

MINUTE ITEM

This Calendar Item No. ~~C24~~ was approved as Minute Item No. 24 by the California State Lands Commission by a vote of 3 to 0 at its 12-03-07 meeting.

CALENDAR ITEM

C24

A 67

12/03/07

PRC 6417

WP 6417.1

S 35

S.Young

AMENDMENT OF LEASE

LESSEE:

DCOR, L.L.C.
290 Maple Court, Suite 290
Ventura, CA 93003

AREA, LAND TYPE, AND LOCATION:

Sovereign lands in the Pacific Ocean, offshore of Huntington Beach, Orange County.

AUTHORIZED USE:

Continued maintenance and use of one 24-inch diameter pipeline containing two power cables and use of one six-inch diameter gas pipeline extending offshore to serve Platform Eva (in State waters) and Platform Edith within the Outer Continental Shelf (OCS).

LEASE TERM:

25 years, beginning December 1, 1982.

CONSIDERATION:

\$43,394 per annum with the State reserving the right to fix a different rent periodically during the lease terms, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Combined single limit coverage of no less than \$2,000,000.

Bond:

Performance bond in the amount of \$3,000,000 required in total for General Leases – Right of Way Use, Nos. PRC 3116.1, PRC 3394.1, PRC 6417.1.

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PROPOSED AMENDMENT:

1. **Term extension:** 20 years, beginning December 1, 2007.
2. **Consideration:** \$68,116 per annum effective December 1, 2007, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.
3. **Insurance:** Combined single limit coverage of no less than \$10,000,000.
4. **Other:** The use of the Gross National Product Implicit Price Deflator will be discontinued as a means of adjusting the annual rent.
5. The Commission will review all of Lessee's offshore operations located in State waters for the preceding five-year period to insure that Lessee has conducted its offshore operations in a clean and safe manner consistent with industry standards and in compliance with all federal, state and local operation safety regulations, as well as all provisions of the Lease.

All other terms and conditions of the lease shall remain in effect without amendment.

OTHER PERTINENT INFORMATION:

1. Lessee (DCOR) has the right to use the uplands adjoining the lease premises.
2. On April 28, 1983, the Commission approved the issuance to Chevron U.S.A. of a 25-year General Lease – Right of Way Use, Lease No. PRC 6417.1, with a beginning date of December 1, 1982. On August 12, 1991, the Commission authorized a lease assignment, and a revised Lease Agreement that superseded the 1982 agreement. The Commission subsequently approved a number of assignments of the Lease.
3. On October 20, 2005, the Commission approved the assignment and amendment of three State Oil and Gas Leases, (Nos. PRC 3033.1, PRC 3095.1 and PRC 3413) and three associated pipeline Right of Way Leases (Nos. PRC 3116.1, PRC 3394.1 and PRC 6417.1) from Plains Exploration and Production Company (PXP) to DCOR (DCOR), L.L.C. The Assignment Consent Agreement (ACA) executed by DCOR, PXP, and the Commission provided that PXP remain fully responsible for, and bear all costs of, decommissioning, abandonment and site clearance associated

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with the leases, as well as maintain, in place, performance bonds totaling \$18,000,000 for the three State Oil and Gas Leases and an additional \$3,000,000 for the three associated Right of Way Leases. Additionally, as part of the assignment, DCOR's parent company, Crescent Resources, provided an unconditional guarantee for full performance by DCOR of all obligations under the leases. The referenced leases were also amended to include specific provisions relating to compliance with current federal and State pipeline laws and regulations and provisions relating to pipeline maintenance, inspections and repair as well as addressing specific language as to oil spill emergency procedures and required notifications.

4. On April 23, 2007, DCOR submitted an application to extend the term of Lease No. PRC 6417.1.
5. Staff recommends that the term of the lease be extended and the insurance liability coverage be amended to \$10,000,000. Annual rent will be revised from \$44,384 to \$68,116 effective December 1, 2007. The Lease will be further amended to delete the use of the Gross National Product Implicit Price Deflator as a means of adjusting the annual rent. Staff also recommends the Lease be amended, in connection and concurrently with the State's 2011 compliance audit of DCOR's operation of pipeline Right of Way Lease No. PRC 5967.1, to require a compliance audit be conducted for Lease No. PRC 6417.1. The results of the audits will be presented to the Commission at a public meeting to be held within 120 days following March 31, 2011. All other terms and conditions of the lease will remain in full force and effect, including the Commission's right to fix a different rent periodically during the lease term.
6. The pipelines, serving the OCS facility Platform Edith and state Platform Eva, have been inspected pursuant to a Memorandum of Understanding between the U. S. Minerals Management Service and the Commission. Commission staff has reviewed the results of the inspections conducted on July 8, 2007, and all pertinent pipelines have been approved for continued use and operation.
7. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA as a categorically exempt project. The project is exempt under

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Class 1, Existing Facilities; Title 14, California Code of Regulations, section 15301.

Authority: Public Resources Code section 21084 and Title 14, California Code of Regulations, section 15300.

8. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code sections 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.

EXHIBITS:

- A. Site and Location Map
- B. Land Description

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A CATEGORICALLY EXEMPT PROJECT, CLASS 1, EXISTING FACILITIES; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15301.

SIGNIFICANT LANDS INVENTORY FINDING:

FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTION 6370, ET SEQ.

AUTHORIZATION:

AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 6417.1, A GENERAL LEASE – RIGHT OF WAY USE, ISSUED TO DCOR, L.L.C., TO:

1. EXTEND THE TERM OF THE LEASE AN ADDITIONAL 20 YEARS, BEGINNING DECEMBER 1, 2007, FOR THE CONTINUED USE AND MAINTENANCE OF ONE 24-INCH

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DIAMETER PIPELINE CONTAINING TWO POWER CABLES AND ONE SIX-INCH DIAMATER GAS PIPELINE EXTENDING OFFSHORE TO SERVE PLATFORM EVA (STATE WATERS) AND PLATFORM EDITH (FEDERAL WATERS) WITHIN THE OUTER CONTINENTAL SHELF, AS SHOWN ON EXHIBIT A AND AS DESCRIBED ON EXHIBIT B ATTACHED AND BY THIS REFERENCE EACH IS MADE A PART HEREOF;

2. ANNUAL RENTAL IN THE AMOUNT OF \$68,116 EFFECTIVE DECEMBER 1, 2007, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM AS PROVIDED IN THE LEASE;
3. INCREASE LIABILITY INSURANCE COVERAGE TO AN AMOUNT OF NOT LESS THAN \$10,000,000;
4. DELETE THE GROSS NATIONAL PRODUCT IMPLICIT PRICE DEFLATOR AS A MEANS OF ADJUSTING THE ANNUAL RENT.
5. IN CONNECTION WITH, WITH THE STATE'S 2011 COMPLIANCE AUDIT OF DCOR L.L.C.'S OPERATION OF PIPELINE RIGHT OF WAY LEASE NO. PRC 5967.1, A COMPLIANCE AUDIT WILL BE CONDUCTED CONCURRENTLY FOR LEASE NO. PRC 6417.1. THE RESULTS OF THE AUDITS WILL BE PRESENTED TO THE COMMISSION AT A PUBLIC MEETING TO BE HELD WITHIN 120 DAYS FOLLOWING MARCH 31, 2011.

ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN FULL FORCE AND EFFECT.

EXHIBIT A

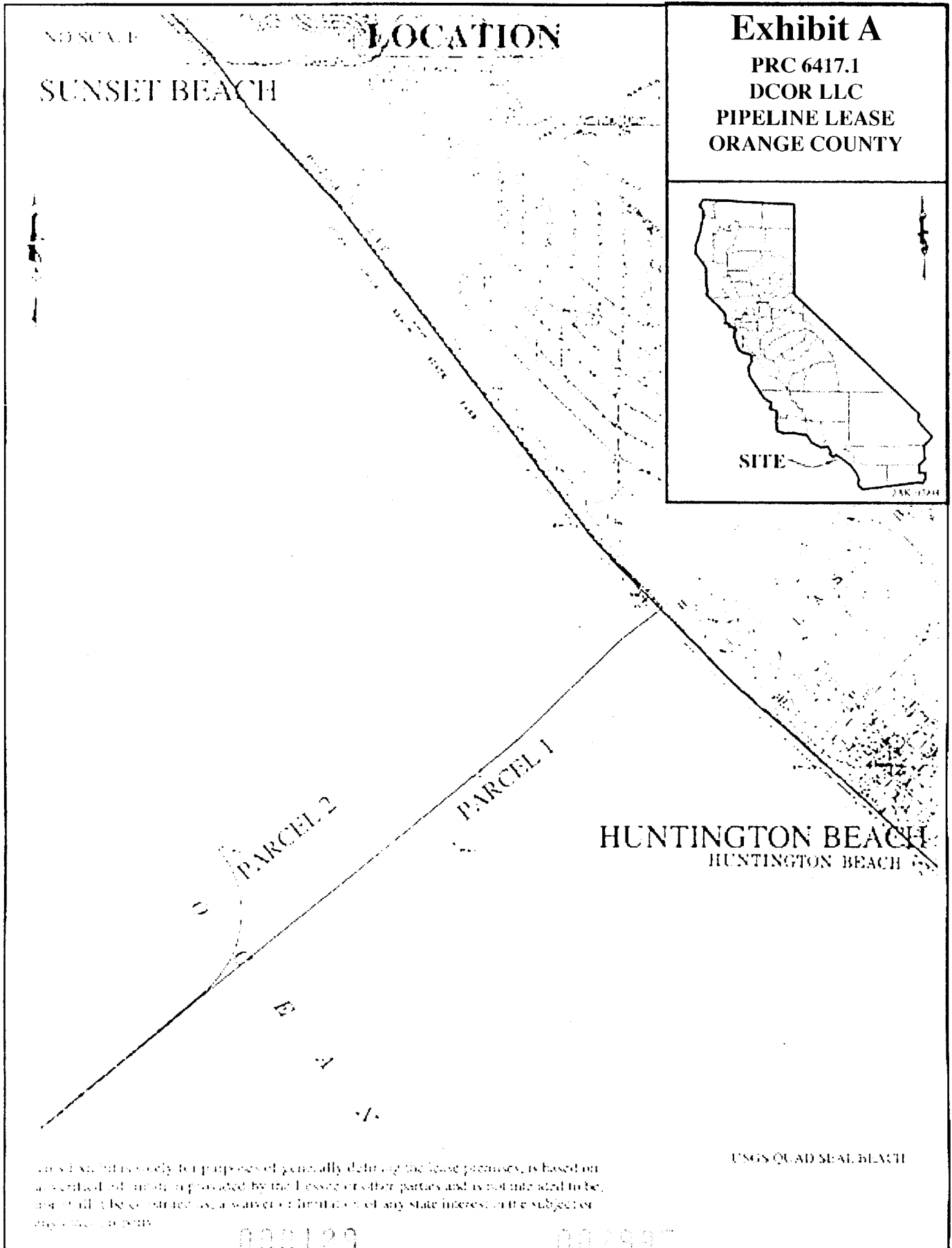
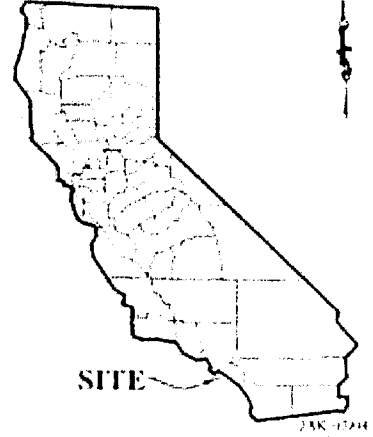


Exhibit A

PRC 6417.1
DCOR LLC
PIPELINE LEASE
ORANGE COUNTY



PARCEL 2

PARCEL 1

HUNTINGTON BEACH
HUNTINGTON BEACH

This Exhibit is solely for purposes of generally defining the lease premises, is based on a certified plat map as provided by the Lessor 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 of any parcel shown.

USGS QUAD SE-AL-BEACH

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EXHIBIT "B"

LAND DESCRIPTION

Two strips of tide and submerged land off the City of Huntington Beach, County of Orange, State of California, each strip being 10 feet in width and lying 5 feet on each side of the following described lines:

PARCEL 1

COMMENCING at a 2" iron pipe marked L.S. 2387 at the northerly terminous of that certain course shown as "N 44°37'00" W, 3,535.83 feet on the map filed in Book 59, Page 2 of Record of Surveys, Official Records, Orange County, said iron pipe bears N 33°24'38" W, 924.02 feet from a C.S.L.C. monument with Brass Cap marked "Stolco R.M. No. 3, 1950" having coordinates of N = 554,540.24 and E = 1,458,636.79; thence from said point of commencement, S 43°34'48" E, 1,328.08 feet to the TRUE POINT OF BEGINNING; thence S 52°43'40" W, 1,178.14 feet to a point at the end of a 24" wastewater outfall pipeline having coordinates of N = 553,636.00 and E = 1,458,106.00; thence S 45°14'54" W, 3,261.00 feet; thence S 50°32'54" W, 9,288.76 feet; thence S 50°05'03" W, 4,842.11 feet to a point designated "A" and the end of the herein described line. EXCEPTING THEREFROM any portion thereof lying landward of Boundary Line Agreement No. 84 (Book 8183 O.R. Page 83).

PARCEL 2

BEGINNING at a point from which the point designated "A" in Parcel 1 above bears S 48°23'28" E, 50.55 feet; thence N 50°05'03" E, 4,849.56 feet to the beginning of a tangent curve concave to the north and having a radius of 2,375.81 feet; thence through a central angle of 88°45'31" along the arc of said curve 3,680.44 feet to Platform Eva and the end of the herein described line.

Coordinates, bearings, and distances in the above description are based on the California Coordinate System of 1927, Zone 6.

END OF DESCRIPTION

REVISED SEPTEMBER 9, 1987 BY BIU 1.

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