

MINUTE ITEM

This Calendar Item No. 37.
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 3
to 0 at its 6-27-79
meeting.

MINUTE ITEM

6/79
Horn

37. UCO OIL COMPANY; AMENDMENT OF INDUSTRIAL LEASE
PRC 4769.1

During consideration of Calendar Item 37 attached, the following
resolution was adopted as amended by a vote of 3-0:

THE COMMISSION:

1. DETERMINES THAT AN EIR HAS BEEN PREPARED FOR THIS PROJECT
AND CERTIFIED BY THE CITY OF MARTINEZ ON APRIL 3, 1979.
2. CERTIFIES THAT THE INFORMATION CONTAINED IN THE EIR OF
THE CITY OF MARTINEZ HAS BEEN REVIEWED AND CONSIDERED
BY THE COMMISSION.
3. DETERMINES THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT
EFFECT ON THE ENVIRONMENT, IF MITIGATED AS PROVIDED
IN THE CITY'S EIR.
4. FINDS THAT ADEQUATE PROVISIONS HAVE BEEN MADE FOR THE
PERMANENT PROTECTION OF THE SIGNIFICANT ENVIRONMENTAL
CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1,
OF THE P.R.C.
5. AUTHORIZES ISSUANCE TO UCO OIL COMPANY OF AN AMENDMENT
TO LEASE PRC 4769.1 WHICH:
 - A. CHANGES THE LAND DESCRIPTION TO THAT DESCRIPTION
SHOWN ON EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE
MADE A PART HEREOF.
 - B. AUTHORIZES THE TRANSPORT OF CRUDE PETROLEUM ACROSS
THE LEASED LANDS.
 - C. INCORPORATES A VOLUMETRIC RENTAL IN LIEU OF THE
EXISTING RENTAL AS DETAILED BELOW:
 1. UNTIL THE MINIMUM ANNUAL RENTAL PROVIDED
FOR IN SUBPARAGRAPH (3) HEREOF IS EQUALED
IN EACH LEASE YEAR, THE ANNUAL RENTAL SHALL
BE COMPUTED BY MULTIPLYING THE NUMBER OF
BARRELS OF CRUDE OIL, AND PRODUCTS AND DERIV-
ATIVES THEREOF PASSING OVER THE STATE'S
LAND BY \$0.01 (one cent).

A 10, 11

S 7

CALENDAR ITEM NO. 37 (CONTD)

2. FOR THE NEXT 7,000,000 BARRELS BEYOND THE NUMBER OF BARRELS NECESSARY TO SATISFY THE MINIMUM RENTAL UNDER SUBPARAGRAPH (1) ABOVE, THE RENTAL SHALL BE \$0.001 (1 MIL) PER BARREL; AND THEREAFTER \$0.003 (3 MILS) PER BARREL FOR THE NEXT 20,000,000 BARRELS; AND THEREAFTER \$0.006 (6 MILS) PER BARREL FOR THE NEXT 20,000,000 BARRELS; AND THEREAFTER \$0.009 (9 MILS) PER BARREL FOR EACH ADDITIONAL BARREL OF SUCH COMMODITIES PASSING OVER THE STATE'S LAND IN THAT SAME LEASE YEAR.
 3. THE MINIMUM ANNUAL RENTAL SHALL BE \$15,700.
 4. THE STATE RESERVES THE RIGHT TO RESET THE ANNUAL RENTAL ON EACH FIFTH ANNIVERSARY OF THE LEASE.
- D. PROVIDES FOR PAYMENT OF RENTALS IN EXCESS OF THE MINIMUM ANNUAL RENTAL INTO A SPECIAL DEPOSIT ACCOUNT IN THE STATE TREASURY, PENDING A FINAL DISPOSITION OF CURRENT LITIGATION CONCERNING THE VALIDITY OF THE COMMISSION'S VOLUMETRIC RENTAL REGULATIONS; SAID IMPOUNDED RENTALS TO BE REFUNDED AND A NEW REASONABLE RENTAL DETERMINED BY THE COMMISSION SHOULD THE COMMISSION'S VOLUMETRIC RENTAL REGULATIONS BE INVALIDATED.
- E. CHANGES THE EXISTING LIABILITY INSURANCE REQUIREMENT TO \$5,000,000 COMBINED SINGLE LIMIT.
- F. MAKES OTHER MINOR MODIFICATIONS TO THE LEASE WITH ALL CHANGES TO BE EFFECTIVE JUNE 1, 1979, FOR THE CONTINUED OPERATION OF A MARINE PETROLEUM WHARF.

Attachment: Calendar Item 37.

CALENDAR ITEM

37.

AMENDMENT OF INDUSTRIAL LEASE PRC 4769.1

6/79
WP 4769
Horn
PRC 4769.1

APPLICANT: UCO Oil Company
12920 East Whittier Blvd.
Whittier, California 90607
Attention: Oscar Olsen, Senior Vice President

AREA TYPE LAND AND LOCATION: Approximately 5 acres of tide and submerged lands at Martinez, Contra Costa County.

LAND USE: Marine petroleum wharf together with appurtenances.

TERMS OF ORIGINAL LEASE:

Initial period: 25 years from June 1, 1973.

Renewal options: 2 successive periods of 10 years each.

Surety bond: \$50,000.

Public liability insurance: Combined single limit coverage of \$1,000,000.

Consideration: \$6,571.12 per annum with 5-year review.

TERMS OF PROPOSED LEASE AMENDMENT:

Initial period: 25 years from June 1, 1973.

Renewal options: 2 successive periods of 10 years each.

Surety bond: \$50,000.

Public liability insurance: Combined single limit coverage of \$5,000,000.

Special: Rental Impound: The proposed lease amendment provides that rental in excess of the minimum.

A 10, 11

S 7

CALENDAR ITEM NO. 37. (CONTD)

annual rental shall be paid into a special deposit account in the State Treasury pending the outcome of litigation challenging the Commission's volumetric rental regulations. Should such regulations be declared invalid, impounded rentals shall be refunded and a new reasonable rental shall be determined by the Commission.

CONSIDERATION: Commencing June 1, 1979, volumetric rental accrues according to the following schedule:

- (a) \$0.01 (one cent) per barrel of commodities until the minimum annual rental below (f) is equaled;
- (b) \$0.001 (one mil) per barrel for the next 7,000,000 barrels; and
- (c) \$0.003 (.3 mils) per barrel for the next 20,000,000 barrels; and
- (d) \$0.006 (6 mils) per barrel for the next 20,000,000 barrels; and
- (e) \$0.009 (9 mils) per barrel for each additional barrel passing over the State's land in that same lease year.
- (f) The minimum annual rental is \$15,700.

BASIS FOR CONSIDERATION:

Volumetric rental pursuant to 2 Cal. Adm. Code 2005.

PREREQUISITE TERMS, FEES AND EXPENSES:

Applicant is owner of upland.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 & 2.
- B. Cal. Adm. Code: Title 2, Div. 3.

CALENDAR ITEM NO. 37. (CONTD)

OTHER PERTINENT INFORMATION:

1. In June 1973, the Commission authorized issuance of a lease to then Urich Oil Company (now UCO) for the construction of a relatively small wharf to be used for the transport of petroleum products in connection with UCO's upland gasoline blending and distribution facility. The lease expressly prohibited UCO's use of the facility for the transport of crude oil unless additional environmental documentation was prepared and the Commission authorized such use.

UCO has now applied to the Commission for authorization to transport crude petroleum over the existing wharf. The crude oil would be processed in UCO's proposed new 10,000 barrel per day refinery. UCO's plans do not require any changes to the existing wharf or pipelines now in place on the State's land.

The City of Martinez, acting as lead agency under CEQA, prepared an environmental impact report which discussed UCO's proposed 10,000 barrel per day refinery, including likely and potential impacts to the State's parcel. The City Planning Commission certified the final EIR on April 3, 1979 and subsequently filed a notice of determination with the Secretary for Resources. A summary of the City's environmental impact report is attached as Exhibit "C". Staff is recommending that the Commission concur in the City's finding that the project would not have a significant effect on the environment if mitigated as proposed in the final EIR.

The existing wharf is situated on State lands identified as possessing significant environmental values pursuant to P.R.C. 6370.1, and is classified in use category, Class "A". The environmental impact

CALENDAR PAGE 00157

MINUTE PAGE 1143

CALENDAR ITEM NO. 37. (CONTD)

report prepared for UCO's project has identified potential impacts to such values and has included provisions for their protection.

APPROVALS OBTAINED:

City of Martinez.

FURTHER APPROVALS REQUIRED:

BCDC, BAPCD, United States Army Corps of Engineers.

EXHIBITS:

- A. Land Description. B. Location Map.
C. EIR Summary.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS BEEN PREPARED FOR THIS PROJECT AND CERTIFIED BY THE CITY OF MARTINEZ ON APRIL 3., 1979.
2. CERTIFY THAT THE INFORMATION CONTAINED IN THE EIR OF THE CITY OF MARTINEZ HAS BEEN REVIEWED AND CONSIDERED BY THE COMMISSION.
3. DETERMINE THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT, IF MITIGATED AS PROVIDED IN THE CITY'S EIR.
4. FIND THAT ADEQUATE PROVISIONS HAVE BEEN MADE FOR THE PERMANENT PROTECTION OF THE SIGNIFICANT ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO SECTION 6370.1, OF THE P.R.C.
5. AUTHORIZE ISSUANCE TO UCO OIL COMPANY OF AN AMENDMENT TO LEASE PRC 4769.1 WHICH:
 - A. CHANGES THE LAND DESCRIPTION TO THAT DESCRIPTION SHOWN ON EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF.
 - B. AUTHORIZES THE TRANSPORT OF CRUDE PETROLEUM ACROSS THE LEASED LANDS.
 - C. INCORPORATES A VOLUMETRIC RENTAL IN LIEU OF THE EXISTING RENTAL AS DETAILED BELOW:

CALENDAR PAGE 00158

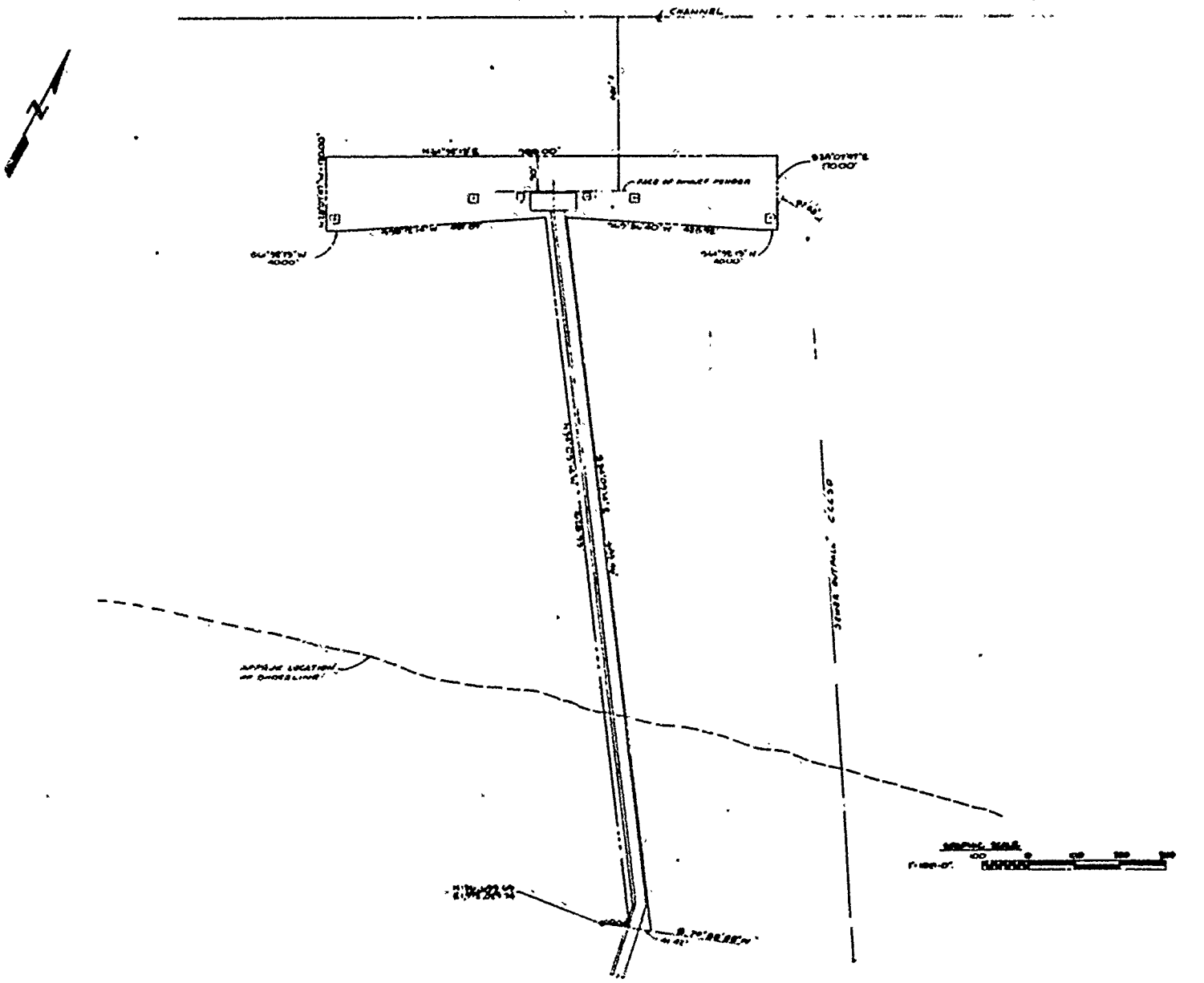
MINUTE PAGE 1144

CALENDAR ITEM NO. 37. (CONTD)

1. UNTIL THE MINIMUM ANNUAL RENTAL PROVIDED FOR IN SUBPARAGRAPH (3) HEREOF IS EQUALED IN EACH LEASE YEAR, THE ANNUAL RENTAL SHALL BE COMPUTED BY MULTIPLYING THE NUMBER OF BARRELS OF CRUDE OIL, AND PRODUCTS AND DERIVATIVES THEREOF PASSING OVER THE STATE'S LAND BY \$0.01 (one cent).
 2. FOR THE NEXT 7,000,000 BARRELS BEYOND THE NUMBER OF BARRELS NECESSARY TO SATISFY THE MINIMUM RENTAL UNDER SUBPARAGRAPH (1) ABOVE, THE RENTAL SHALL BE \$0.001 (1 MIL) PER BARREL; AND THEREAFTER \$0.003 (3 MILS) PER BARREL FOR THE NEXT 20,000,000 BARRELS; AND THEREAFTER \$0.009 (9 MILS) PER BARREL FOR EACH ADDITIONAL BARREL OF SUCH COMMODITIES PASSING OVER THE STATE'S LAND IN THAT SAME LEASE YEAR.
 3. THE MINIMUM ANNUAL RENTAL SHALL BE \$15,700.
 4. THE STATE RESERVES THE RIGHT TO RESET THE ANNUAL RENTAL ON EACH FIFTH ANNIVERSARY OF THE LEASE.
- D. PROVIDES FOR PAYMENT OF RENTALS IN EXCESS OF THE MINIMUM ANNUAL RENTAL INTO A SPECIAL DEPOSIT ACCOUNT IN THE STATE TREASURY, PENDING A FINAL DISPOSITION OF CURRENT LITIGATION CONCERNING THE VALIDITY OF THE COMMISSION'S VOLUMETRIC RENTAL REGULATIONS; SAID IMPOUNDED RENTALS TO BE REFUNDED AND A NEW REASONABLE RENTAL DETERMINED BY THE COMMISSION SHOULD THE COMMISSION'S VOLUMETRIC RENTAL REGULATIONS BE INVALIDATED.
- E. CHANGES THE EXISTING LIABILITY INSURANCE REQUIREMENT TO \$5,000,000 COMBINED SINGLE LIMIT.
- F. MAKES OTHER MINOR MODIFICATIONS TO THE LEASE WITH ALL CHANGES TO BE EFFECTIVE JUNE 1, 1979, FOR THE CONTINUED OPERATION OF A MARINE PETROLEUM WHARF.

CALENDAR PAGE 00159
MINUTE PAGE 1145

EXHIBIT "A"



DIFFERENCE VOL	DATE

NOTES:
 1 ALL DIMENSIONS & COORDINATES SHOWN ARE CALIFORNIA STATE PLAT DIMENSIONS.
 2 LEASE INCLUDES 800 ACRES.
 3 FOR DETAILS OF SEWER OUTFALL AND FOR CURRENT STATUS CONTACT DISTRICT ENGINEER 11000 REDWOOD BLVD. SUITE 100.



SCALE: 1" = 100' (SEE DRAWING FOR DETAILS)		
APPROVED: [Signature]	DATE: [Date]	APPROVED: [Signature]
HALLANGER ENGINEERS		
UCO OIL COMPANY		
STATE LANDS LEASE MARTINEZ TERMINAL		
CONTROL NO.	PLANNING NUMBER	REV.
1045	350-A-54	1

Inserted on June 21, 1979

CALENDAR PAGE 00160

MINUTE PAGE 1146

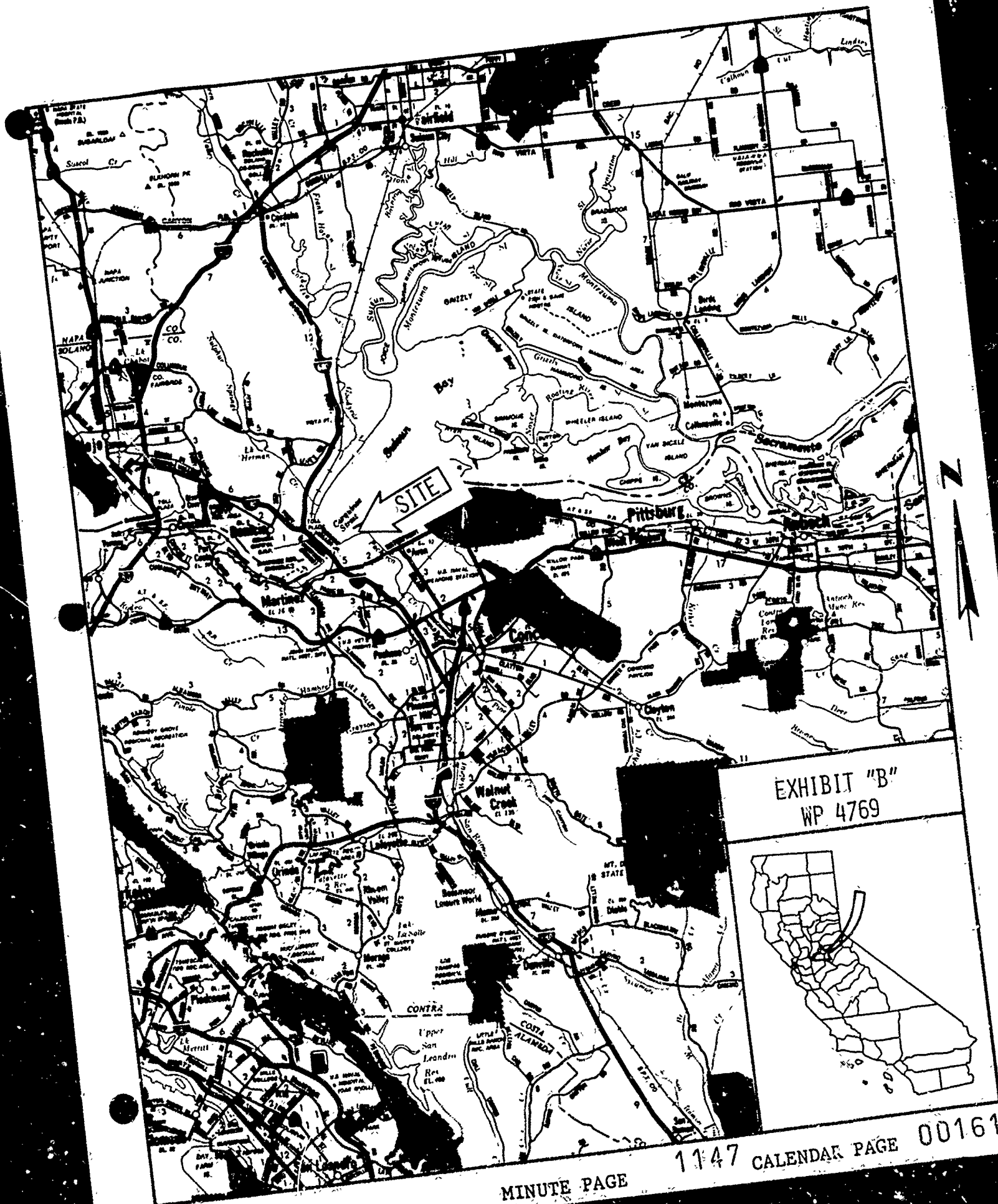


EXHIBIT "B"
WP 4769

MINUTE PAGE

1147 CALENDAR PAGE 00161

ENVIRONMENTAL IMPACT REPORT SUMMARY

I. Introduction

The following is a summary of an EIR for UCO Oil Company's proposed 10,000 BPD fuels refinery in the City of Martinez, Contra Costa County. Land under Commission jurisdiction bounds the Company's property on the north. This land, the Carquinez Strait tidal marshland, is an element of the Sacramento-San Joaquin Estuary and the Suisun Marsh. This summary will be limited primarily to a discussion of the project's relation to the 300-acre marshland and Carquinez Strait.

II. Project Description

The proposed seven acre project site lies entirely within the confines of UCO property. The company proposes to expand existing gasoline terminal facilities and fuel oil storage system by constructing a 10,000 BPD fuels refinery and associated facilities. The project includes: Erection of twenty-seven new tanks (nominal capacity of 552,920 barrels); Construction of impounding dikes around all tanks proposed; modification of existing evaporation ponds into aeration and oxidation ponds; Construction of a drainage system to include a cooling tower blowdown, pump and heater area drains, tank drains, sample stations, and equipment shutdown drains; Extensions of fire water loops, monitors, and hydrant connections around processing units and tank areas; Construction of a combined control house, laboratory, and change room building; Construction of a gas and vapor collecting pipeline system connected to a 140-foot high smokeless flare stack; Construction of a water-cooling tower; Landscaping of the proposed facility.

III. Environmental Setting

The UCO facility is located in a generally underdeveloped industrial area along the northeastern boundary of the City of Martinez. The facility is bounded on three sides by industrial ownership. The State-owned tidal marshland borders the north side of UCO land. The marsh is considered to be transitional (i.e. an ecotone between the saltwater marshes surrounding the San Francisco Bay and the fresh-water marshes of the Delta). The UCO site itself lies mostly on filled marshland, as do many of the industrial/commercial areas along the Carquinez Strait shoreline. The Suisun Marsh and adjoining marshlands are winter havens for migratory waterfowl that depend heavily on the available

foodstuffs offered by marsh vegetation. The low marshes in the Martinez area are dominated by common Tule and California Bulrush. Field investigation conducted for the EIR showed that the Narrowleaf Cattail was also abundant in this particular marsh. In fact these 3 species, it was estimated, covered 98 percent of the marshland and reached heights of nearly 10 feet. Other species found in the area are Pickleweed, Fat Hen, Coyote Brush, Gumplant, Brass Buttons, and Cord Grass. One rare and endangered plant - the Delta Tule Pea - is known to exist in the vicinity of the proposed project, although none was observed in any of the floral surveys conducted.

A wide variety of Avian, Mammalian, Amphibian, and Reptilian Fauna may be found in the marshland adjacent to the UCO property. Bird species are the most common to occur here, particularly waterfowl and other aquatic birds. Most Raptors in the area are migrants and are present from fall to early spring.

The marshland's major wildlife importance is its value to waterfowl migrating through California on the Pacific Flyway.

Few mammals inhabit the general area, but some common species are: Black Tail Jackrabbit; Common House Mouse; California Ground Squirrel; Valley Pocket Gopher; Deer Mouse; Meadow Mole; Coyote; Raccoon; Striped Skunk; Feral House Cat. The State-owned marshland has possible habitat potential for the endangered Salt Marsh Harvest Mouse, however none was observed during surveys.

Since Carquinez Strait is at the junction between the marine and fresh water elements, many of the invertebrate species in this area are estuarine in nature and, therefore, are capable of withstanding considerable salinity variation. Dominant fish in this area include the Northern Anchovy, Pacific Herring, Sacramento Smelt, Jacksmelt, Striped Bass, and American Shad.

Field Reconnaissance and Records examination revealed no archeological or other Cultural Resources within the boundaries of the proposed site.

IV. Environmental Impacts

1. Improper public use of open space north of the UCO property could adversely impact the UCO facilities and pose a threat to the public. Illegal discharge of firearms, careless smoking, and the building of illegal fires are potential threats. There will be approved public access easements magnifying potential threats of vandalism and sabotage.

CALENDAR PAGE 00163

MINUTE PAGE 1149

2. No known active faults traverse the site, however, ground failure caused by ground shaking (liquefaction, differential compaction, seismic settlement) could have a potentially high impact on the new facilities; this is particularly true for structures underlain by marshland deposits or hydraulically-placed by mudfill.
3. An oil spill caused by pipeline rupture or loading/unloading accident could significantly impact marshland vegetation and wildlife. Spilled oil can destroy plants and waterfowl and resultant soil contamination could make it difficult for the marsh to re-establish for years. There were eleven spills in the Carquinez Strait from 1970-77; 25,000 gallons of oil spilled. With an increase of 420,000 gallons daily unloaded, with this project, it is logical to assume that potential exists for more spills.
4. Although the relatively low amounts of UCO Refinery emissions will in themselves have little effect on nearby vegetation, they will contribute to the already degraded air quality of the region. The existing air quality may already be having adverse impacts on the regions vegetation and wildlife.
5. Increased noise levels may impact wildlife. Some Avian species, particularly songbirds, are dependent upon the exchange of song for breeding purposes. Other wildlife species may depend on sound for escaping predators.

V. Mitigation Measures

1. Strictly enforce all City and State regulations governing the use of the dedicated open space areas. Require that all UCO personnel be familiar with the provisions for handling emergency conditions established in the County's Oil and Hazardous Material Contingency Plan dated September, 1973.
2. To the extent possible, locate all facilities within areas of competent bedrock, stiff residual soils overlying bedrock, or on structural fill overlying bedrock. In areas where structures must be sited over marshland deposits, a suitable foundation type must be selected to derive support from below the marshland deposits or to accumulate the anticipated differential settlement. A geotechnical investigation for the design and construction of all new facilities should be conducted.

CALENDAR PAGE 00164

MINUTE PAGE 1150

3. Safety features of the present pipeline should minimize the possibility of rupture. To minimize damage in the event of a rupture the pipeline system should have automatic emergency shutdown mechanisms. The pipeline route is diked and is engineered to contain any spilled petroleum products in the event of a pipe rupture. UCO has a U-shaped boom permanently attached to the dock pilings. The boom encloses the dock when a ship is docked. A boat is moored at the dock and can encircle the ship in nine minutes should a spill occur.
4. Air quality impacts of the proposed project on vegetation and wildlife resources will be mitigated largely due to the use of current State-of-the-Art air pollution control technology.
5. The following measures are proposed to keep noise impacts minimal: Periodic inspections to ensure compliance with all pertinent OSHA regulations; all construction equipment will be installed with top grade muffling systems; a maintenance program to inspect and repair all noise abatement equipment used by the proposed facility will be initiated.

VI. Alternatives

1. Increased capacity of existing petroleum storage and blending facilities.
2. Increased capacity of proposed refinery.
3. No project.

VII. Unavoidable Adverse Impacts

1. Heavy construction equipment used during the construction phase may disturb nesting or visiting waterfowl and other Avian species using the adjacent marshland areas.
2. Construction and facility operation will contribute to local air pollutant emissions levels.
3. Refining operations will increase ambient noise levels.
4. Refining operations will increase tanker traffic in Carquinez Strait and truck traffic on Waterfront Road.

5. Operations will statistically increase the potential for an accident or oil spill to occur in Contra Costa County.

VIII. The Relationship Between Local Short-term Uses of Man's Environment and the Maintenance and Enhancement of Long-term Productivity

Provided the stated mitigation measures are implemented, the project appears to be a sound means of fuel oil and gasoline production assisting California in meeting continually increasing energy demands.