

CALENDAR ITEM

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GENERAL LEASE -- RIGHT-OF-WAY USE

APPLICANT: Point Arguello Natural Gas Line
Company (PANGL)
Chevron U.S.A., Inc.,
Agent for PANGL
Attn: Lee Bafalon
6001 Bollinger Canyon Road
P. O. Box 5050
San Ramon, California 94583-0905

AREA, TYPE LAND AND LOCATION:
An approximate 10.194-acre parcel of tide and
submerged land, located in the Pacific Ocean
near Point Conception, Santa Barbara County.

LAND USE: Installation and maintenance of a 20-inch
natural gas pipeline lining Platform Hermosa
on Federal OCS lease - P 0316 to shore at a
point just north of Point Conception.

TERMS OF PROPOSED LEASE:
Initial period: 25 years beginning February 1,
1986.

Surety bond: \$100,000.

Public liability insurance: Combined single
limit coverage of \$2,000,000.

CONSIDERATION: \$8,880.98 per annum; with the State reserving
the right to fix a different rental on the
second anniversary of the lease and on each
fifth anniversary thereafter.

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BASIS FOR CONSIDERATION:

Pursuant to 2 Cal. Adm. Code 2003.

APPLICANT STATUS:

Applicant is not the owner or permittee of upland.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Filing fee has been received. .

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: 02/14/86.

OTHER PERTINENT INFORMATION:

1. Chevron U.S.A., Inc. (Chevron) is the operator of a federal lease and is developing an oil and gas project in Federal waters off Point Conception, Santa Barbara County. In connection with that project, Chevron, as permitting agent for Point Arguello Natural Gas Line Company (PANGL) which is a California general partnership, has applied to the Commission for permission to install a 20-inch natural gas pipeline on state-owned tide and submerged lands. The partners are Champlin Arguello Pipeline, Inc., Chevron Pipe Line Company, Harvest Corporation, Koch Exploration Company, Oxbow Energy, Inc., Phillips Petroleum Company, Simmons Santa Barbara, Ltd., Sisquoc Gas Pipeline Company, Sun Offshore Gathering Company, and Texaco Harvest Gas Pipeline Company, Inc. The pipeline is proposed to be regulated by the Federal Energy Regulatory Commission pursuant to the Natural Gas Act. This line will link Chevron's Platform Hermosa and will initially serve a three platform federal development with an onshore processing plant at Gaviota. Another partnership, Point Arguello

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Pipeline Company (PAPCO) will build and operate a separate wet oil pipeline. PAPCO's oil pipeline will parallel the natural gas line and is addressed in Calendar Item 1. Both pipelines will be constructed at the same time to comply with environmental requirements. The PANGL gas line is to be constructed in the consolidated pipeline corridor proposed for establishment in Calendar Item 1. Unlike the oil processing facility associated with the PAPCO pipeline, the gas processing facility is not proposed to be part of the common carrier gas pipeline. The gas processing facility is a separate entity known as the Gaviota Gas Plant, a California General Partnership.

2. The California Coastal Act P.R.C. Section 30262 requires that new or expanded gas facilities be consolidated to the minimum extent feasible. To accomplish this goal, the natural gas pipeline should be built to serve the entire federal Point Arguello area. Lines originating from other production platforms in the Point Arguello area will feed into tie-in manifolds at the Hermosa Platform and tie-in locations to be identified by State Lands Commission staff. PANGL, through its agent, Chevron U.S.A., Inc. and GGP has agreed to:

- a) provide for access to the pipeline system to nonpartners on an equitable and nondiscriminatory basis; and
- b) provide for access to the onshore processing facility and the associated storage facilities to nonpartners on an equitable and nondiscriminatory basis.

However, the County of Santa Barbara land use permit and the Santa Barbara Air Pollution Control District permit both preclude the use of the Gaviota gas

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processing facility for any gas except for gas produced from the federal Point Arguello development. Although these local permits also required that the gas facilities be available for other producers, the prohibitions seem, in fact to preclude other users access to the facilities.

In addition, the County permits which preclude the use of the PANGL facility by any producers, except for those in the federal Point Arguello field development, appear to conflict with the legislative direction for consolidation of coastal processing facilities and with the Commission's nondiscriminatory access policies.

3. An EIR/EIS was prepared and adopted for this project by the Minerals Management Service and County of Santa Barbara. A staff member of the Commission sat on a joint review panel headed by the Minerals Management Service and County of Santa Barbara. The State Lands Commission's staff has reviewed such document and believes that it complies with the requirements of CEQA. In addition, staff has identified in the attached Exhibit "C", significant environmental effects which involve the part of the project that the Commission will be considering for approval.
4. 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.

Also, as required by P.R.C. Section 6818, on numerous occasions, e.g., the Notice of

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Preparation, and the review period for the Draft EIR/EIS, etc., the Department of Parks and Recreation was consulted and its comments solicited as to the relationship of the proposed project to "possible interference with the recreational use of lands littoral" to the project area.

APPROVALS OBTAINED:

County of Santa Barbara, United States Army
Corps of Engineers, California Coastal
Commission and Water Quality Control Board.

FURTHER APPROVALS REQUIRED:

Minerals Management Service.

EXHIBITS:

- A. Land Description.
- B. Location Map.
- C. CEQA Findings.
- D. Agreement for Establishment of Covenants,
Grant of Easements and Rights.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT AN EIR/EIS WAS PREPARED AND ADOPTED FOR THIS PROJECT BY THE COUNTY OF SANTA BARBARA AND THAT THE COMMISSION HAS REVIEWED AND CONSIDERED THE INFORMATION CONTAINED THEREIN.
2. FIND THAT THE SIGNIFICANT ENVIRONMENTAL EFFECTS IDENTIFIED IN THE EIR/EIS WHICH INVOLVE THE PART OF THE PROJECT THAT THE COMMISSION IS CONSIDERING FOR APPROVAL (EXHIBIT "C") WILL BE MITIGATED BY CHANGES, ALTERATIONS, OR PERMIT CONDITIONS WHICH HAVE BEEN REQUIRED IN OR INCORPORATED INTO THE PROPOSED PROJECT; AND THAT THE COMMISSION SHOULD EXPRESSLY ADOPT THE MITIGATION MEASURES AND IMPOSE THEM AS EXPRESSED CONDITIONS OF THE LEASE.
3. FIND THAT THE TIDE AND SUBMERGED LANDS PROPOSED FOR USE AS AS PANGL'S PIPELINE RIGHT-OF-WAY WAS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES, THAT THE COMMISSION DESIGNATED THOSE LANDS UNDER CATEGORY B (DEFINED AS LIMITED USE, COMPATIBLE WITH AND NON-CONSUMPTIVE OF SIGNIFICANT ENVIRONMENTAL VALUES), AND THAT THE USE PROPOSED BY PANGL AS CONDITIONED BY PROPOSED MITIGATION

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MEASURES AND STIPULATIONS, IS CONSISTENT WITH THE USE CATEGORY ASSIGNED TO THE PROPOSED LEASE AREA WITHIN THE SIGNIFICANT LANDS INVENTORY COMPLETED PURSUANT TO SECTIONS 6370 ET SEQ. OF THE P.R.C.

4. AUTHORIZE ISSUANCE TO POINT ARGUELLO NATURAL GAS LINE COMPANY (PANGL) OF A 25-YEAR GENERAL LEASE - RIGHT-OF-WAY USE SUBSTANTIALLY IN THE FORM ON FILE IN THE PRINCIPAL OFFICE OF THE STATE LANDS COMMISSION, BEGINNING FEBRUARY 1, 1986; IN CONSIDERATION OF ANNUAL RENT IN THE AMOUNT OF \$8,880.98, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENTAL ON THE SECOND ANNIVERSARY OF THE LEASE AND ON EACH FIFTH ANNIVERSARY THEREAFTER; PROVISION OF A \$100,000 SURETY BOND; PROVISION OF PUBLIC LIABILITY INSURANCE FOR COMBINED SINGLE LIMIT COVERAGE OF \$2,000,000; FOR INSTALLATION AND MAINTENANCE OF ONE 20-INCH NATURAL GAS PIPELINE ON THE LAND DESCRIBED ON EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF, AND SUBJECT TO THE FOLLOWING CONDITIONS WHICH SHALL BE INCLUDED IN THE RIGHT-OF-WAY LEASE:
- A. PANGL AGREES THAT THE GAS PIPELINE FROM PLATFORM HERMOSA TO THE GAVIOTA GAS PROCESSING FACILITY WILL BE CONSTRUCTED, OPERATED AND MAINTAINED AS A COMMON CARRIER, AND WILL ACCEPT FROM NON-OWNERS OF THE PIPELINE, TENDERS FOR THE TRANSPORTATION OF GAS ON REASONABLE TERMS AND CONDITIONS AND AT JUST AND REASONABLE RATES, WHICH TERMS, CONDITIONS OR RATES ARE PUBLISHED AND NO LESS FAVORABLE THAN THOSE APPLIED TO SHIPMENTS BY OWNERS OF THE LINE, AND WITH NO REQUIREMENT THAT THE TENDERED GAS BE SOLD, EXCHANGED OR OTHERWISE TRANSFERRED TO THE PIPELINE OR ITS OWNERS. ("GAS" INCLUDES GAS MIXED WITH LIQUID OR LIQUEFIABLE COMPONENTS, INCLUDING WATER.)
- B. ALL PIPELINE OPERATIONS ON STATE LANDS SHALL BE CONDUCTED UNDER THIS LEASE IN ACCORDANCE WITH APPLICABLE LAWS AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.
- C. PANGL, AT PANGL'S INITIAL EXPENSE SHALL PROVIDE TO THE STATE FOR THE BENEFIT OF ITS OFFSHORE OIL AND GAS LESSEES, CONTRACTORS, OR GAS PURCHASERS FROM ANY OF THEM, A TIE-IN FACILITY ON THAT PORTION OF THE PANGL PIPELINE ON STATE TIDE AND SUBMERGED LANDS. SUCH OFFSHORE TIE-IN FACILITY SHALL BE INSTALLED BY PANGL AT

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THE TIME OF CONSTRUCTION OF THE PANGL PIPELINE AND AT A LOCATION IDENTIFIED BY THE COMMISSION'S ENGINEERING STAFF. BEFORE THE STATE OR ITS OFFSHORE OIL AND GAS LESSEES, CONTRACTORS OR GAS PURCHASERS OF ANY OF THEM ACCESS THE PANGL PIPELINE AT SUCH OFFSHORE TIE-IN FACILITY, THEY SHALL AGREE TO REIMBURSE PANGL FOR ALL COSTS INCURRED IN THE DESIGN, PURCHASE OF MATERIALS AND INSTALLATION OF SUCH OFFSHORE TIE-IN FACILITY, AND TO ASSUME ALL OBLIGATIONS AND RESPONSIBILITIES RELATED TO SUCH TIE-IN FACILITY AS SET FORTH IN THE PANGL TIE-IN POLICY FILED WITH THE COMMISSION. IF, WHEN INSTALLING THE OFFSHORE TIE-IN FACILITY, PANGL DETERMINES THAT THE TIE-IN FACILITY IS IMPROPERLY ALIGNED AND MUST BE REMOVED TO PROTECT THE INTEGRITY OF THE PANGL PIPELINE, THEN PANGL SHALL NOT BE OBLIGATED TO INSTALL AT ITS EXPENSE ANOTHER OFFSHORE TIE-IN FACILITY.

FURTHER, PANGL, WHEN REQUESTED, SHALL PROVIDE TO THE STATE OR ITS OFFSHORE OIL AND GAS LESSEES, CONTRACTORS OR GAS PURCHASERS OF ANY OF THEM ADDITIONAL TIE-IN FACILITIES ONSHORE TO ALLOW TRANSPORT OF GAS THROUGH PANGL'S PIPELINE. THESE ADDITIONAL TIE-IN FACILITIES SHALL BE PROVIDED SOLELY IN ACCORDANCE WITH THE PANGL TIE-IN POLICY FILED WITH THE COMMISSION AND AT SUCH LOCATIONS AS IDENTIFIED BY THE COMMISSION OR BY THE STATE'S OFFSHORE OIL AND GAS LESSEES, CONTRACTORS OR BY GAS PURCHASERS OF ANY OF THEM.

PANGL, WHEN REQUESTED, SHALL OBTAIN, FROM THE GAVIOTA GAS PLANT, A CALIFORNIA GENERAL PARTNERSHIP (GGP), OWNER OF THE LAND AT THE SITE OF THE GGP GAS PROCESSING FACILITY, AN EASEMENT TO PROVIDE ACCESS ACROSS SUCH LANDS TO THE PANGL GAS PIPELINE LEADING INTO THE GGP GAS PROCESSING FACILITY. SUCH EASEMENT SHALL BE PROVIDED IN ACCORDANCE WITH THE "AGREEMENT, COVENANTS, AND GRANT OF EASEMENTS AND OTHER RIGHTS ATTACHED HERETO AS EXHIBIT "D", AND INCORPORATED HEREIN BY REFERENCE, AND SHALL BE FOR THE BENEFIT OF PANGL AND FOR THE STATE AND ITS OFFSHORE GAS LESSEES WHO HAVE TENDERED GAS FROM STATE TIDE AND SUBMERGED LANDS TO THE PANGL GAS PIPELINE AND THE GGP GAS PROCESSING FACILITY AND SHALL REMAIN IN EFFECT FOR THE TERM OF THIS LEASE. PANGL SHALL PROVIDE TO THE COMMISSION A CERTIFIED COPY OF SUCH EASEMENT WITHIN 90 DAYS OF ITS RECORDATION. THE VALUE OF EASEMENTS OR OTHER RIGHTS IN LAND PROVIDED FOR UNDER THIS PARAGRAPH SHALL BE DETERMINED IN

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ACCORDANCE WITH THE APPRAISAL PROCEDURE CONTAINED IN EXHIBIT "D", WHICH EXHIBIT SHALL ALSO BE AN EXHIBIT TO THE LEASE. ALSO, PANGL SHALL PROVIDE TO THE COMMISSION WITHIN 90 DAYS FROM THE ISSUANCE OF THIS LEASE, A COPY OF ITS RIGHT-OF-WAY LEASE OR EASEMENT WITH CHEVRON U.S.A., INC. FOR THE RIGHT-OF-WAY ACROSS THE LANDS IDENTIFIED IN ATTACHMENT C TO EXHIBIT "D".

- D. ALL SHIPMENTS OF GAS AND RELATED PRODUCTS THROUGH THE PANGL PIPELINE TO GAVIOTA WILL BE TREATED AT THE GGP GAS PROCESSING FACILITY AND STORED AT STORAGE FACILITIES, IF ANY, OPERATED BY PANGL OR GGP AT GAVIOTA, AT JUST AND REASONABLE RATES, TERMS AND CONDITIONS FOR TREATMENT OR STORAGE WHICH ARE NO LESS FAVORABLE THAN THOSE ACCORDED SHIPMENTS BY PARTNERS OF PANGL AND WITHOUT REQUIREMENT FOR SALE TO PANGL OR GGP, OR, AT THE DISCRETION AND SOLE EXPENSE OF THE SHIPPER, WILL BE DELIVERED TO ANOTHER PIPELINE FOR TRANSPORTATION TO ANOTHER GAS PROCESSING OR STORAGE FACILITY, AS DESIGNED BY IT OR THE STATE.
- E. NO ASSIGNMENT OR TRANSFER OF ANY INTEREST IN PAPCO OR OF THE PANGL GAS PIPELINE SHALL BE MADE WITHOUT THE PRIOR CONSENT OF THE COMMISSION WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD. FURTHER, THE CONDITION IMPOSED BY PARAGRAPH D IS INTENDED TO BE A CONDITION APPURTENANT TO ANY LANDS OWNED BY GGP UPON WHICH THE PANGL GAS PIPELINE AND GGP GAS PROCESSING FACILITY ARE CONSTRUCTED. PANGL SHALL RECORD OR CAUSE TO BE RECORDED AT ITS OWN EXPENSE THIS LEASE UPON LANDS OWNED BY GGP AT THE SITE OF THE GAVIOTA GAS PROCESSING FACILITY, WITHIN 90 DAYS OF THE ISSUANCE OF THIS LEASE.
- F. IN ORDER TO FACILITATE THE ENFORCEMENT OF THE TERMS AND CONDITIONS OF THIS LEASE, PANGL SHALL USE ITS BEST EFFORTS TO ENSURE THAT ALL FINAL TARIFFS AND FINAL AMENDMENTS TO TARIFFS ARE SUBMITTED TO THE STATE LANDS COMMISSION FOR REVIEW AND COMMENT PRIOR TO SUBMITTAL TO OTHER REGULATORY AGENCIES, BUT IN NO EVENT SHALL SUCH SUBMITTALS TO THE COMMISSION OCCUR LESS THAN 15 DAYS PRIOR TO SUBMITTAL TO FERC OR OTHER REGULATORY BODIES. SUCH FILING AND ANY COMMENTS BY THE COMMISSION OR ITS STAFF IS NOT INTENDED TO BE A WAIVER OF ANY RIGHT TO INTERVENE IN ANY RATE MAKING PROCEEDING OR OTHER RELATED PROCEEDING BEFORE REGULATORY BODIES. SUCH TARIFFS WILL BE KEPT CONFIDENTIAL BY THE COMMISSION UNTIL PUBLISHED BY PANGL.

PANGL AND THE GAVIOTA GAS PLANT SHALL ALSO FILE WITH THE COMMISSION FOR REVIEW AND COMMENT ALL FINAL TARIFFS AND FINAL AMENDMENTS TO TARIFFS NOT PROPOSED TO BE FILED WITH OTHER REGULATORY BODIES. SUCH TARIFFS SHALL BE FILED THREE MONTHS PRIOR TO THEIR EFFECTIVE DATE.

- G. IF THE STATE OR ITS LESSEES OF TIDE AND SUBMERGED LANDS HAVE UNDERTAKEN AN OFFSHORE OIL DEVELOPMENT PROJECT WHICH IDENTIFIES THE PANGL GAS PIPELINE AND THE GGP GAS PROCESSING FACILITY AS THE FEASIBLE MEANS OF TRANSPORTING AND PROCESSING GAS FROM STATE TIDE AND SUBMERGED LANDS; AND SUCH PROJECT HAS BEEN FULLY PERMITTED AND APPROVED BY ALL APPLICABLE FEDERAL, STATE AND LOCAL AUTHORITIES; AND THE COMMISSION APPROVES THE TENDER OF SUCH GAS TO THE PANGL GAS PIPELINE AND THE GGP GAS PROCESSING FACILITY; AND SUCH TENDER COMPLIES WITH PANGL'S PUBLISHED FERC TARIFFS; THEN, PANGL SHALL TAKE ALL REASONABLE ADMINISTRATIVE STEPS NECESSARY TO ENSURE THAT PANGL'S SANTA BARBARA COUNTY (COUNTY) EXISTING PERMITS AND AIR POLLUTION CONTROL DISTRICT (APCD) AUTHORIZATIONS APPLICABLE TO THE PANGL GAS PIPELINE AND GGP GAS PROCESSING FACILITY DO NOT PRECLUDE PANGL'S ACCEPTANCE OF SUCH TENDER. NEITHER PANGL NOR ANY OF ITS PARTNERS SHALL BE OBLIGATED TO PERFORM OR COMMIT TO THE PERFORMANCE OF ANY CONDITIONS, ENVIRONMENTAL STUDIES, MITIGATIONS OR EXPENDITURES RELATED THERETO WHICH MAY ARISE OUT OF SUCH ADMINISTRATIVE PROCEEDINGS. IN THE EVENT THAT THE COUNTY OR APCD DOES NOT AMEND OR OTHERWISE INTERPRET SUCH PERMITS AND AUTHORIZATIONS TO ALLOW PANGL TO ACCEPT THE TENDER OF SUCH GAS FOR TRANSPORTATION AND PROCESSING, AND THE COUNTY'S OR APCD'S DECISION DOES NOT COMPLY WITH THE REQUIREMENTS OF LAW FOR SUCH A DECISION, THEN PANGL SHALL SEEK REVIEW BY COMMENCEMENT OF ADMINISTRATIVE MANDAMUS PROCEEDINGS PURSUANT TO CODE OF CIVIL PROCEDURE SECTION 1094.5 OR OTHER APPLICABLE PROVISIONS OF LAW FOR MODIFICATION OF SUCH PERMITS AND AUTHORIZATIONS. PANGL SHALL TAKE REASONABLE STEPS TO PURSUE SUCH ADMINISTRATIVE MANDAMUS PROCEEDINGS TO AN INITIAL JUDGMENT, BUT PANGL SHALL HAVE NO OBLIGATION TO TAKE ANY STEP IN ADDITION TO THE FOREGOING AND SPECIFICALLY NO OBLIGATION TO PROSECUTE AN APPEAL OR OTHER FURTHER JUDICIAL REMEDY. THE STATE SHALL COOPERATE WITH PANGL IN THE COMMENCEMENT AND PURSUIT OF SUCH ADMINISTRATIVE MANDAMUS PROCEEDINGS AND TAKE SUCH STEPS AS ARE REASONABLY NECESSARY TO ENSURE THE FULL

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COOPERATION OF THE STATE'S LESSEES IN SUCH ADMINISTRATIVE MANDAMUS PROCEEDINGS.

5. FIND THAT THE PROJECT, AS PROPOSED AND MITIGATED, WILL NOT UNREASONABLY INTERFERE WITH THE MAINTENANCE OR USE OF THE LITTORAL LANDS FOR RECREATIONAL PURPOSES OR PROTECTION OF SHORE PROPERTIES, PURSUANT TO SECTION 6818 OF THE PUBLIC RESOURCES CODE.
6. AUTHORIZE CHIEF COUNSEL OF THE COMMISSION TO MAKE NECESSARY MINOR MODIFICATIONS TO THE LEASE AND ITS ACCOMPANYING EXHIBITS TO ACCOMPLISH THE PURPOSES IDENTIFIED BY THE COMMISSION IN AUTHORIZING THE ISSUANCE OF THE RIGHT-OF-WAY LEASE.

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EXHIBIT "A"

LAND DESCRIPTION

-W 23489

A strip of tide and submerged land 20 feet wide in the Pacific Ocean approximately one mile north of Point Conception, Santa Barbara County, California, the centerline of said strip being described as follows:

BEGINNING at a point having coordinates of
N = 863,060.67 and E = 727,222.93; thence S 87° 57' 06"
W 5,297.37 feet to the beginning of a tangent curve con-
cave to the north having a radius of 20,000 feet; thence
along said curve, through a central angle of 1° 00' 52",
354.11 feet; thence tangent to said curve S 88° 57' 58"
W 3,105.89 feet to the beginning of a tangent curve con-
cave to the north having a radius of 20,000 feet; thence
along said curve, through a central angle of 7° 32' 02",
2,629.82 feet; thence tangent to said curve N 83° 30' 00"
W 11,015.26 feet to the offshore ownership boundary of
the State of California as determined according to the
decree entered by the United State Supreme Court in
United States v. California, Original No.5, on
January 31, 1966, 382 US 448.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark.

This description is based on the California Coordinate System, Zone 6.

END OF DESCRIPTION

REVISED AUGUST 22, 1985, BY BOUNDARY SERVICES UNIT, M.L. SHAFER, SUPERVISOR.

(PANGL)

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APPENDIX C

PANGL
CEQA FINDINGS

The significant environmental impacts of the Point Arguello Natural Gas Line Company's (PANGL) proposal for a subsea pipeline between platform Hermosa to a landfall north of Point Conception, transporting gas from the South Santa Maria Basin to an onshore processing facility at Gaviota, are discussed below. These impacts were identified in the: "Point Arguello Field and Gaviota Processing Facility Area Study and Chevron/Texaco Development Plans EIR/EIS" certified by the County of Santa Barbara, acting as CEQA Lead Agency, on October 25, 1984. The staff of the State Lands Commission participated as a member of the local-State-Federal "Joint Review Panel" which managed the preparation of the EIR/EIS. The findings, mitigations and supporting facts presented below, rely substantially on this document, but were updated where appropriate.

As a Responsible Agency, the Commission is authorized to require changes in the project, or require mitigations designed to lessen its environmental effects, by conditioning that part of the project which it must approve (Sections 15041(b) and 15096(g) & (h), Title 14, California Administrative Code).

Pursuant to Section 15091, the State Lands Commission, acting as a Responsible Agency pursuant to CEQA, finds that for each significant environmental effect:

Changes or alterations have been required in, or incorporated into, the project which avoid or substantially lessen the significant environmental effect as identified in the final EIR/EIS.

The discussion of the project's significant impacts and their proposed mitigations recommended for adoption by the Commission, is presented in three sections, as follows:

- I. Construction Impacts
- II. Impacts of Ongoing Operations
- III. Area Study and Cumulative Impacts

I. CONSTRUCTION IMPACTS

The potentially significant construction impacts of the proposed project in State waters will be principally localized and temporary.

A. Marine Water Resources

1. IMPACT: Resuspension of oil-containing sediments (near seeps) likely during subsea trenching and pipelaying. Impacts equivalent to small oil spill on natural seep activity (oil slicks, dissolution of organics, depletion of dissolved oxygen, etc.)

MITIGATION: No additional mitigations are required. Based on a visual survey, PANGL has routed the pipeline so as to avoid natural seeps.

FINDING: The pre-construction survey conducted by PANGL will result in the avoidance of seep areas. Final pipeline routing, based on survey results, constitute changes or alterations required in, or incorporated into the project, which avoid or substantially lessen the environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING FINDINGS:

A visual survey of the pipeline route has been conducted by PANGL. Accordingly, the pipeline route delineated completely avoids any seep areas in State waters.

The release of oil from disturbed sediments around natural oil seeps could have impacts equivalent to a small oil spill or natural seep activity, ranging from a few gallons to several tens of barrels. Such impacts may be in the form of oil slicks, dissolution of toxic organics, or the depletion of dissolved oxygen. These releases can be mitigated in two ways: (1) avoidance of seep areas during trenching; and (2) rapid deployment of oil spill containment and cleanup equipment where such releases result in surface slicks. Such equipment will be available for deployment from Clean Seas Inc.'s Mr. Clean III which will be stationed in the vicinity of Platform Harvest. Response time will generally range from several minutes to 1 hour.

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FINDING: Drilling under the intertidal zone from shore is environmentally preferred to blasting and is required, if feasible. If infeasible, and blasting is necessary, then use of small charges will constitute a change or alteration being required in, or incorporated into, the project, which avoid or substantially lessen the environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING FINDING:

PANGL proposes to construct the pipeline to shore starting in May 1986. This schedule will avoid conflicts with the migrating California Gray Whale.

Trenching for the pipelines through the nearshore intertidal zone at the pipeline landfall north of Point Conception could have significant impacts on marine mammals and seabirds, especially if blasting through bedrock is necessary. Significant but mitigable impacts such as stunning of swimming individuals and interruption of breeding or rearing activities could occur if construction occurs in late Winter or early Spring. In order to minimize blasting impacts in the nearshore zone, PANGL is being required to use the smallest possible multiple charges, rather than a few large ones.

Chevron is currently testing a promising drilling method from atop the coastal bluff through the bedrock underlying the intertidal zone, emerging through the seafloor approximately 2,600 feet from shore. If successful, no trenching and/or blasting in the nearshore area will be necessary as the pipeline will be drawn through the drilled tunnel. If this testing is not successful and blasting is necessary, the resulting impacts could be significant and inconsistent with the Federal Mammal Protection Act. The MMS has indicated that endangered species consultation will be reinitiated if blasting is required.

3. IMPACT: Damage to kelp canopy at Ellwood due to crew boat traffic.

MITIGATION: No additional mitigations are required in view of PANGL's current plans for crew transport.

FINDING: The fact that PANGL will use Carpinteria instead of Ellwood, and then only if weather conditions prohibit helicopter transport of crews and, if used, boats will adhere to the Santa Barbara Channel oil service vessel

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traffic corridor program, constitute changes or alterations required in, or incorporated into the project, which avoid or substantially lessen the environmental effect as identified in the EIR/EIS.

FACTS SUPPORTING FINDING:

Originally, Texaco, a co-applicant with Chevron U.S.A. for this initial development of the Pt. Arguello Field, proposed to utilize Ellwood as its crew base during construction. However, as it currently stands, PANGL proposes to transport its crews to the project by helicopter from the Santa Barbara Airport. Crews will be transported by boat from Carpinteria only in case of emergency, such as during periods of inclement weather (approximately 2% of the year). In such cases, the crew boats will adhere to the industry-designated narrow corridor through the kelp bed, thus minimizing the disturbed-canopy area. The potential resulting impact is considered to be insignificant.

C. Commercial Fishing

1. IMPACT: Disruption of commercial fishing activities during construction.

MITIGATION:

1. The area affected by construction at any one time, shall be kept to a minimum in order to minimize conflicts with local fishermen.
2. Local fishermen shall be notified by PANGL, in accordance with the notification requirements specified for the Commission's Geophysical Survey Permits. (See "General Permit to Conduct Geophysical Surveys," "Permit Regions" map and "Notification Procedures," Exhibits "A" and "B" respectively.)

FINDING: Limiting the construction area at any one time, establishing the notification procedures to local fishermen and PANGL's commitment to post-construction survey and subsequent removal of retrievable construction debris, constitute changes or alterations required in, or incorporated into the project, which avoid or substantially lessen the environmental effect as identified in the EIR/EIS.

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FACTS SUPPORTING FINDING:

The impacts to fishermen associated with pipeline construction in State waters are expected to be small but potentially significant, relative to those associated with construction of the overall project, especially if coordinated with local fishermen. Such impacts would take the form of pre-empting fishing within and across the pipeline corridor for a limited period.

As has been the Commission's experience with other permits for projects affecting fishing in the offshore area, advance notification to local fishermen effectively minimizes conflicts with local fishing activities. The procedure established for Geologic and Geophysical permits is considered acceptable for this purpose.

Also, PANGL has committed to conduct a post-construction survey and remove any retrievable construction-related debris from the ocean floor. This would avoid damage to fishermen's year following construction.

II. IMPACTS OF ONGOING OPERATIONS

The proposed platforms and pipelines in Federal and State waters were carefully designed to prevent accidental gas releases and to detect and curtail them when they do occur, so as to minimize human injury or environmental damage.

The EIR/EIS considered a range of potential gas lines "worst case" accidents and their consequences. System design for safety provides for a quick shut down of the offshore pipeline to Pt. Conception in the event of a leak or a pipeline rupture. Considering the absence of population near the pipeline segment traversing State lands, the conclusion of the EIR/EIS is that no significant environmental effects will result from a major leak or rupture of PANGI's line on State lands during normal operations.

State Lands Commission regulations, Cal. Admin. Code, Title 2, Article 3.3, Sect. 2132(h), sets forth "Pipeline Operations and Maintenance" requirements and procedures to ensure the safe operation and maintenance of this pipeline and provide for early detection of leaks through a carefully conceived inspection program, so that they may be repaired.

III. CUMULATIVE IMPACTS

The proposed pipeline from Platform Hermosa to the landfall north of Pt. Conception is designed to accommodate the anticipated production from the full development of the "Area Study" area as outlined. Therefore, no direct significant adverse construction-related impacts on State lands from the anticipated 8-platform production are expected.

The potentially significant cumulative impacts of development on State lands in the project area are expected to be those associated with additional development and production on the adjacent Federal OCS in the Pt. Arguello Field and Central Santa Maria Basin, and on State lands from Pt. Sal to the western reaches of the Santa Barbara Channel.

Considering pipeline system safety design and the absence of human population on or near State lands, the EIR/EIS did not identify any significant impacts resulting from such cumulative development of gas resources.

The gas resources are being developed together with the Pt. Arguello field's oil resources. The potential cumulative impacts of the combined gas and oil development are discussed in the adjunct PAPCO Calendar Item, see pages ___ to ___ of Calendar Item No. ___ and are hereby adopted herein by reference.

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EXHIBIT D

AGREEMENT FOR ESTABLISHMENT OF COVENANTS,
GRANT OF EASEMENTS AND OTHER RIGHTS

THIS AGREEMENT FOR ESTABLISHMENT OF COVENANTS, GRANT OF EASEMENTS AND OTHER RIGHTS is entered into this _____ day of _____, 1986, by and among the STATE OF CALIFORNIA, acting by and through the STATE LANDS COMMISSION, (hereinafter referred to as the "State"), POINT ARGUELLO NATURAL GAS LINE COMPANY, a California general partnership (hereinafter referred to as "PANGL"), and CHEVRON USA, INC., a California corporation (hereinafter referred to as "Chevron") and GAVIOTA GAS PLANT, a California General Partnership (hereinafter referred to as the "GGP").

P R E L I M I N A R Y:

A. The State is the owner of certain submerged real property lying between the mean high tide mark on the shore of the California coast and an unmarked boundary line three (3) miles seaward from the shore.

B. PANGL is the owner of a certain natural gas pipeline (the "Pipeline") that is or will be constructed from the Platform Hermosa in the Pacific Ocean to a location commonly known as Gaviota in Santa Barbara County, California. PANGL and the State are parties to that certain lease dated _____, 1986 (the "Lease"), affecting certain submerged real property over which the Pipeline does or will pass, which submerged real property is described in Exhibit A, attached hereto and incorporated herein by reference, and which submerged real property is hereinafter referred to as the "Leased Property."

C. Chevron is the owner of certain real property commonly known as the "Gerber Fee" (hereafter sometimes referred to as the "GERBER FEE") which adjoins the Leased Property and over which PANGL intends to construct the Pipeline. Said real property is described in Exhibit B, attached hereto and incorporated herein by reference. PANGL intends that the Pipeline shall run from Platform Hermosa across the property described in Exhibit B hereto to the Gaviota gas processing facility (hereinafter referred to as the "Processing Plant"), which Processing Plant is located on the real property described in Exhibit C, attached hereto and incorporated herein by reference. The Processing Plant is owned by the Processing Company. Adjacent to the Processing Plant and along the proposed path of the Pipeline and also adjacent to the Processing Plant and not along the proposed path of the pipeline is certain real property owned by Chevron, which real property is described in Exhibit D, attached hereto and incorporated herein by reference. Lying between the real property described in Exhibits B and D hereto are certain parcels of real property (the "Private Property") which are owned by persons who are not parties to this agreement. PANGL, through condemnation, purchase or otherwise, has or will obtain a right-of-way for the Pipeline and any necessary appurtenances thereto across the Private Property. For purposes of convenience, the parcels of real property described in Exhibits B and D hereto are hereinafter sometimes collectively referred to as the "Chevron Property."

D. The State and Chevron acknowledge that Chevron is negotiating a sale, gift or other transfer of the Gerber Fee property. Pursuant to condition E of the Lease, no recordation of the Lease or this document against the Gerber Fee property is required if such sale, gift or other transfer occurs within ninety (90) days after the execution of the lease by all parties.

E. In consideration of the grant of the Lease PANGL, GGP and Chevron desire to grant to the State for the

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benefit of the State and its offshore oil and gas lessees, contractors and/or oil purchasers from any of them the right to access the Pipeline, the right to pass natural gas through the Pipeline, and the right to have natural gas processed and stored at the Processing Plant, and the parties also desire to agree as to other matters as hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and of the mutual agreement of the parties hereto to the terms and conditions hereinafter contained the parties agree as follows:

1. PANGL hereby acknowledges and agrees that the Pipeline shall be constructed, operated and maintained as a common carrier facility and that PANGL shall accept from non-owners of the Pipeline tenders for the transportation and processing of natural gas and associated gas liquids on reasonable terms and conditions and at just and reasonable rates, which terms, conditions or rates shall be published and no less favorable than those applied to shipments by owners of the Pipeline, and there shall be no requirement that the tendered natural gas be sold, exchanged or otherwise transferred to PANGL or to any person or entity owning an interest in PANGL. In the event PANGL constructs, operates and maintains any additional natural gas pipelines running from the Pipeline landfall site to the Processing Plant or to other natural gas processing facilities, PANGL will accept from non-owners of such additional pipelines tenders for the transportation of natural gas on reasonable terms and conditions and at just and reasonable rates, which terms, conditions or rates are published and are no less favorable than those applied to shipments by the owners of such additional natural gas pipelines, and there shall be no requirement that the tendered natural gas be sold, exchanged or otherwise transferred to PANGL or to any person or entity owning an interest in PANGL.

2. The Processing Company hereby acknowledges and

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agrees that the Processing Plant shall be constructed, operated and maintained as a common carrier facility and that the Processing Company shall accept from non-owners of the Processing Plant tenders for the processing of natural gas and associated gas liquids on reasonable terms and conditions and at just and reasonable rates, which terms, conditions or rates shall be published and no less favorable than those applied to shipments by owners of the Processing Plant, and there shall be no requirement that the tendered natural gas be sold, exchanged or otherwise transferred to the Processing Plant or to any person or entity owning an interest in the Processing Plant.

3. PANGL does hereby establish in favor of and grant to the State, the State's oil and gas lessees, and purchasers from either of them a nonexclusive easement to move their natural gas and associated gas liquids through the Pipeline to the Processing Plant based on the terms, conditions and rates denoted hereinabove in Paragraph 1. PANGL, at PANGL's initial expense and when requested by the State, shall provide to the State for the benefit of the State and its offshore oil and gas lessees, contractors and/or oil purchasers from any of them, facilities necessary for access to the Pipeline on Chevron's Gerber Fee Property and on Chevron's Property at or near the Processing Plant. These facilities shall be sized to utilize the full capacity of the incoming pipelines. The additional onshore access facilities shall be provided solely in accordance with the PANGL access facility policy filed with the State Lands Commission at such locations as identified by the State Lands Commission, or by the State's offshore oil and gas lessees, contractors and/or oil purchasers from any of them.

4. Pursuant to that certain (name of document granting easements to PANGL) dated _____, 198____, and recorded in the Official Records of Santa Barbara County as Instrument No. _____, in Book _____, at Page _____, Chevron granted to PANGL certain easements to

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place the Pipeline and appurtenances thereto on the Chevron Property. Chevron does hereby establish in favor of and grant to the State for the benefit of the State and its offshore oil and gas lessees, contractors and/or gas purchasers from any of them a nonexclusive easement to move their natural gas across Chevron's Property through the Pipeline. Also, Chevron does hereby establish in favor of and grant to the State for the benefit of the State and its offshore oil and gas lessees, contractors and/or gas purchasers from any of them an easement to construct and locate the access facilities referred to in Paragraph 3 above (the "Access Facilities") on the Chevron Property in such areas as meet with Chevron's approval, which approval shall not be unreasonably withheld. Finally, Chevron does hereby establish in favor of and grant to the State, the State for the benefit of the State and its offshore oil and gas lessees, contractors and/or gas purchasers from any of them the right to enter the Chevron Property following reasonable prior notice to inspect, maintain, or repair the Pipeline and/or Access Facilities.

5. Chevron hereby acknowledges that, in order to access the Pipeline, the State, the State's oil and gas lessees, contractors and/or gas purchasers from any of them, will need to construct access pipelines across the Chevron Property to the Access Facilities. Chevron does hereby establish in favor of and grant to the State for the benefit of the State and its offshore oil and gas lessees, contractors and/or gas purchasers of any of them an easement to construct and locate such access pipelines on the Chevron Property in such areas as meet with Chevron's approval, which approval shall not be unreasonably withheld. Also, Chevron does hereby establish in favor of and grant to the State for the benefit of the State and its offshore oil and gas lessees, contractors and/or gas purchasers from any of them, the right to enter the Chevron Property following reasonable prior notice to inspect, maintain, or repair such access pipelines. Such easements for the access pipelines shall be granted in exchange for the

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compensation determined pursuant to Paragraph 7 hereof.

6. Chevron hereby acknowledges that the State, the State's oil and gas lessees, contractors and/or gas purchasers from any of them, may need to obtain the grant of additional easements for other pipelines, electric power cables, and electrical power generators or substations on or across the Chevron Land in conjunction with the development of adjacent State lands. Chevron hereby agrees to cooperate in locating and granting such easements either directly or through its subsidiary corporations and agrees that such easements shall be granted in exchange for the compensation determined pursuant to Paragraph 7 hereof.

7. In the event that the State, the State's oil and gas lessees, and/or purchasers from either of them shall require an easement as described in Paragraphs 5 and 6 hereof, the purchase price for such easement (the "Price") shall be the Price agreed to by the State (or the State's oil and gas lessees or purchasers from either of them) and Chevron. In the event that the State (or the State's oil and gas lessee, or purchasers from either of them) and Chevron cannot agree upon the Price within forty-five (45) days after Chevron's receipt of a request for the granting of such easement, each party shall supply to the other within fifteen (15) days after the expiration of said forty-five (45) day period the name and address of one (1) person to act as appraiser; provided, however, that if either party fails to designate an appraiser within the time herein specified, then the appraiser who is designated shall conclusively determine the Price. If two (2) appraisers are designated they shall jointly submit within twenty (20) days after the second thereof has been designated their appraisal of the Price. The State and Chevron intend that the Price shall equal the fair market value of the easement area based on industrial pipeline use of such area and not highest and best use, as determined in a competitive and open market under all conditions requisite to a fair sale, each party acting prudently and knowledgeably and assuming the

Price is not affected by undue stimulus. Should the two (2) appraisers be unable to agree within said twenty (20) days, the two (2) appraisers shall each submit independent written appraisal and together they shall designate one (1) additional person as appraiser within ten (10) days following the expiration of said twenty (20) day period. Should the two (2) appraisers be unable to agree upon a third appraiser within said time, then within ten (10) days thereafter said appraisers shall request the American Arbitration Association to appoint the third appraiser within twenty (20) days following such request. The third appraiser shall submit an independent written appraisal within twenty (20) days following his or her appointment. The two (2) appraisals of the Price of the easement area which are nearer in amount shall be retained, and the third appraisal shall be discarded. The Price shall be conclusively determined upon the basis of the average valuation of the two (2) remaining appraisals. Each party shall bear the cost of the appraiser appointed by it and the State (or the State's oil and gas lessee, or purchasers from either of them) and Chevron shall share equally in the cost of the third appraiser. The persons designated as appraisers shall be selected from a list of members of the American Institute of Real Estate Appraisers and shall have been actively engaged for at least ten (10) years in real estate practice.

8. The State, PANGL, GGP and Chevron acknowledge that the easements referred to herein are blanket easements in nature, and the parties agree that, at the earliest point in time as is reasonable possible, the parties shall seek to locate such easements and amend or modify this document as is appropriate. Chevron, PANGL and GGP shall execute documents necessary to show their intent to transfer the property interests identified herein if such evidence is necessary to complete applications for permits and approvals.

9. The Processing Company hereby covenants and agrees that the State, the State's offshore oil and gas

lessees, contractors and/or gas purchasers from any of them shall have the right to have their natural gas and associated gas liquids processed and stored at the Processing Plant, at just and reasonable rates, terms and conditions for treatment or storage which are no less favorable than those accorded shipments by persons or entities owning an interest in PANGL or the Processing Company, and without requirement of sale to PANGL, the Processing Company or any person or entity owning an interest in either entity; provided, however, that the State, the State's oil and gas lessee, or purchasers from either of them may elect, at their cost, to have such natural gas and associated gas liquids delivered to a pipeline for transport to another processing or storage facility as designated by it.

10. Each easement, restriction and covenant contained herein shall be appurtenant to and for the benefit of all portions of the State lands lying between the mean high tide mark and the three-mile limit and located between the San Luis Obispo County line to the north and the Santa Barbara County line to the south and shall run with the land.

11. Each easement, restriction and covenant contained herein shall be a burden upon the real property described in Exhibit C hereto, the Chevron Property, and any interest therein held by PANGL and shall run with the land. In the event that PANGL, Chevron, the Processing Company or any corporation owning, owned by, or under common ownership with Chevron shall acquire any interest in the Private Property through condemnation, purchase or otherwise, the parties hereto agree to amend this Agreement so that the Private Property shall be similarly burdened.

12. The easements herein granted and covenants herein made shall continue in perpetuity; provided, however, that in the event the Lease is terminated with no replacement lease entered into, then this agreement shall be of no further force and effect and the parties shall execute and record a termination of this agreement.

13. If any clause sentence or other portion of this agreement shall become illegal, null or void for any reason, or shall be held by any court of competent jurisdiction to be so, the remaining portions thereof shall remain in full force and effect.

14. All conveyances of all or any interest in the real property described in Exhibit C hereto, the Chevron Property, or the Pipeline subsequent to the date hereof shall recite that they are subject and subordinate to the terms and provisions hereof.

15. This Agreement for Establishment of Covenants, Grant of Easements and Other Rights shall inure to the benefit of and be binding upon the parties hereto, their successors, transferees and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Establishment of Covenants, Grants of Easements, and Processing and Storage Agreement as of the day and year first hereinabove set forth.

STATE OF CALIFORNIA,
By State Lands Commission

By _____

Title _____

POINT ARGUELLO NATURAL
GAS LINE COMPANY,
a California general partnership

By _____

Title _____

By _____

Title _____

CHEVRON USA, INC.,
a California corporation

By _____

Title _____

By _____

Title _____

GAVIOTA GAS PLANT
a California General Partnership

By _____

Title _____

By _____

Title _____

(To Be Notarially Acknowledged)

Exhibit A to be provided at the time of execution.

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Exhibit B to be provided at the time of execution.

CLASSIFICATION	100
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Exhibit C to be provided at the time of execution.

CALCULATOR	101
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Exhibit D to be provided at the time of execution.

EXHIBIT "D" - Attachment 2

Pipeline Route Marine Bio Surveys	84,000
Fisheries Enhancement Fund	65,000
Fisheries Contingency Fund	Not Determined*
Clear Seas Oil Spill Co-op (20 yr. estimate)	16,369,580
Pipeline Leak Detection System	2,000,000
Pipeline Geohazards/Geophysical Surveys	
- Pre-Construction	200,000
- Post-Construction	100,000
Oil Spill Dispersant Study	<u>100,000</u>
	18,918,580

*Assessment formula currently being
development by Santa Barbara County

EXHIBIT "D" - Attachment 3

	<u>Per Year</u>	<u>20 Year Estimate</u>
Scientific Advisory Committee (8)	25,000	500,000
All Season Ocean Current and Meteorologic Studies (7)	1,000,000*	20,000,000
Lease Area Mapping/Mandatory Bio Surveys (1)	***	
Sea Otters (6)	**	5,000,000
Potential Geohazards (3)	***	
Special Studies (4)		
Biological Inventory	**	700,000
Oil Dispersant	***	<u>300,000</u>
Oil Spill Response Capability*		
- Clear Seas Vessel (2a)		30,000,000
- Rapid Response Capability		51,000,000
- SIOSC Training	300,000	<u>6,000,000</u>
		113,500,000

* The costs of these studies or equipment is to be adjusted for inflation

** The cost of these studies uses a one-time maximum amount at the time studies are performed.

*** No amount specified. Cost as needed.