

MINUTE ITEM

This Calendar Item No. C41 was approved as
Minute Item No. 41 by the California State Lands
Commission by a vote of 3 to 0 at its
12-16-02 meeting.

**CALENDAR ITEM
C41**

A	10,11	12/16/02
		PRC 731.1
S	4,7	PRC 1558.1
		PRC 2757.1
		PRC 3453.1
		N. Smith

ASSIGNMENT OF LEASE

LESSEE/ASSIGNOR:

Ultramar, Inc.
Attn: Ms. Diane Sinclair
6000 N. Loop 1604 W
San Antonio, Texas 78269-6000

ASSIGNEE:

Tesoro Refining and Marketing Company
PO Box 630
Martinez, California 94553

BACKGROUND:

Ultramar, Inc. currently has several leases with this office, of which four are the subject of this calendar item. On May 16, 2002, Ultramar sold four of their leaseholds to Tesoro Refining and Marketing Company (Tesoro). These leaseholds include, Amorco marine terminal in the Carquinez Strait, in the city of Martinez (PRC 3453.1); Diablo terminal in New York Slough, in the city of Pittsburg (PRC 2757.1); and two leases appurtenant to the Golden Eagle Refinery to provide a water supply from Pacheco Creek (PRC 731.1 & 1558.1).

Tesoro Refining and Marketing Company is a wholly owned subsidiary of Tesoro Petroleum Corporation. Tesoro Petroleum Corporation unconditionally guarantees the full performance by Tesoro Refining and Marketing Company obligations under the leases and staff has determined that they have the financial ability to carry out the terms of the leases.

CALENDAR ITEM NO. C41 (CONT'D)

The Diablo terminal lease PRC 2757.1 is presently in a holdover month-to-month tenancy. The lease remains under the terms and conditions of the existing lease until the Commission approves a new lease.

Lessee/Assignor will not be released from their obligations and responsibilities for performance under the covenants and conditions agreements of the leases.

CONSIDERATION:

PRC 731.1

\$225 for the term of the lease.

PRC 1558.1

\$796.50 for the term of the lease.

PRC 2757.1

\$11,442 per year.

PRC 3453.1

\$75,000 per year with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

OTHER PERTINENT INFORMATION:

1. Assignee owns the uplands adjoining the lease premises.
2. Tesoro Petroleum Corporation has provided a Guarantee for the performance of the lease obligations of its subsidiary, Tesoro Refining and Marketing Company.
3. Staff of the Commission has reviewed the financial statements for the last two years and determined Tesoro Petroleum Corporation has the means to provide financial assistance for any incidents that may occur.
4. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et seq., but such activity will not affect those significant lands.
5. 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, sections 15060(c)(3) and 15378.

CALENDAR ITEM NO. C41 (CONT'D)

EXHIBITS:

- A. Location Map
- B. Land Description – PRC 2757.1
- C. Land Description – PRC 3453.1
- D. Land Description Plat – PRC 1558.1
- E. Land Description – PRC 731.1
- F. Guaranty

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

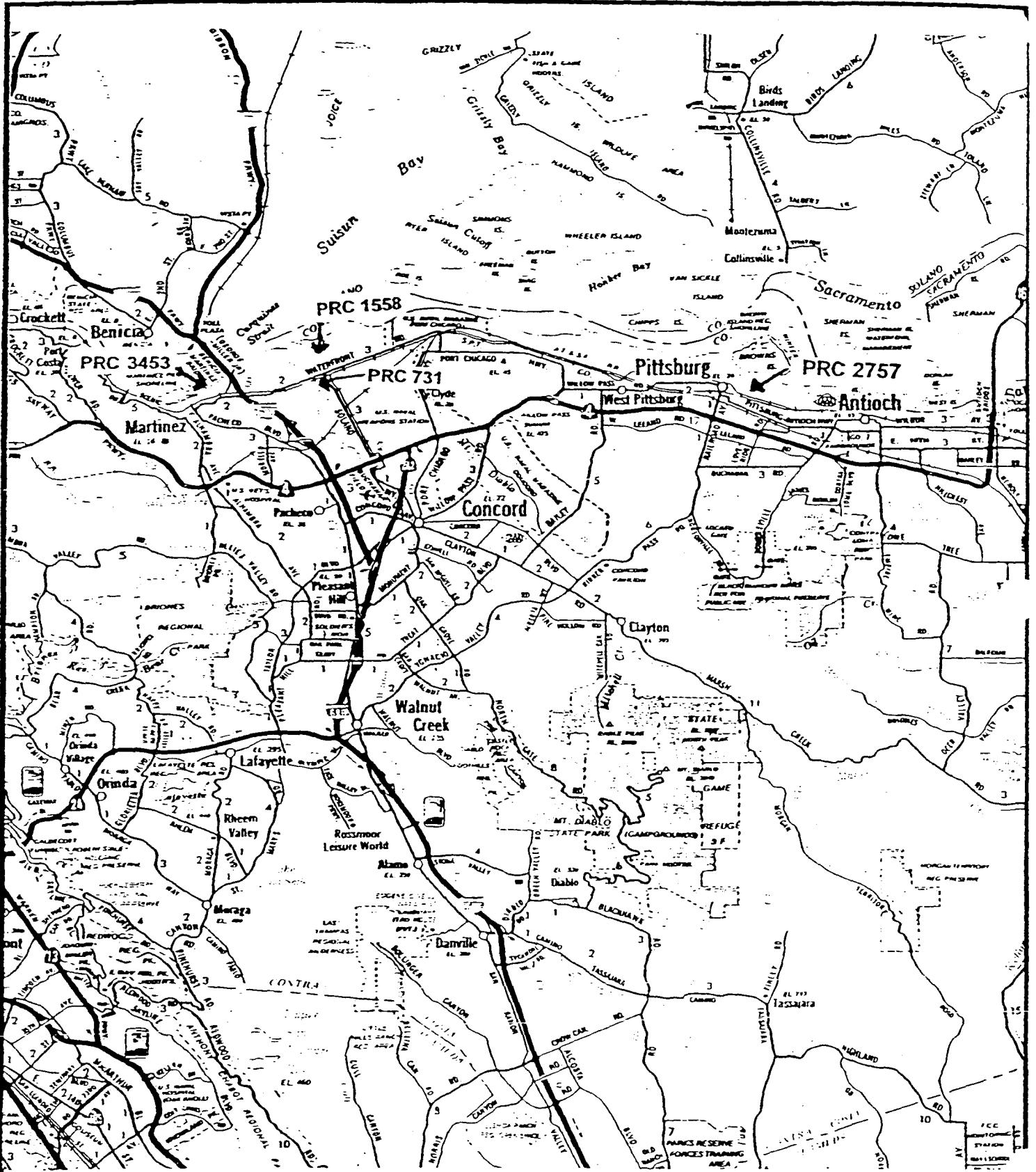
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON THOSE RESOURCES FOR WHICH SUCH LANDS ARE IDENTIFIED.

AUTHORIZATION:

AUTHORIZE THE ASSIGNMENT OF LEASE NOS. PRC 731.1, 1558.1, 2757.1, & 3453.1, A GENERAL LEASE - INDUSTRIAL USE AND DREDGING, OF SOVEREIGN LANDS SHOWN AND DESCRIBED ON EXHIBITS A THROUGH E ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, FROM ULTRAMAR, INC. TO TESORO REFINING AND MARKETING COMPANY, EFFECTIVE MAY 17, 2002.



This exhibit is solely for purposes of generally defining the area to be leased, and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or other property.

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EXHIBIT A
Location Map

EXHIBIT B

LAND DESCRIPTION

Three (3) parcels of tide and submerged land in the bed of New York Slough, Contra Costa County, State of California, more particularly described as follows.

PARCEL A (Existing Wharf, Appurtenances & Moorage)

COMMENCING at the most easterly corner of Parcel 2 as described in that certain deed recorded June 18, 1932, in Volume 318 at Page 258, Official Records of said county; thence N 78° 52' 05" W 1.97 feet; thence N 58° 23' 24" W 256.55 feet to the TRUE POINT OF BEGINNING; thence N 16° 47' 42" E 207.22 feet; thence along a line parallel with the pierhead line as shown on Corps of Engineers Map No. 51-8-866, dated June, 1939, S 65° 32' 47" E 854.71 feet; thence S 16° 47' 42" W 287.59 feet; thence N 65° 32' 47" W 854.71 feet; thence N 16° 47' 42" E 80.37 feet to the point of beginning.

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

PARCEL B (Dolphins, Walkways and Moorage)

COMMENCING at the most easterly corner of Parcel 2 as described in that certain deed recorded June 18, 1932, in Volume 318 at Page 258, Official Records of said county; thence N 78° 52' 05" W 1.97 feet; thence N 58° 23' 24" W 256.55 feet; thence N 16° 47' 42" E 127.22 feet to the pierhead line as established by act of Congress in 1887, which is the TRUE POINT OF BEGINNING; thence S 16° 47' 42" W 70 feet; thence N 65° 32' 47" W 300 feet; thence N 16° 47' 42" E 150 feet; thence S 65° 32' 47" E 300 feet; thence S 16° 47' 42" W 80 feet to the point of beginning.

EXCEPTING THEREFROM any portion lying within the Legislative Grant to the City of Pittsburg approved May 8, 1937, under Chapter 214, Statutes of 1937.

PARCEL C (Pier extension and pilings)

COMMENCING at the most easterly corner of Parcel 2 as described in that certain deed recorded June 18, 1932, in Volume 318 at Page 258, Official Records of said county; thence N 78° 52' 05" W 1.97 feet; thence N 58° 23' 24" W 256.55 feet; thence N 16° 47' 42" E 127.22 feet to the pierhead line as established by act of Congress in 1887; thence S 65° 32' 47" E 854.71 feet to the TRUE POINT OF BEGINNING; thence continuing along said pierhead line S 65° 32' 47" E 50 feet; thence S 16° 47' 42" W 30 feet; thence N 65° 32' 47" W 50 feet; thence N 16° 47' 42" E 30 feet to the point of beginning.

END OF DESCRIPTION

EXHIBIT C

LAND DESCRIPTION

WP 3453

Two parcels of tide and submerged land in the State-owned bed of Pacheco Slough (Creek) and one parcel of tide and submerged land in Suisun Bay, Contra Costa County, California, more particularly described as follows:

PARCEL 1

A strip of land 100 feet wide, lying 50 feet on each side of the following described centerline:

BEGINNING at a point on the centerline of the Southern Pacific Railroad's mainline which bears S 18° 09' 20" E, 50.00 feet from a brass cap monument stamped "AVON", said monument having California Coordinate System Zone 3 coordinates of X=1,545,386.26 and Y=561,570.34; thence from said point of beginning, S 71° 20' 30" W, 140 feet, more or less, along the centerline of said mainline to the end of the herein described line.

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

PARCEL 2

A strip of land 50 feet wide lying 25 feet on each side of the following described centerline:

COMMENCING at a brass cap monument stamped "AVON" having California Coordinate System Zone 3 coordinates of X=1,545,386.26 and Y=561,570.34; thence N 65° 18' 49" W, 300.13 feet to a point where the ordinary high water mark of the easterly bank of Pacheco Slough as described in that boundary agreement recorded in Volume 1732, at Page 35, Official Records of Contra Costa County, intersects a line parallel with and 256 feet northerly of the Southern Pacific Railroad's mainline and being the TRUE POINT OF BEGINNING of the herein described centerline; thence S 71° 20' 30" W, parallel with said mainline, 129.17 feet to the ordinary high water mark of the westerly bank of Pacheco Slough as described in that boundary agreement recorded in Volume 1732, at Page 37, Official Records of Contra Costa County and the end of the herein described line.

PARCEL 3

COMMENCING at U.S. Coast and Geodetic Triangulation Station Suisun Pt. 2, as shown on Tidewater Drawing No. 26-DA-43 dated October 29, 1962; thence N 32° 17' 17.7" W, 1100.00 feet and S 60° 30' 44" W, 656.90 feet along the Pierhead line in Suisun Bay to the TRUE POINT OF BEGINNING; thence from the true point of beginning, S 29° 29' 16" E, 220.00 feet; thence S 60° 30' 44" W, 780.00 feet; thence S 25° 09' 23" W, 103.67 feet; thence S 64° 50' 37" E, 824.02 feet; thence S 36° 23' 56" W, 101.96 feet; thence N 64° 50' 37" E, 824.02 feet; thence S 25° 09' 23" W, 780.00 feet; thence S 60° 30' 44" W, 656.90 feet; thence N 32° 17' 17.7" W, 1100.00 feet to U.S. Coast and Geodetic Triangulation Station Suisun Pt. 2, as shown on Tidewater Drawing No. 26-DA-43 dated October 29, 1962.

948.64 feet; thence S 60° 30' 44" W, 1020.27 feet; thence N 29° 29' 16" W, 295.00 feet; thence N 60° 30' 44" E, 2050.00 feet; thence S 29° 29' 16" E, 75.00 feet to the point of beginning.

This description is based on the California Coordinate System, Zone 3.

END OF DESCRIPTION

REVISED MARCH 28, 1983 BY BOUNDARY AND TITLE UNIT, LEROY WEED, SUPERVISOR.

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SURVEY FOR
UNITED TOWING COMPANY
 AND
TIDE WATER ASSOC. OIL CO.
 CONTRA COSTA COUNTY, CALIFORNIA
 BEING A PORTION OF SWAMP AND OVERFLOW SURVEYS
 NO. 87 AND NO. 269 AND A PORTION OF TIDE LAND
 SURVEY NO. 207

SCALE 1" = 200'

NOVEMBER 1949

"LANDS END"
 N 1,243,750.11
 W 563,926.70

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SURVEYED BY MACABEE, RIFFE AND SHIPHERD

BY H. REYNOLD SHIPHERD

Licensed Surveyor No. 2471

- BASIS OF BEARING -
 Lambert Coordinate System for
 Zone 2, State of California.

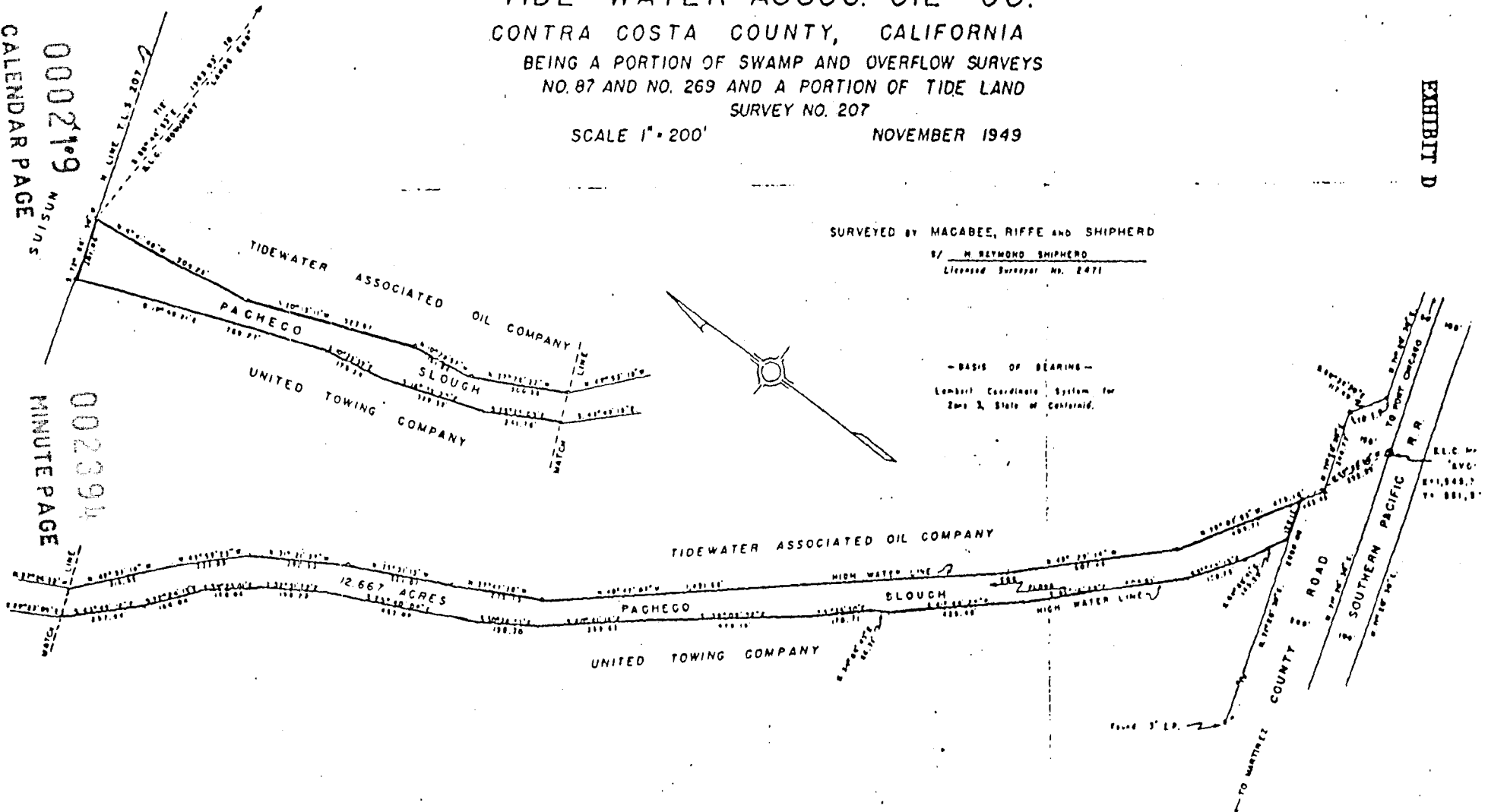


EXHIBIT D

EXHIBIT E

AVON (STREAM RIGHT OF WAY)

PRC No. 731.1

The channel of that certain stream, known as Pacheco Creek, in Contra Costa County, lying between the ordinary high-water mark on the right bank of said stream and the ordinary high-water mark on the left bank of said stream, from a line parallel to and 50 feet distant from the centerline of the Southern Pacific Railroad mainline to a line parallel thereto and 1550 feet upstream in a southeasterly direction from the said centerline of the Southern Pacific Railroad mainline.

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GUARANTY

For valuable consideration, the receipt of which is hereby acknowledged, Tesoro Petroleum Corporation unconditionally guarantees to the State of California, acting by and through the California State Lands Commission ("State"), the full performance by Tesoro Refining and Marketing Company of all of Tesoro Refining and Marketing Company's obligations under Leases No. PRC's 731.1, 1558.1, 2757.1, 3453.1, and 3454.1.

The rights afforded the State under this Guaranty are personal and not transferable by State.

This Guaranty shall be construed under and governed by the laws of the State of California.

Tesoro Petroleum Corporation represents and warrants that this Guaranty is a legal, valid and binding obligation of Tesoro Petroleum Corporation, enforceable against Tesoro Petroleum Corporation in accordance with its terms except as limited by bankruptcy, principles of equity or other laws of general application.

Tesoro Petroleum Corporation agrees that any amendments, modifications, alterations or changes made in the Lease covered by this guarantee or the giving by the State of any extension of time for the performance of any of the Lease terms, or the giving of any other forbearance on the part of the State or Tesoro Refining and Marketing Company, to the other, shall not in any way release Tesoro Petroleum Corporation, its successors or assigns, from any liability arising hereunder and notice to Tesoro Refining and Marketing Company of any such amendments, modifications, alterations or changes is hereby waived.

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This Guaranty shall automatically terminate, except as to obligations already accrued, when 1) the Lease terminates or when the Lease has been assigned from Tesoro Refining and Marketing Company to a party approved by the State and as part of the assignment, Tesoro Refining and Marketing Company has been released from its obligations under the Leases by the State, or 2) Tesoro Petroleum Corporation sells, assigns or conveys a majority of its interest in Tesoro Refining and Marketing Corporation to an unaffiliated third party approved by the State.

IN WITNESS WHEREOF, Tesoro Petroleum Corporation has executed this Guaranty as of this 11th day of October, 2002.

TESORO PETROLEUM CORPORATION

By: Sharon L. Layman *SLH*

Sharon L. Layman
Vice President and Treasurer