

**CALENDAR ITEM  
C58**

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06/01/09  
PRC 2839.1  
E 412.1  
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**CONSIDER QUITCLAIM OF  
COMPENSATORY AGREEMENT EASEMENT 412.1,  
MCDONALD ISLAND GAS FIELD AREA,  
SAN JOAQUIN COUNTY**

**OPERATOR:**

Pacific Gas and Electric Company  
Technical & Land Services  
Attn.: Mr. Bob Jones  
P.O. Box 930  
Stockton, CA 95201

**SUMMARY:**

McDonald Island is located about ten miles west of the City of Stockton in San Joaquin County. In the 1930s, the McDonald Island Gas Field was discovered by Standard Oil Company of California. On March 1, 1940, the California State Lands Commission (Commission) entered into Compensatory Agreement Easement 412.1 with Standard Oil Company of California for the payment of royalty on natural gas removed (drained) from beneath sovereign State lands (a portion of Whiskey Slough) located on McDonald Island. Compensatory Agreement Easement 412.1 only allowed for the payment of royalty on the State's share of native gas withdrawn from the McDonald Island Gas Field. It does not allow for any use of the State lands (surface or subsurface), nor does it allow for any mineral development of, or entitlement to, the State lands.

In March 1958, after producing over 150 billion cubic feet of natural gas, the reservoir pressure of the McDonald Island Gas Field declined to a point where wells no longer could be produced without compression. Consequently, the McDonald Island Gas Field was shut-in and no more native gas was produced. In April 1958, Pacific Gas and Electric Company (PG&E) began injecting natural gas into the McDonald Island Sand (Eocene series gas sand located within the McDonald Island Gas Field) to test its capability as an underground gas storage reservoir. After determining that the partially depleted formation could be used to

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store gas, PG&E proceeded to acquire all of the properties in the McDonald Island Gas Field and acquired Compensatory Agreement Easement 412.1 through an assignment approved by the Commission on March 17, 1960.

Because Compensatory Agreement Easement 412.1 only allowed for the payment of royalty on produced native gas and does not allow for any use of State lands, the Commission and PG&E entered into Gas Storage Lease PRC 2839.1 McDonald Island Gas Field on January 25, 1962. The purpose of the lease was to allow PG&E to store gas in and withdraw gas from the State's share (pore space) of the underground reservoir or McDonald Island Sand. The lease also required PG&E to pay the State the sum of \$127,420.74 as full compensation for all in-place native gas and required the continuation of Compensatory Agreement Easement 412.1.

On January 29, 2009, the Commission issued Replacement Lease for Gas Storage Lease PRC 2839.1, McDonald Island Gas Field, San Joaquin County, to replace the expiring Gas Storage Lease PRC 2839.1. Paragraph 14 of the Replacement Lease requires PG&E to provide within sixty days after full execution of the Replacement Lease, a quitclaim of all of its rights in Compensatory Agreement Easement 412.1 issued March 1, 1940, as amended by agreement effective June 1, 1950. The acceptance of this quitclaim by the Commission shall constitute a termination of Compensatory Agreement Easement 412.1 pursuant to paragraph 15 of that Agreement.

**STATUTORY AND OTHER REFERENCES:**

- A. Public Resources Code section 6815.
- B. Compensatory Agreement Easement 412.1 paragraph 15.
- C. Replacement Lease for Gas Storage Lease PRC 2839.1 paragraph 14.

**OTHER PERTINENT INFORMATION**

- 1. On April 8, 2009, the document entitled "Quitclaim of Compensatory Agreement Easement 412.1" was received in the Commission's Long Beach office. This document was dated March 27, 2009, and terminates Compensatory Agreement Easement 412.1 by mutual consent.
  
- 2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, Section 15060)©(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

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Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 © (3) and 15278.

3. 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. Location Map
- B. Quitclaim of Compensatory Agreement Easement 412.1

**PERMIT STREAMLINING ACT DEADLINE:**

N/A (not a "development project" subject to the Act)

**RECOMMEND ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDINGS:**

1. FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060 © (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.
2. FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

**AUTHORIZATION:**

1. ACCEPT FROM PACIFIC GAS AND ELECTRIC COMPANY THE QUITCLAIM OF COMPENSATORY AGREEMENT EASEMENT 412.1 DATED MARCH 27, 2009, WHEREIN PACIFIC GAS AND ELECTRIC COMPANY TERMINATED COMPENSATORY AGREEMENT EASEMENT 412.1 ISSUED MARCH 1, 1940 (AS

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AMENDED BY AGREEMENT EFFECTIVE JUNE 1, 1950),  
EFFECTIVE APRIL 8, 2009, THE FILING DATE OF THE  
QUITCLAIM.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO  
EXECUTE ANY DOCUMENTS NECESSARY TO IMPLEMENT  
THE COMMISSION'S ACTION.

EXHIBIT A

This Exhibit is solely for purposes of generally defining the lease premises 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.

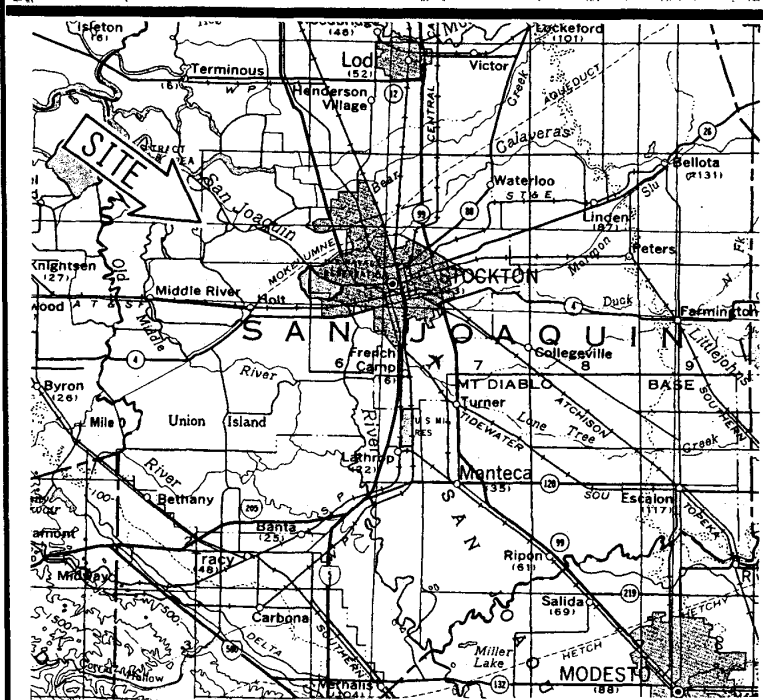
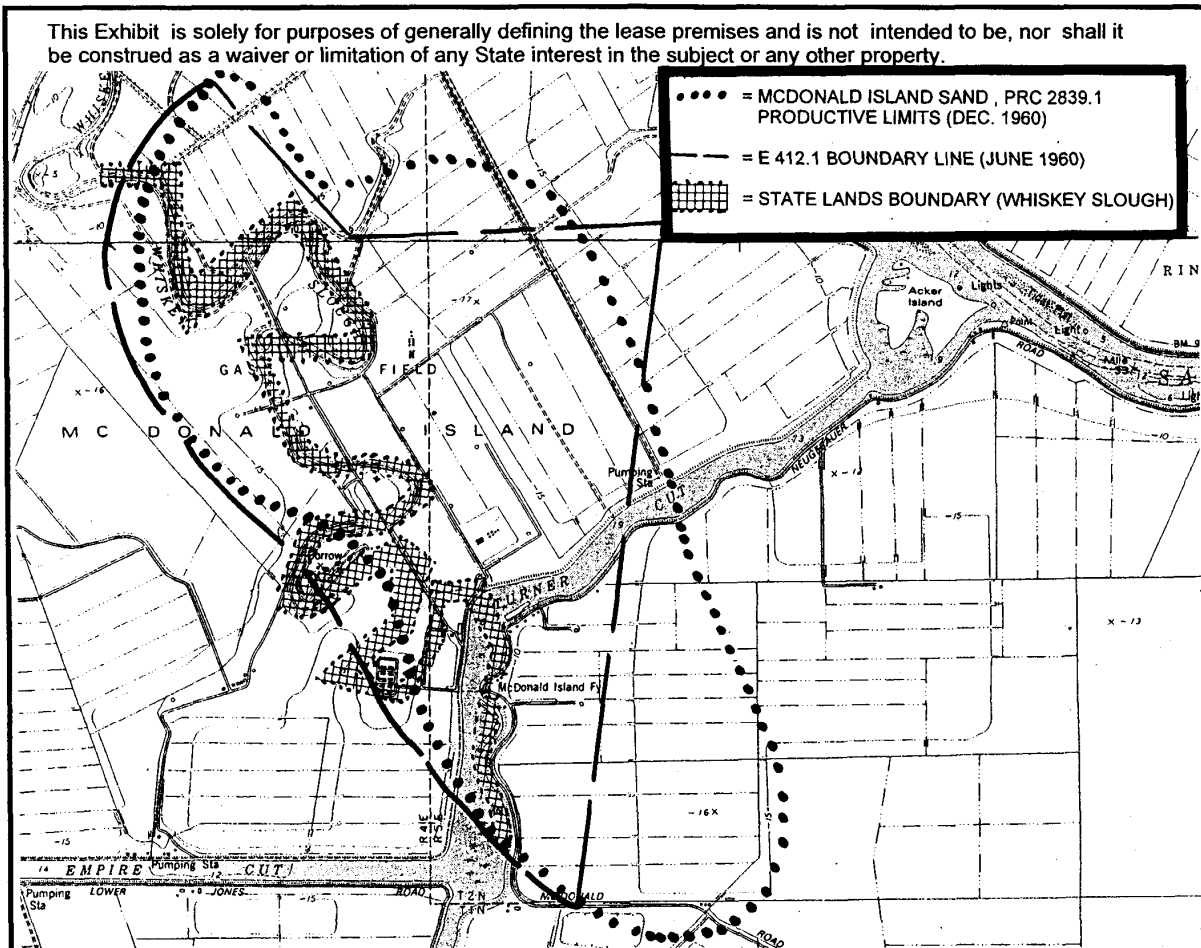


EXHIBIT "A"  
LOCATION MAP  
PRC 2839.1  
RENEWAL OF GAS STORAGE  
LEASE  
PACIFIC GAS & ELECTRIC CO.  
SAN JOAQUIN COUNTY, CA.



Attach to 2102-04-0328

RECORDED AT THE REQUEST OF  
AND WHEN RECORDED MAIL TO:  
**STATE OF CALIFORNIA**  
State Lands Commission  
100 Howe Avenue, Suite 100-South  
Sacramento, CA 95825-8202  
Attn: Title Unit

**STATE OF CALIFORNIA**  
**OFFICIAL BUSINESS**  
Document entitled to free recordation  
pursuant to Government Code Section 27383

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**QUITCLAIM OF COMPENSATORY AGREEMENT EASEMENT 412.1**

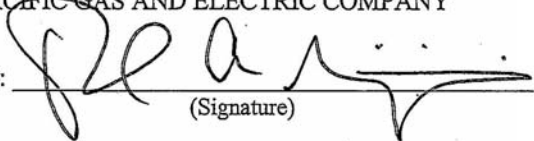
Compensatory Agreement Easement 412.1 (Agreement), covering certain state lands underlying Whiskey Slough in the McDonald Island Gas Field in San Joaquin County, California, was issued March 1, 1940, between the State of California, acting through the California State Lands Commission (State) as first party, and Standard Oil Company of California as second party, and was amended by the parties effective June 1, 1950. Pacific Gas and Electric Company (PG&E) is the present holder of the Agreement as second party.

Paragraph 15 of the Agreement permits the parties to terminate the Agreement by mutual consent. Section 6804.1 of the Public Resources Code permits PG&E, as the holder of the Agreement, to quitclaim all of its rights under the Agreement. Acting pursuant to these provisions, PG&E releases, remises and forever quitclaims unto the State, all of its right, title and interest in and to the Agreement.

IN WITNESS WHEREOF, this Quitclaim is executed on March 27, 2009.

PACIFIC GAS AND ELECTRIC COMPANY

By:

  
(Signature)

**Richard A. Gigliotti**  
(Name of Officer)  
**Manager, Land Energy Delivery**  
**Technical & Land Services**  
(Title)

ACKNOWLEDGMENT

**ACKNOWLEDGMENT**

State of California  
County of San Francisco )

On 27 March, 2009 before me, Jennifer Ann LesCallett, Notary Public  
(insert name and title of the officer)

personally appeared Richard A. Gigliotti  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are  
subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in  
his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the  
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing  
paragraph is true and correct.

WITNESS my hand and official seal.



Signature Jennifer Ann LesCallett (Seal)