offshore Molino in Santa Barbara County.
The pipeline routes leave the lease area of Oil and Gas
Lease PRC 2920.1, and the resulting right-of-way easements
service lessee's respective wells as follows:

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Well No. 1	PRC 3014
Well No. 2	PRC 3015
Well No. 3	PRC 3016
Well No. 4	PRC 3017, Parcel 2
Well No. 5	PRC 3427

PRC 3017, Parcel 1, is a 911± long, 100' wide, right-of-way into which all five pipeline bundles merge and continue onto shore to the Molino Gas Processing Plant.

Resumption of drilling operations on Lease PRC 2920-1 was approved by the State Lands Commission in 1980, and in March, 1984, State Lands Commission approved the drilling of two additional exploratory wells. These approvals were preceded by an EIR, SCH 79101011, and a Supplemental EIR, SCH 83110901. On January 31, 1985, Calendar Item 35, the State Lands Commission approved Shell's proposal to produce and process gas from the wells, and authorized lessee to install two flowline bundles. This authorization was granted with the understanding that lessee would subsequently amend their leases or otherwise provide for the additional flowlines bundles. Mitigation measures identified in the earlier review processes were incorporated into the project and a Negative Declaration, EIR ND 378, SCH 84101008, was certified by the Commission on January 31, 1985.

CURRENT SITUATION:

Shell, on January 31, 1985, received Commission approval to install one of the flowline bundles from Well No. 8 within the existing right-of-way easement from Well No. 1 (PRC 3014), and one of the flowline bundles from Well No. 9 within the existing right-of-way easement from Well No. 2 (PRC 3015).

In an unrelated activity involving the right-of-way easements for Well No. 3 (PRC 3016) and Well No. 4 (PRC 3017, Parcel 2), Lessee proposes to change the permitted use. Lessee has requested approval to convert two existing, in place, flowlines (one 4" line from each of the plugged and abandoned gas Wells No. 3 and 4) to effluent discharge service lines for the Molino Gas Plant. Lessee has obtained a permit, No. CA 000558, Order No. 83-63, from the California Regional Water Quality Control Board (RWQCB) under the National Pollutant Discharge

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Elimination System (NPDES) for their discharge. The project will relocate the point of effluent discharge from an intermittently flowing stream in Canada de la Huerta to a point approximately 2.6 miles offshore.

For the purposes of administrative convenience, staff recommended to lessee that the five leases be consolidated into one replacement lease which:

- 1) reflects the current lease format;
- 2) accounts for the two additional flowline bundles; and
- 3) provides for the change in use of the two flowlines to outfall lines.

Lessee has agreed with staff's recommendations and executed the proposed replacement document. The original five leases PRC 3014, 3015, 3016, 3017, and 3427, will therefore terminate, effective April 1, 1985.

TERMS OF ORIGINAL PERMITS:

PRC 3014: Initial period: 49 years beginning May 23, 1963.

Consideration: \$289.78 per annum.

PRC 3015: Initial period: 49 years beginning May 23, 1963.

Consideration: \$236.82 per annum.

PRC 3016: Initial period: 49 years beginning May 23, 1963.

Consideration: \$196.78 per annum.

PRC 3017: Initial period: 49 years beginning May 23, 1963.

Consideration: \$233.16 per annum.

PRC 3427: Initial period: 49 years beginning December 16, 1965.

Consideration: \$151.50 per annum.

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TERMS OF PROPOSED LEASE:

Initial period: 27 years from April 1, 1985.

Public liability insurance: Combined single limit coverage of \$1,000,000.

Consideration:

Annual rental for Parcel 1 is \$0.0076 per thousand cubic feet of gas, with a minimum annual rent of \$3,555; annual rental for Parcel 2 is \$0.0076 per thousand cubic feet of gas, with a minimum annual rent of \$2,905; annual rental for Parcel 3 is \$966; annual rental for Parcel 4 is \$853; annual rental for Parcel 5 is \$151.50; annual rental for Parcel 6 is \$1,166 for a total minimum annual rental for all six parcels of \$9,596.50; five-year rent review.

In addition to changing the rental amount, a special provision is being added with respect to Parcels 1 and 2, which details the impounding of volumetric rentals in excess of the minimum annual rentals.

BASIS FOR CONSIDERATION:

Pursuant to 2 Cal. Adm. Code 2003.

APPLICANT STATUS:

Applicant is permittee of upland.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Adm. Code: Title 2, Div. 3; Title 14, Div. 6.

AB 884: N/A.

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OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that terminating the five leases and approving the replacement lease with the inclusion of the new pipelines approved by the Commission on January 31, 1985 is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that the activity of change in use of the two flowlines to outfall lines, is exempt from the requirements of the CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes there is no possibility that this project may have a significant effect on the environment.

Authority: 14 Cal. Adm. Code 15061(b)(3).

3. This activity involves lands identified as possessing significant environmental values pursuant to P.R.C. 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:

California Regional Water Quality Control Board.

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FURTHER APPROVALS REQUIRED:

County of Santa Barbara, California Department of Transportation, California Department of Fish and Game, California Coastal Commission, United States Army Corps of Engineers.

EXHIBITS: A. Land Description.
B. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT, AS TO THE TERMINATIONS, AND THE REPLACEMENT LEASE WITH THE INCLUSION OF THE TWO ADDITIONAL PIPELINE BUNDLES APPROVED BY THE COMMISSION ON JANUARY 31, 1985, THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. FIND THAT, AS TO THE CHANGE IN USE OF FACILITIES, THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. (14 CAL. ADM. CODE 15061(b)(3)).
3. FIND THAT THIS ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO P.R.C. 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON SUCH LANDS.
4. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED FOR THE LAND PURSUANT TO P.R.C. 6370, ET SEQ.
5. AUTHORIZE TERMINATION OF ORIGINAL LEASES PRC 3014, 3015, 3016, 3017, AND 3427, APPROVED BY THE STATE LANDS COMMISSION ON MAY 23, 1963 AND MAY 26, 1966, AND ISSUANCE TO SHELL CALIFORNIA PRODUCTION, INC., OF A 27-YEAR GENERAL LEASE - RIGHT-OF-WAY USE, SUBSTANTIALLY IN THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE STATE LANDS COMMISSION, FROM APRIL 1, 1985; WHICH PROVIDES FOR:
 - (a) CONSIDERATION OF:
 - (1) ANNUAL RENTAL FOR PARCEL 1 OF \$0.0076 PER THOUSAND CUBIC FEET OF GAS; WITH A MINIMUM ANNUAL RENT OF \$3,555;

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- (2) ANNUAL RENTAL FOR PARCEL 2 OF \$0.0076 PER THOUSAND CUBIC FEET OF GAS; WITH A MINIMUM ANNUAL RENT OF \$2,905;
 - (3) ANNUAL RENTAL FOR PARCEL 3 OF \$966;
 - (4) ANNUAL RENTAL FOR PARCEL 4 OF \$853;
 - (5) ANNUAL RENTAL FOR PARCEL 5 OF \$151.50;
 - (6) ANNUAL RENTAL FOR PARCEL 6 OF \$1,166; FOR A TOTAL MINIMUM ANNUAL RENTAL FOR ALL SIX PARCELS OF \$9,596.50;
- (b) PAYMENT OF RENTALS ON PARCELS 1 AND 2 IN EXCESS OF THE MINIMUM ANNUAL RENTAL FOR PARCEL 1 OF \$3,555 AND FOR PARCEL 2 OF \$2,905, INTO A SPECIAL DEPOSIT ACCOUNT IN THE STATE TREASURY PENDING A FINAL DISPOSITION OF CURRENT LITIGATION CONCERNING THE VALIDITY OF THE COMMISSION'S RENTAL REGULATIONS; SAID IMPOUNDED RENTALS TO BE REFUNDED AND A NEW REASONABLE RENTAL DETERMINED BY THE COMMISSION SHOULD THE COMMISSION'S VOLUMETRIC RENTAL REGULATIONS BE INVALIDATED; WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENTAL ON EACH FIFTH ANNIVERSARY OF THE LEASE; PROVISION OF PUBLIC LIABILITY INSURANCE FOR COMBINED SINGLE LIMIT COVERAGE OF \$1,000,000; FOR MAINTENANCE AND OPERATION OF 23 SUBMARINE FLOWLINES AND 2 SUBMARINE OUTFALL LINES ON THE LAND DESCRIBED ON EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF.

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PAYMENT PAGE	96?

EXHIBIT "A"
LAND DESCRIPTION

PRC 3014-3017
PRC 3427

Six parcels of submerged land in the Santa Barbara Channel near Arroyo Hondo, Santa Barbara County, California, said parcels being described as follows:

PARCEL 1 (PRC 3014)

A strip of submerged land 50 feet in width, the centerline of which is described as follows:

COMMENCING at a point on the mean high tide line on the shore of the Santa Barbara Channel at Station No. 199 as shown upon the State of California Map entitled "Survey of the Mean High Tide Line along the Shore of the Pacific Ocean, Vicinity of Arroyo Honda", dated February, 1957, Sheet 14 of 39, and filed for record in Book 41 of Miscellaneous Maps, Page 25, Santa Barbara County Records; thence S 5° 33' 20" W, 910.35 feet; thence S 80° 32' 16" W, 12.50 feet to the TRUE POINT OF BEGINNING; thence S 11° 32' 06" W, 869.90 feet; thence S 21° 01' 19" W, 1047.32 feet; thence S 26° 43' 31" W, 3662.57 feet; thence S 24° 01' 34" W, 3307.82 feet to the easterly line of State Lease PRC 2920.1 and the end of the herein described line.

PARCEL 2 (PRC 3015)

A strip of submerged land 50 feet in width, the centerline of which is described as follows:

COMMENCING at a point on the mean high tide line on the shore of the Santa Barbara Channel at Station No. 199 as shown upon the State of California Map entitled "Survey of the Mean High Tide Line along the Shore of the Pacific Ocean, Vicinity of Arroyo Honda", dated February, 1957, Sheet 14 of 39, and filed for record in Book 41 of Miscellaneous Maps, Page 25, Santa Barbara County Records; thence S 5° 33' 20" W, 910.35 feet; thence S 80° 32' 16" W, 37.50 feet to the TRUE POINT OF BEGINNING; thence S 22° 22' 55" W, 917.33 feet; thence S 32° 39' 00" W, 989.46 feet; thence S 31° 50' 34" W, 1372.37 feet; thence S 28° 40' 40" W, 3983.72 feet to the easterly line of State Lease PRC 2920.1 and the end of the herein described line.

PARCEL 3 (PRC 3016)

A strip of submerged land 50 feet in width, the centerline of which is described as follows:

COMMENCING at a point on the mean high tide line on the shore of the Santa Barbara Channel at Station No. 199 as shown upon the State of California Map entitled "Survey of the Mean High Tide Line along the Shore of the Pacific Ocean, Vicinity of Arroyo Honda", dated February, 1957, Sheet 14 of 39, and filed for record in Book 41 of Miscellaneous Maps, Page 25, Santa Barbara

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County Records; thence S 5° 33' 20" W, 910.35 feet; thence S 80° 32' 16" W, 62.50 feet to the TRUE POINT OF BEGINNING; thence S 26° 42' 21" W, 944.91 feet; thence S 35° 10' 29" W, 1284.56 feet; thence S 38° 59' 27" W, 2328.58 feet; thence S 35° 49' 01" W, 1477.22 feet to the easterly line of State Lease PRC 2920.1 and the end of the herein described line.

PARCEL 4 (PRC 3017, Parcel 2)

A strip of submerged land 50 feet in width, the centerline of which is described as follows:

COMMENCING at a point on the mean high tide line on the shore of the Santa Barbara Channel at Station No. 199 as shown upon the State of California Map entitled "Survey of the Mean High Tide Line along the Shore of the Pacific Ocean, Vicinity of Arroyo Honda", dated February, 1957, Sheet 14 of 39, and filed for record in Book 41 of Miscellaneous Maps, Page 25, Santa Barbara County Records; thence S 5° 33' 20" W, 910.35 feet; thence S 80° 32' 16" W, 87.50 feet to the TRUE POINT OF BEGINNING; thence S 30° 45' 46" W, 977.55 feet; thence S 35° 10' 29" W, 1284.56 feet; thence S 47° 12' 53" W, 2601.62 feet; thence S 43° 26' 15" W, 465.78 feet to the easterly line of State Lease PRC 2920.1 and the end of the herein described line.

PARCEL 5 (PRC 3427)

A strip of submerged land 50 feet in width, the centerline of which is described as follows:

COMMENCING at a point on the mean high tide line on the shore of the Santa Barbara Channel at Station No. 199 as shown upon the State of California Map entitled "Survey of the Mean High Tide Line along the Shore of the Pacific Ocean, Vicinity of Arroyo Honda", dated February, 1957, Sheet 14 of 39, and filed for record in Book 41 of Miscellaneous Maps, Page 25, Santa Barbara County Records; thence S 5° 33' 20" W, 910.35 feet; thence S 80° 32' 16" W, 12.50 feet; thence S 11° 32' 06" W, 869.90 feet; thence S 21° 01' 19" W, 1047.32 feet; thence S 26° 43' 31" W, 1915.00 feet to the TRUE POINT OF BEGINNING; thence S 28° 44' 02" W, 3000.00 feet; thence S 22° 55' 35" W, 949.97 feet; thence S 27° 48' 56" W, 686.63 feet to the easterly line of State Lease PRC 2920.1 and the end of the herein described line.

PARCEL 6 (PRC 3017, Parcel 1)

BEGINNING at a point on the mean high tide line on the shore of the Santa Barbara Channel at Station No. 199 as shown upon the State of California Map entitled "Survey of the Mean High Tide Line along the Shore of the Pacific Ocean, Vicinity of Arroyo Honda", dated February, 1957, Sheet 14 of 39, and filed for record in Book 41 of Miscellaneous Maps, Page 25, Santa Barbara County Records; thence S 5° 33' 20" W, 910.35 feet; thence S 80° 32' 16" W, 103.54 feet; thence N 5° 33' 20" E, 918.10 feet; thence S 74° 53' 04" E, 18.00 feet to Station No. 200 on said mean high tide line;

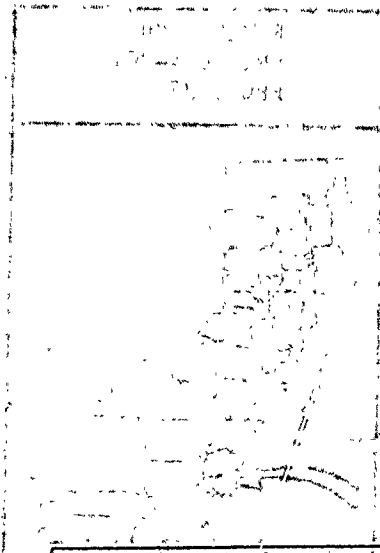
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Distance N 80° 32' 16" E, 85.16 feet to the point of beginning.
EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark.
This description is based on the California Coordinate System, Zone 5.

END OF DESCRIPTION

REVIEWED FEBRUARY 20, 1985, BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.



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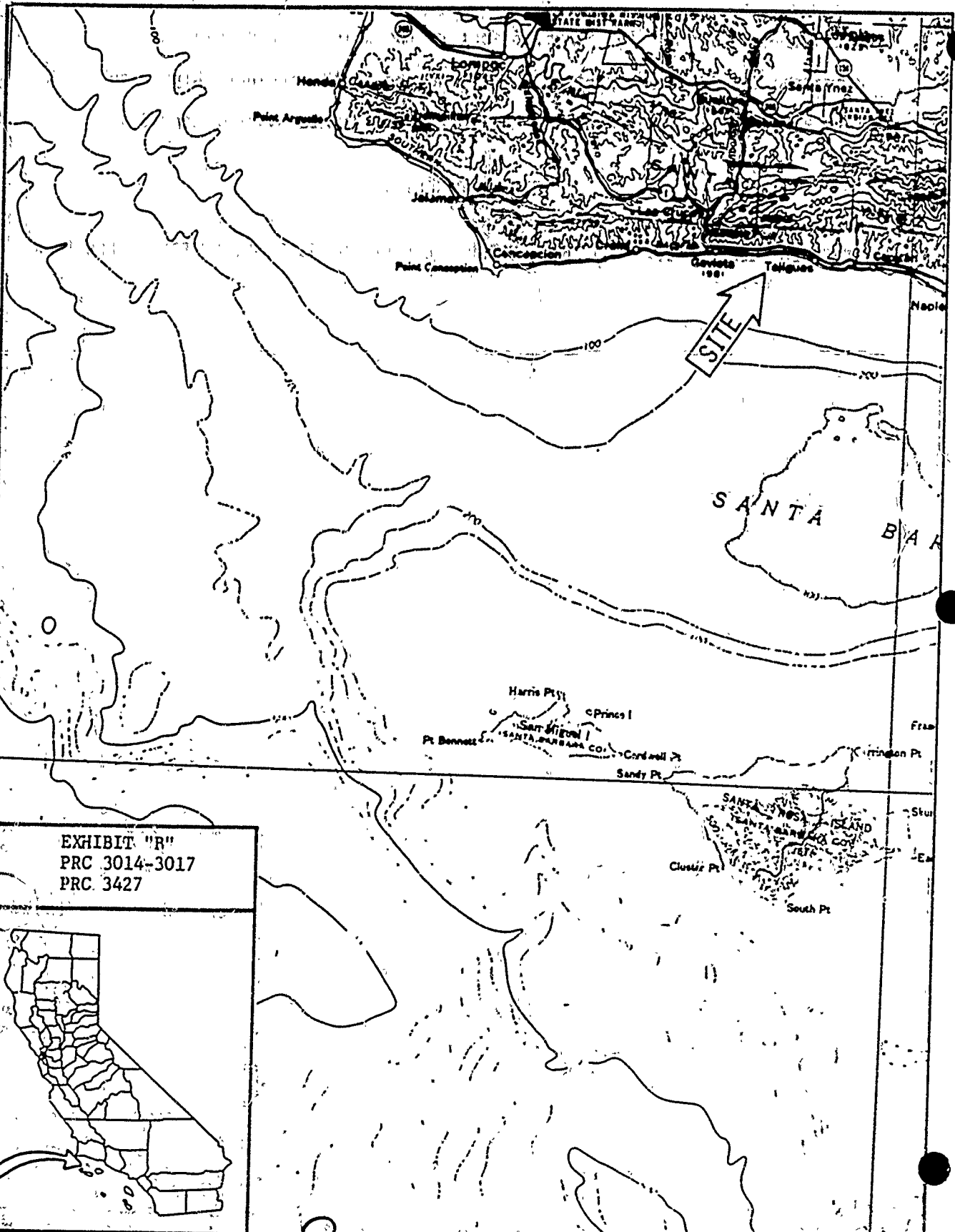


EXHIBIT "R"
 PRC 3014-3017
 PRC 3427



(ADDED 03/21/85)