

**CALENDAR ITEM
C81**

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S 19

04/23/15
PRC 5515.1
K. Foster

GENERAL LEASE – INDUSTRIAL USE

APPLICANT:

Venoco, Inc. and ExxonMobil Production Company

AREA, LAND TYPE, AND LOCATION:

2.21 acres, more or less, of sovereign land in the Pacific Ocean, near the city of Goleta, Santa Barbara County.

AUTHORIZED USE:

Continued use and maintenance of a fixed industrial pier.

LEASE TERM:

15 years, beginning June 20, 2015.

CONSIDERATION:

Base Rent of \$129,547; with an annual Consumer Price Index (CPI) adjustment, provided that the Adjusted Annual Rent will never be lower than the Base Rent then in effect; the State reserves the right to fix a different Base Rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance: Liability insurance in an amount no less than \$5,000,000 per occurrence.

Bond: Blanket bond in the amount of \$14,000,000, with an escalator terminating at \$30,000,000 in 2018.

Other:

The Commission may solicit purchase offers for the state-owned fixed industrial pier and any structures appurtenant thereto, from any financially qualified party at any time during the lease term. Upon acceptance of a qualified purchase offer and completion of sale, the lease will be assigned to the new owner at the Commission's discretion.

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At any time during the term lease term, the Commission may require a change in the amount of the Insurance coverage to: 1) reflect economic inflation or to cover any additionally authorized improvements, alterations, or purposes or any modification of rental to the lease; and/or 2) account for changes to other leases between the Commission and the Lessee that share common Insurance coverages with this lease.

The following provisions apply with respect to the Bond requirement: 1) The current blanket bond amount of \$14 million, effective on September 1, 2014, will be further increased by \$4 million, on or before September 1 of each year thereafter until the total amount of the bond reaches \$30 million in September 2018; and 2) On January 1, 2025, and on each ten-year anniversary thereafter, the bond amount may be readjusted to reflect the best reasonable estimate of Lessee's obligations as they relate to the removal of improvements on leased lands.

Lessee shall conduct facility inspections and maintain the facility consistent with Marine Oil Terminal Engineering and Maintenance Standards (MOTEMS) as set forth in Title 24, California Code of Regulations, Part 2, California Building Code, Chapter 31F – Marine Oil Terminals, and shall provide detailed inspection reports, including any necessary remedial action plans, to the Commission's engineering staff for review and approval. An initial inspection shall be conducted and a report submitted on or before June 19, 2016. Subsequent inspections shall be conducted by Lessee and reports submitted to the Commission's engineering staff for review and approval on or before June 19th of each lease year in which such inspections were conducted, in accordance with MOTEMS inspection and reporting schedules.

Lessee shall provide all funds necessary to pay for any and all reasonable costs and expenditures paid or incurred by the Commission, its staff or both for review and approval of required inspection reports or related materials, or any other costs incurred for any and all mitigation, mitigation monitoring, plan reviews, and amendments.

Lessee agrees that all obligations under the lease, including the obligation to remove all structures and improvements from the Lease Premises upon the expiration, or earlier termination, of the Lease shall not be affected by Lessees' access or lack thereof to the facility to or from a public road.

OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the upland adjoining the lease premises.

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2. On December 8, 2005, the Commission authorized the issuance of Lease No. PRC 5515.1, a General Lease – Industrial Use to Venoco, Inc. and ExxonMobil Corporation as co-lessees for a 10-year term ending June 19, 2015, for the use and maintenance of the state-owned Ellwood Pier. The Applicant is applying for a General Lease – Industrial Use.
3. The Commission, on behalf of the State of California, acquired the Ellwood Pier (Pier) as a result of a series of negotiations between the Commission, Aminoil U.S.A., Inc. as the former operator of State Oil and Gas Lease No. PRC 428.1 (PRC 428), Exxon Corporation (Exxon), and Atlantic Richfield Company (ARCO). Upon cessation of production from PRC 428, Aminoil was ordered by the Commission to remove all improvements associated with PRC 428, including the Pier. However, Exxon and ARCO requested of the Commission that they be allowed to utilize the Pier for the transport of personnel and light cargo to and from their respective existing offshore oil platforms. The Commission authorized the issuance of Lease No. PRC 5515.1 to Exxon and ARCO, for a 25-year term ending June 20, 2005, and subsequently accepted a Quitclaim Deed from Aminoil for the real property associated with PRC 428 effective June 20, 1980. The Applicants became Lessees under PRC 5515.1 through a series of subsequent assignments.
4. Because the Commission lacks the resources and infrastructure to maintain the pier in the absence of a Lessee, the lease would expressly state that the Commission could at its discretion solicit purchase offers for the pier from any financially qualified party at any time during the lease term.
5. The Commission authorized an Amendment to several leases with the Applicants, including Lease No. PRC 5515.1, to provide for an annual increase of the blanket bond amount covering all the named leases.
6. The facility does not transfer oil and gas products. Consequently, it is not subject to MOTEMS. For streamlining purposes, the Applicants would be required to follow MOTEMS provisions for inspection, repair, and reporting requirements, and would be required to reimburse the Commission for costs incurred for any review and approval of any items submitted.
7. Staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, Title 2, section 2905, subdivision (a)(2).

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Authority: Public Resources Code section 21084 and California Code of Regulations, Title 14, section 15300 and California Code of Regulations, Title 2, section 2905.

8. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq., but such activity will not affect those significant lands. Based upon staff's consultation with the persons nominating such lands and through the CEQA review process, it is staff's opinion that the project, as proposed, is consistent with its use classification.

EXHIBITS:

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

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15061 as a categorically exempt project, Class 1, Existing Facilities; California Code of Regulations, Title 2, section 2905, subdivision (a)(2).

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 issuance of a General Lease – Industrial Use to Venoco, Inc. and ExxonMobil Production Company beginning June 20, 2015, for a term of 15 years, for a fixed industrial pier as described in Exhibit A and as shown on Exhibit B (for reference purposes only) attached and by this reference made a part hereof; Base Rent of \$129,547; with an annual Consumer Price Index (CPI) adjustment, provided that the Adjusted Annual Rent will never be lower than the Base Rent then in effect; with the State reserving the right to fix a different Base Rent periodically during the lease term, as provided in the lease; liability insurance in an amount no less than \$5,000,000 per occurrence; blanket bond in an amount of \$14,000,000, with an escalator terminating at \$30,000,000 in 2018.

EXHIBIT "A"

LAND DESCRIPTION

PRC 5515.1

A parcel of tide and submerged land in the Santa Barbara Channel adjacent to Rancho Los Dos Pueblos, in the vicinity of Ellwood, Santa Barbara County, State of California, more particularly described as follows:

BEGINNING at a point which bears N 70° 20' 00" W 366.06 feet from Monument Number 4, said monument being a 6-inch pipe as shown on Record of Survey Map Book 35, page 89, filed in the Office of the Recorder of Santa Barbara County, May 17, 1955, said monument having coordinates of X = 1,420,819.40 feet, Y = 345,145.75 feet; thence continuing from the point of beginning the following eleven courses:

1. S 20° 08' 00" W 86.65 feet;
2. S 05° 21' 21" W 12.21 feet;
3. S 02° 11' 18" W 197.23 feet;
4. S 27° 22' 00" W 1184.11 feet;
5. S 62° 38' 00" E 100.00 feet;
6. N 27° 22' 00" E 100.00 feet;
7. N 62° 38' 00" W 44.00 feet;
8. N 27° 22' 00" E 1090.36 feet;
9. N 16° 04' 37" E 348.47 feet;
10. N 70° 15' 50" W 95.76 feet;
11. S 20° 08' 00" W 60.00 feet; to the point of beginning.

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

This description is based on the California Coordinate System, Zone 5.

END OF DESCRIPTION

REVIEWED NOVEMBER 15, 1984 BY BOUNDARY SERVICES UNIT, M. L. SHAFER, SUPERVISOR.

NO SCALE

SITE

APN
079-200-005

APPROX. SHORELINE

LEASE
AREA

SANTA BARBARA
CHANNEL

Ellwood Pier, Santa Barbara Channel

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

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.

Exhibit B

PRC 5515.1
VENOCO & EXXONMOBIL
APN 079-200-005
GENERAL LEASE -
INDUSTRIAL USE
SANTA BARBARA COUNTY



MJF 4/14/15