

MINUTE ITEM

This Calendar Item No. C25 was approved as Minute Item No. 25 by the California State Lands Commission by a vote of 3 to 4 at its 2/2/04 meeting.

**CALENDAR ITEM
C25**

A 67
S 35

02/02/04
PRC 5663 WP 5663.9
J. Smith

ASSIGNMENT OF AGREEMENT FOR USE OF EASEMENTS

ASSIGNOR:

ConocoPhillips Company, a Delaware Corporation
3900 Kilroy Airport Way, Suite 210
Long Beach, California 90806

ASSIGNEE:

Aera Energy LLC
P.O. Box 11164
Bakersfield, California 93389-1164

AREA, LAND TYPE, AND LOCATION:

State-owned lands under Bolsa Chica State Beach, Huntington Beach, Orange County.

AUTHORIZED USE:

Maintenance of existing pipelines and appurtenant facilities associated with production from Platform Emmy.

TERM OF AGREEMENT:

The Agreement automatically terminates concurrently with the termination of State Oil and Gas Lease PRC 426.1. The term of PRC 426.1 is 20 years and for so long as oil or gas is being produced in commercial quantities.

CONSIDERATION:

No monetary consideration.

OTHER PERTINENT INFORMATION:

1. Assignee has a right to use the uplands adjoining the leased lands and the easement.
2. The Assignee is the current lessee and operator of State Oil and Gas Leases PRC 392, 425 and 426, all of which are produced from wells drilled from Platform Emmy. The pipelines and appurtenant facilities are

CALENDAR ITEM NO. C25 (CONT'D)

located within Oil and Gas Lease PRC 425, except for a portion of the facilities that are located under Bolsa Chica State Beach. The facilities consist of:

1. One 12" crude oil emulsion line
2. One 3" High Pressure gas line installed within an 8" out-of-service line
3. One 4" Low Pressure gas line installed within a 6" out-of-service line
4. One 8" crude oil emulsion line, currently idle, installed within a 14" out-of-service line
5. One 8" out of service seawater line
6. One 3" freshwater line
7. One 2 1/2" electrical power cable

ConocoPhillips Company (formerly Phillips Petroleum Company that formerly was Aminoil USA, Inc. [Aminoil]) wishes to assign to Aera Energy LLC the Agreement for Use of Easements (Agreement) for the existing pipelines and appurtenant facilities that are located under Bolsa Chica State Beach. The Agreement, which originally was between the State Lands Commission and Aminoil, was recorded in Orange County on May 15, 1979, as Document No. 21633.

In 1974, the State Department of Parks and Recreation (DPR) acquired the beach property from the Huntington Beach Company, subject to all existing easements and rights of way. In 1978, Aminoil contacted Commission staff to request a right of way to use the pipeline facilities under Bolsa Chica State Beach in conjunction with new production from State Oil and Gas Lease PRC 426. Aminoil had existing easements dated August 25, 1938 and November 28, 1949, from the private property owners for development, operations and production from State Leases PRC 392 and 425. The DPR, as owner of the property, agreed to transfer control and possession of a portion of the beach area to the State Lands Commission. The area described in the Agreement encompasses approximately one acre and is situated between the Ordinary High Water Mark of 1938 (as established pursuant to Boundary Line Agreement 84 dated November 17, 1966, between the State Lands Commission and the Huntington Pacific Corporation) and Pacific Coast Highway. Commission staff has confirmed that the pipeline facilities do not impact the area proposed for the Bolsa Chica Restoration Project.

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CALENDAR ITEM NO. C25 (CONT'D)

Pursuant to Minute Item 19 of the October 26, 1987 meeting, the Commission approved the transfer of an easement from the DPR and also consented to the use of the pipeline facilities by Aminoil for production from State Lease PRC 426. The Commission's acceptance of the property from the DPR and the consent to Aminoil was authorized without monetary consideration.

For Commission staff's recordkeeping purposes, the Agreement, recorded in 1979, was given Lease No. PRC 5663.

Even though the oil and gas leases, through a series of assignments and name changes, are now in the name of Aera Energy LLC, the Agreement, or Lease No. PRC 5663, remains in the name of Phillips Petroleum Company (now ConocoPhillips).

Both ConocoPhillips and Aera Energy LLC believe it appropriate to transfer the Agreement to Aera Energy LLC at this time. Therefore, staff is recommending that the Commission authorize the assignment of the Agreement to Aera Energy LLC, the current lessee and operator of the oil and gas leases.

This assignment shall not release ConocoPhillips from any obligation to the Commission under the Agreement for Use of Easements, any conditions in the assignment agreement to the contrary notwithstanding.

Aera Energy LLC presently maintains a surety bond in the amount of \$250,000 and liability insurance in the amount of \$10,000,000 covering Oil and Gas leases PRC 392, 425 and 426. Aera will provide Commission staff with evidence that the bond and insurance certificate have been amended to include the facilities under PRC 5663.

Inspections of the 12" oil pipeline occurred on September 20, 2002 (internal) and September 10, 2003 (external). External inspections and hydrostatic testing of the gas pipelines occurred on September 10, 2003. Based on Commission staff's review of the inspections, the pipeline facilities are in compliance with the Commission's Oil and Gas Production Regulations (California Code of Regulations, Title 2, Division 3, Chapter 1, Article 3.3, 2132(h)) and are fit for service.

CALENDAR ITEM NO. C25 (CONT'D)

3. 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.

EXHIBITS:

- A. Location and Site Map
- B. Agreement for Transfer of Control and Possession
- C. Agreement for Use of Easements

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.

AUTHORIZATION:

AUTHORIZE THE ASSIGNMENT OF LEASE NO. PRC 5663, AN AGREEMENT FOR USE OF EASEMENTS BETWEEN THE STATE LANDS COMMISSION AND AMINOIL USA, INC., RECORDED AS DOCUMENT NUMBER 21633 ON MAY 15, 1979, OFFICIAL RECORDS OF ORANGE COUNTY, OF STATE-OWNED LANDS DESCRIBED ON EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, FROM CONOCOPHILLIPS COMPANY, A DELAWARE CORPORATION TO AERA ENERGY LLC; EFFECTIVE FEBRUARY 1, 2004; NO MONETARY CONSIDERATION; SURETY BOND IN THE AMOUNT OF \$250,000 AND LIABILITY INSURANCE IN THE AMOUNT OF \$10,000,000 COVERING STATE OIL AND GAS

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CALENDAR PAGE

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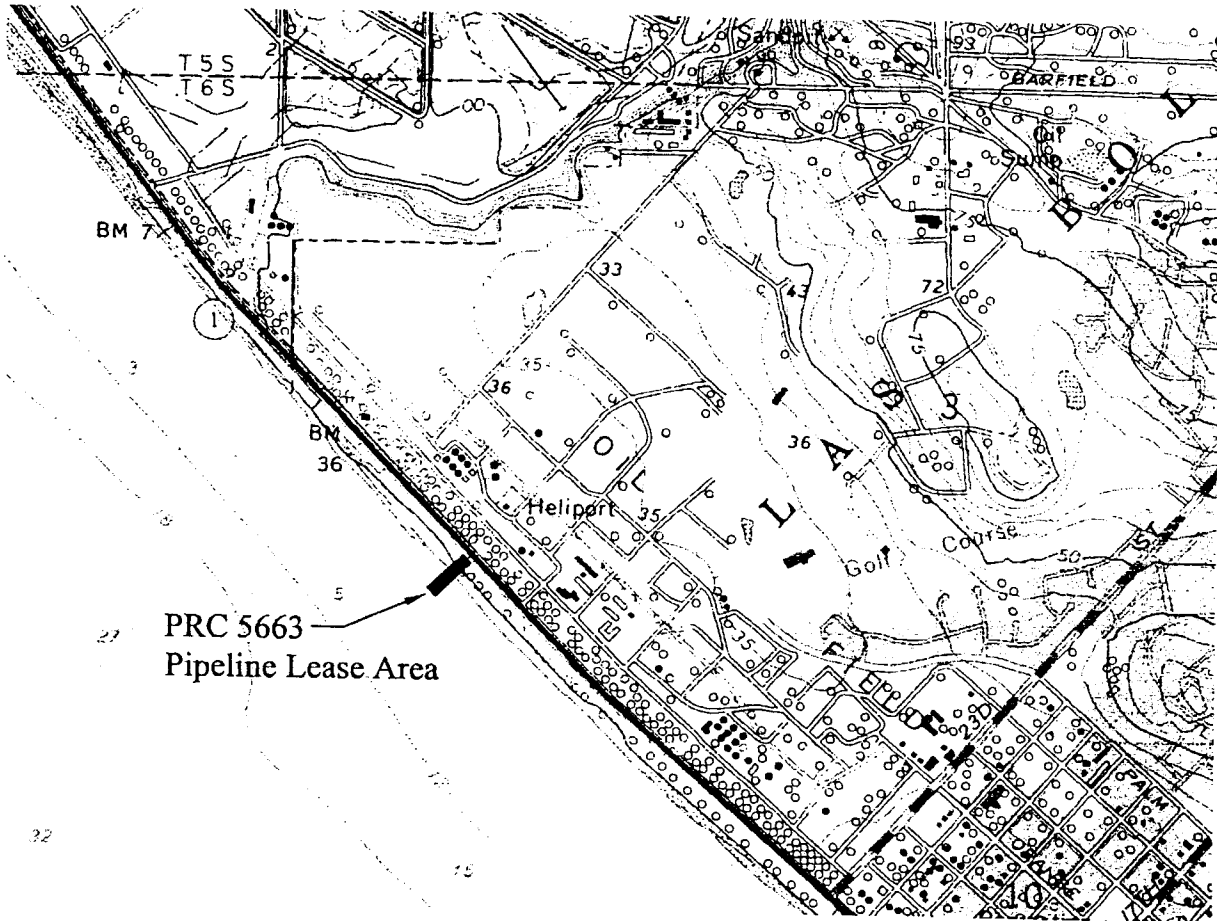
MINUTE PAGE

CALENDAR ITEM NO. C25 (CONT'D)

LEASES NO. PRC 392, 425 AND 426 TO BE AMENDED TO INCLUDE
LEASE NO. PRC 5663.

NO SCALE

SITE

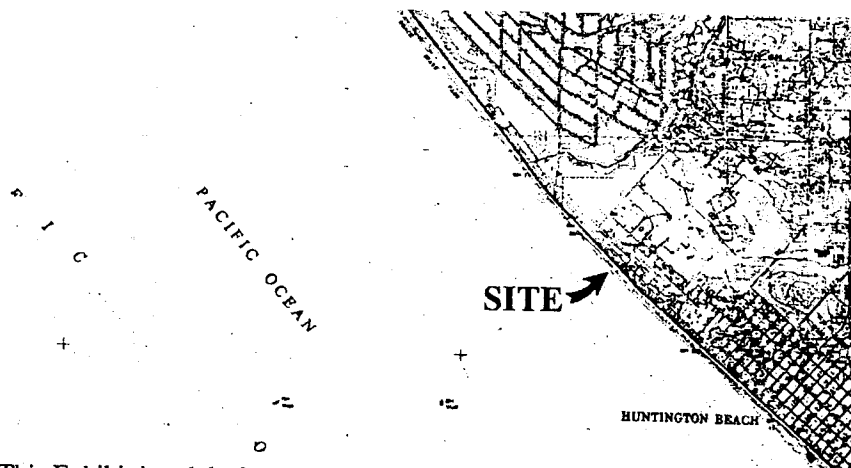


PRC 5663
Pipeline Lease Area

AERA ENERGY L.L.C.
BOLSA CHICA STATE BEACH

NO SCALE

LOCATION



SITE

HUNTINGTON BEACH

Exhibit A

WP 5663
AERA ENERGY L.L.C.
HUNTINGTON BEACH
ORANGE COUNTY



SITE

RAB 01/04

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. MAP SOURCE: USGS QUAD

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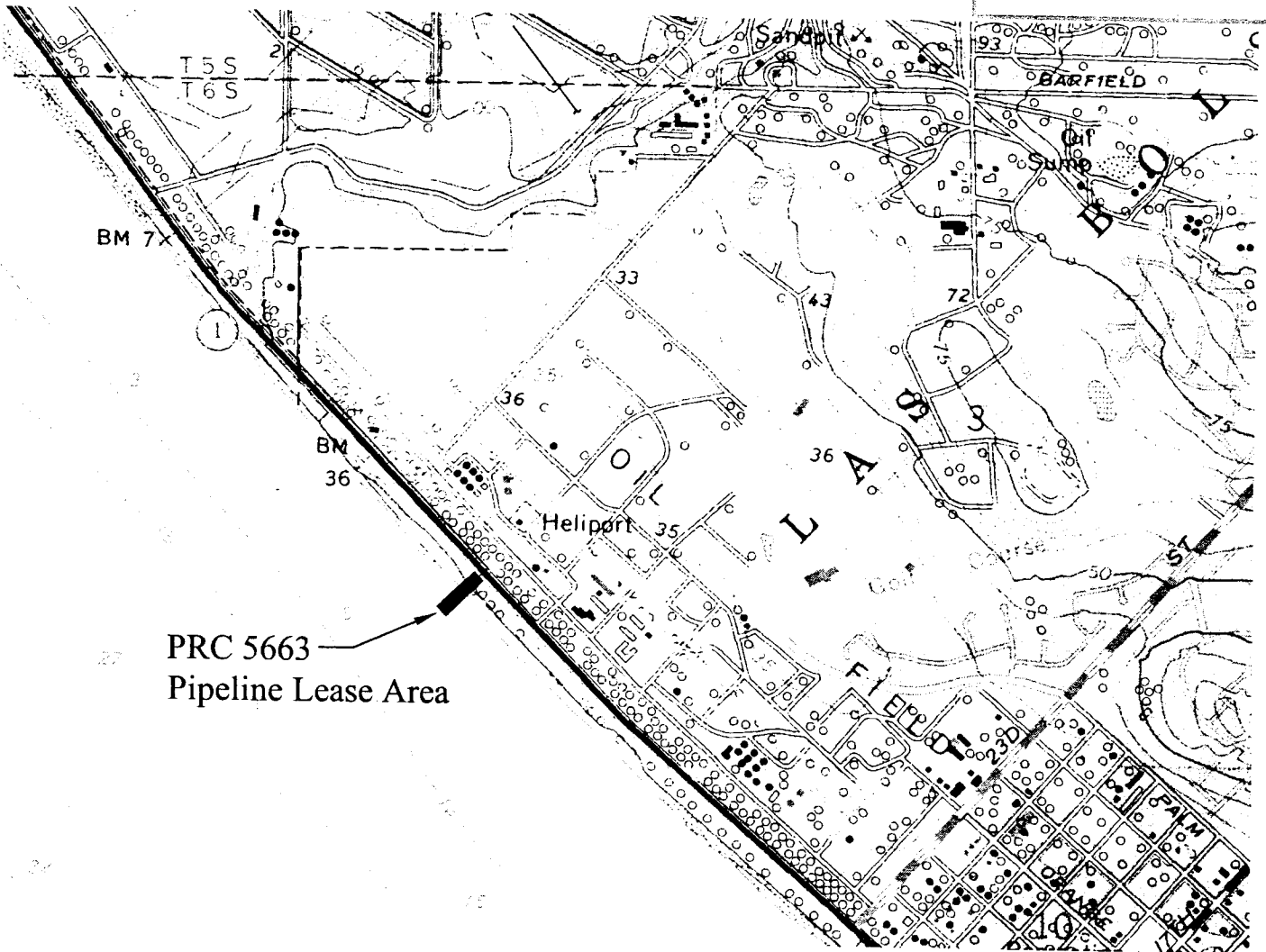
CALENDAR PAGE

000133

MINUTE PAGE

NO SCALE

SITE



PRC 5663
Pipeline Lease Area

AERA ENERGY L.L.C.
BOLSA CHICA STATE BEACH

NO SCALE

LOCATION

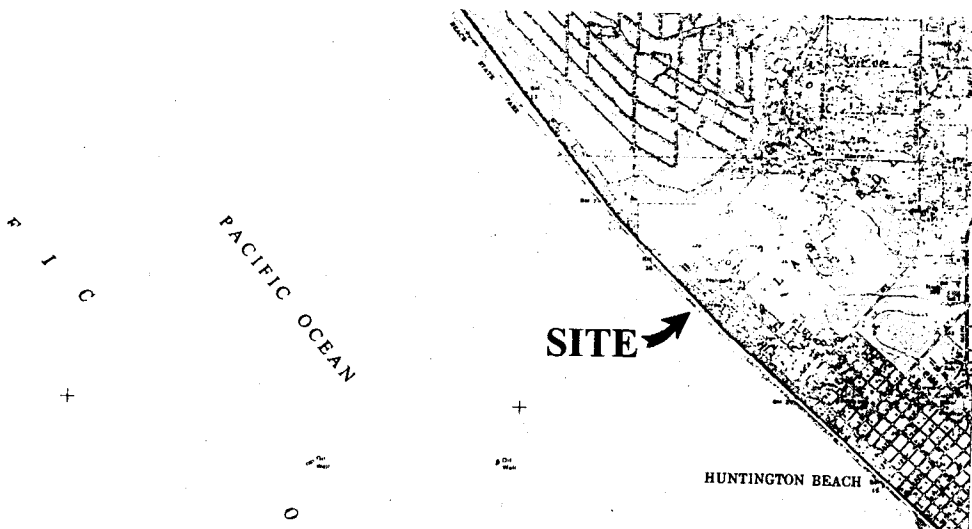


Exhibit A

WP 5663
AERA ENERGY L.L.C.
HUNTINGTON BEACH
ORANGE COUNTY



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. MAP SOURCE: USGS QUAD

2112170191-1
RECORDED IN OFFICIAL RECORD
OF ORANGE COUNTY, CALIFORNIA
30 Min. Past 4 P.M. MAY 15 1979
LEE A. BRANCH, County Recorder

21634 EXEMPT C2

AGREEMENT FOR THE TRANSFER OF CONTROL
AND POSSESSION OF STATE-OWNED REAL PROPERTY

BY THIS AGREEMENT entered into this 8th day of February, 1979,
by and between the Department of Parks and Recreation, hereinafter called
"Transferor", and the State Lands Commission, hereinafter called "Transferee"
with the approval of the Director of General Services.

W I T N E S S E T H:

WHEREAS, Transferor has control and possession of the hereinafter
described real property at Bolsa Chica State Beach, and

WHEREAS, Transferee desires to acquire the interest, as hereinafter
described, in said real property and Transferor is willing to transfer said
interest;

NOW THEREFORE, pursuant to the provisions of Section 14673 of the
Government Code of the State of California, Transferor hereby transfers unto
Transferee an easement in gross for the use of existing FDB S Park underground pipelines and
appurtenances for the transmission of oil, gas and other hydrocarbon
substances, water, power and communications, and Transferee accepts said
easement in gross, subject to all valid and existing contracts, permits,
leases, encumbrances and claims of title which may affect said easement
the real property situated in the County of Orange, State of California,
described as follows:

RECEIVED
STATE LAND COMMISSION
MAY 15 1979
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A strip of land 100 feet in width in the City of Huntington Beach, County of Orange, State of California, being a portion of Fractional Section 4, Township 6 South, Range 11 West, in the Rancho Las Bolsas, as shown on map recorded in Book 51, Page 14 of Miscellaneous Maps, in the office of the County Recorder of said County, the centerline of said strip being described as follows:

Beginning at a California State Lands Commission Brass Cap Monument Stamped "N. W. Cor. Lot E, Reset 1950" as shown on map filed in Book 97, pages 35, 36 and 37 of Record of Surveys, in the office of said County Recorder; thence along the east line of the northwest quarter of Fractional Section 4, South 0° 17' 46" West 898.25 feet to the northeasterly right of way line of Pacific Coast Highway; thence along said northeasterly line South 43° 34' 50" East 2212 feet; thence South 46° 25' 10" West 100 feet to the southwesterly right of way line of said highway and the true point of beginning; thence along the centerline of said strip of land 100 feet in width, South 46° 25' 10" West 400 feet more or less to the ordinary high water mark of the Pacific Ocean.

In the event Transferee enters into any lease, license, permit, contract or agreement relating to the use of the interest herein transferred, Transferee, agrees to include in and make a part of such lease, license, permit, contract or agreement the following indemnification clause:

"GRANTEE hereby waives all claims and recourse against the STATE for loss or damage to persons or property arising from, growing out of, or in any way connected with or incident to this agreement. GRANTEE agrees to indemnify, save harmless and defend the STATE, its officers, agents, and employees against any and all claims, demands or causes of action that may be brought against the STATE its officers, agents, and employees arising out of, or in any way connected with or incident to the use or occupancy of said premises by the GRANTEE or the exercise by GRANTEE of the rights or privileges herein granted".

In making any excavation on said property of Transferor, Transferee shall make the same in such manner as will cause the least injury to the surface of the ground around such excavation, and shall replace the earth so removed by it and restore the surface of the ground to as near the same condition as it was prior to such excavation as is practicable.

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IN WITNESS WHEREOF, the parties hereto have executed this agreement
the date first above written.

TRANSFEROR

TRANSFeree

By Russell Cahill
Director, Department of
Parks and Recreation

By James T. Grant
Chief, Division of Land
Management and Conservation

APPROVED:

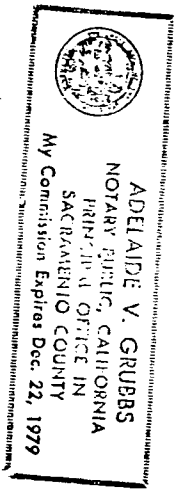
Director of General Services

By Alan Pulley

State of California)
) ss
County of Sacramento)

On this 31 day of Dec in the year 19 79 before me ADELAIDE V. GRUBBS,
a Notary Public in and for the State of California, residing therein, duly commissioned and sworn, personally appeared
RUSSELL W. CAHILL known to me to be the DIRECTOR
of the Department of Parks and Recreation of the State of California, and known to me to be the person who executed
the within instrument on behalf of said public corporation, agency or political subdivision, and acknowledged to me
that such public agency executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this
certificate first written.



Adelaide V. Grubbs
Notary Public

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RECORDING REQUESTED BY:

EXEMPT
C2

State of California
State Lands Commission

21633

RECORDED IN OFFICIAL RECORDS
OF ORANGE COUNTY, CALIFORNIA
30 Min. Past 4 P.M. MAY 15 1979
LEE A. BRANCH, County Recorder

WHEN RECORDED, MAIL TO:

State of California
State Lands Commission
1807 - 13th Street
Sacramento, California 95814

Attention: Harley F. Pinson,
Staff Counsel

THIS DOCUMENT IS OFFICIAL
STATE OF CALIFORNIA BUSINESS
AND IS ENTITLED TO FREE
RECORDATION PURSUANT TO
GOVERNMENT CODE SECTION 27383

No Tax Due

Harley F. Pinson
Harley F. Pinson
Staff Counsel

Above Space for Recorder's Use

AGREEMENT FOR USE OF EASEMENTS

This Agreement is entered into by and between the
State of California, acting by and through the State Lands
Commission, hereinafter referred to as "State", and Aminoil
USA, Inc., hereinafter referred to as "Aminoil".

W I T N E S S E T H

WHEREAS, State is the owner of an easement in gross
(hereinafter referred to as "the easement") in and on certain
real property at Bolsa Chica State Beach, described in Exhibit
"A" hereto and by this reference made a part hereof (hereinafter
referred to as "the property"); and

WHEREAS, Aminoil has previously obtained a right of
way from the prior owners of the property for the purpose of

1 locating thereon underground pipelines, conduits and conductors
2 located on the property which Aminoil has constructed and has
3 been and is now using for the transportation of oil and gas and
4 related substances to and from its offshore State leases nos.
5 PRC 392.1 and 425.1; and

6 WHEREAS, said underground pipelines, conduits and
7 conductors are also located on the easement; and

8 WHEREAS, Aminoil now desires to use these same existing
9 underground pipelines, conduits and conductors for the purpose
10 of transportation of oil, gas and related substances to and
11 from its offshore State lease no. PRC 426.1; and

12 WHEREAS, on October 26, 1978, the State Lands Commission
13 consented to Aminoil's use of these same existing underground
14 pipelines, conduits and conductors for transportation of oil,
15 gas and related substances to and from its offshore State lease
16 no. PRC 426.1.

17 NOW, THEREFORE, State and Aminoil hereby mutually
18 agree as follows:

19 1. State consents to Aminoil's use of the existing
20 underground pipelines, conduits and conductors located on the
21 property for the transmission of oil, gas and related substances
22 to and from the area included within and pursuant to PRC 426.1.

23 2. This Agreement is subject to all valid and existing
24 contracts, permits, leases, encumbrances, liens, claims of title,
25 and other interests in the property.

26 3. Aminoil shall abide by all applicable laws, rules
27 and regulations now or hereafter promulgated by the United

1 States and the State of California or any political subdivisions
2 thereof.

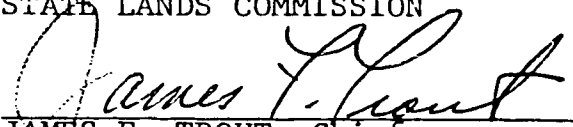
3 4. Aminoil hereby waives all claims and recourse
4 against the State for loss or damage to persons or property
5 arising from, growing out of, or in any way connected with or
6 incident to this Agreement. Aminoil further agrees to indemnify,
7 save harmless and defend the State, its officers, agents and em-
8 ployees against any and all claims, demands or causes of action
9 that may be asserted against the State, its officers, agents and
10 employees arising out of or in any way connected with or incident
11 to the use or occupancy of the property by Aminoil or Aminoil's
12 exercise of the rights or privileges granted herein.

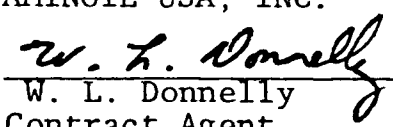
13 5. This Agreement may be modified or terminated by
14 mutual agreement of the parties hereto at any time. The previous
15 sentence notwithstanding, this Agreement shall automatically ter-
16minate concurrent with the expiration or termination of PRC 426.1.

17 6. This Agreement shall become effective on the date
18 when it has been duly executed by both parties to this Agreement.

19
20
21 April 12, 1979
22 Dated
23 [Acknowledgment]

24
25 February 16, 1979
26 Dated
27 [Acknowledgment]

STATE OF CALIFORNIA
STATE LANDS COMMISSION

JAMES F. TROUT, Chief
Division of Land Management and
Conservation

AMINOIL USA, INC.

W. L. Donnelly
Contract Agent

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EXHIBIT "A"

LEGAL DESCRIPTION

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