

MINUTE ITEM
This Calendar Item No. C27 was approved as
Minute Item No. 27 by the California State Lands
Commission by a vote of 2 to 0 at its
10-30-07 meeting.

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C27

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PRC 8207.1

J. McComas

ASSIGNMENT AND AMENDMENT OF LEASE

LESSEE:

Lodi Gas Storage, L.L.C.
P.O. Box 230
Acampo, California 95220

ASSIGNOR:

Lodi Holdings, L.L.C.
1021 Main Street, Suite 1500
Houston, Texas 77002

ASSIGNEE:

Buckeye Gas Storage LLC
Five TEK Park
9999 Hamilton Boulevard
Breinigsville, Pennsylvania 18031

BACKGROUND:

At its meeting of September 19, 2000, the California State Lands Commission (Commission) authorized the issuance of a General Lease – Right of Way Use, Lease No. PRC 8207.1, to Lodi Gas Storage L.L.C. (LGS). The Lease covers 1.34 acres, more or less, of sovereign lands in the Mokelumne, North and South Mokelumne Rivers and Georgiana, Threemile, Jackson and Tomato Sloughs, near the city of Lodi, Sacramento and San Joaquin counties. The authorized use of the property is for a single 24-inch diameter high-pressure natural gas pipeline. The rent is now set at \$1,070 per year, with the State reserving the right to modify the rent periodically during the lease term.

Three subsequent Commission actions concerning the Lease have followed the original authorization. First, on February 5, 2001, the Commission authorized the Approval of an Agreement and Consent to Encumbrancing of Lease. Second, on September 17, 2001, the Commission approved an Amendment of Lease to modify the legal description. Third, on November 1, 2006, the Commission

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authorized the Termination of an Agreement and Consent to Encumbrancing of Lease and approval of a subsequent Agreement and Consent to Encumbrancing.

All of the limited liability company interests in Lodi Gas Storage, L.L.C. are currently owned by Lodi Holdings, L.L.C.

PROPOSED AMENDMENT:

Buckeye Partners, L. P., parent of Buckeye Gas Storage LLC (assignee). to provide a Guaranty for the performance of the lease obligations of its subsidiary, Lodi Gas Storage, L.L.C.

OTHER PERTINENT INFORMATION:

1. On July 27, 2007, a Joint Application for Transfer of Control of Lodi Gas Storage, L.L.C. (U-912-G) Pursuant to Public Utilities Code section 854(a) was filed with the California Public Utilities Commission. The Joint Applicants are requesting authorization to transfer control of LGS from Lodi Holdings, L.L.C. (LH) to Buckeye Gas Storage LLC through the purchase and sale of 100% of the outstanding limited liability company interest in LGS, all of which are now held by LH.
2. LGS will continue to operate as an independent natural gas storage provider subject to the jurisdiction of the California Public Utilities Commission. The transaction will not result in the transfer of any certificates, assets or customers of LGS. Additionally, LGS will continue to be the Commission's Lessee under the Lease.
3. Staff of the Commission has reviewed financial statements and the terms of the business transaction and have requested that an unconditional guarantee be provided by the parent company, Buckeye Partners, L.P., for full performance by LGS, of all the obligations under the Lease.
4. The transfer of a controlling interest in the Lease constitutes an assignment of the Lease pursuant to Section 4, General Provisions, Paragraph 10, Assignment, Encumbrancing or Subletting (b)(1) of Lease No. PRC 8207.1 and requires the Commission's consent. Again, LGS will remain the State's Lessee.
5. Pursuant to the Commission's delegation of authority and the State CEQA the CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the

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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.

EXHIBIT:

- A. Location Map

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

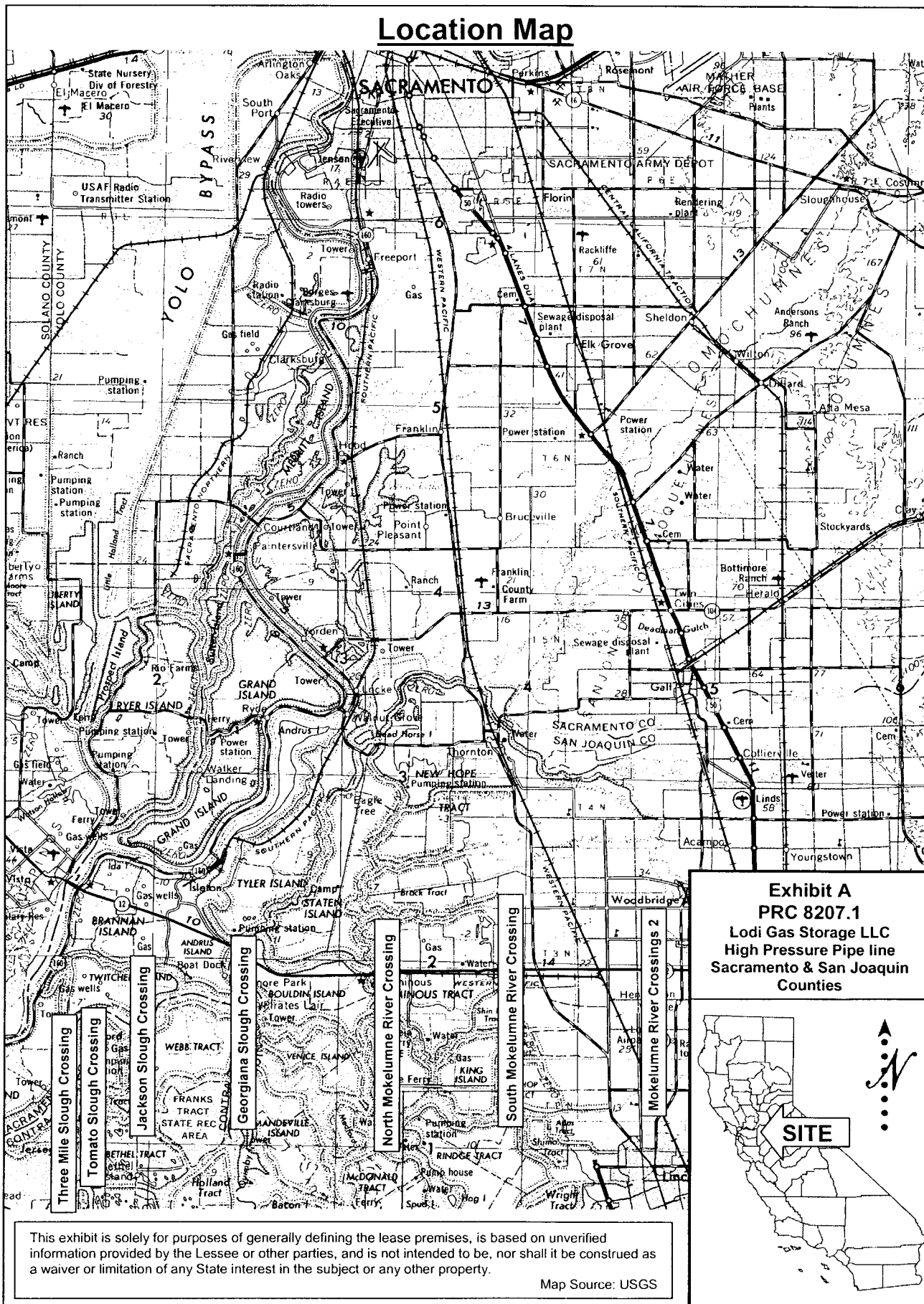
FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

APPROVE THE ASSIGNMENT OF INTEREST IN LEASE NO. PRC 8207.1 OF GENERAL LEASE – RIGHT OF WAY USE FROM LODI HOLDINGS, L.L.C. TO BUCKEYE GAS STORAGE LLC EFFECTIVE UPON THE APPROVAL OF THE TRANSFER OF CONTROL BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION. HOWEVER, THE STATE'S LESSEE WILL REMAIN LODI GAS STORAGE, L.L.C.

AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 8207.1, A GENERAL LEASE – RIGHT OF WAY USE, OF LANDS SHOWN ON EXHIBIT A ATTACHED AND BY REFERENCE MADE A PART HEREOF, EFFECTIVE OCTOBER 30, 2007, TO REQUIRE A PARENT GUARANTY FROM BUCKEYE PARTNERS, LP.

Location Map



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

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