

CALENDAR ITEM

C27

A 8

08/22/08

PRC 5438.1

W 26263

S 4

J. McComas

**AMENDMENT TO MASTER LEASE NO. PRC 5438.1
(AMENDMENT NO. 16) AND ISSUANCE OF A NEW
GENERAL LEASE – RIGHT OF WAY USE**

LESSEE:

Pacific Gas and Electric Company
P. O. Box 770000
Mail Code N10A
San Francisco, California 94177

APPLICANT:

Rosetta Resources Operating LP
1200 17th Street, Suite 770
Denver, Colorado 80202

AREA, LAND TYPE, AND LOCATION:

Master Lease:

Various rivers, sloughs and creeks located throughout the State.

New Lease:

2.34 acres, more or less, of sovereign lands in the San Joaquin River, adjacent to Bradford and Sherman Islands, Sacramento and Contra Costa counties.

AUTHORIZED USE:

Master Lease:

Use and maintenance of various existing natural gas pipelines.

New Lease:

Installation, use and maintenance of a four-inch diameter natural gas gathering pipeline cased within an existing deactivated ten-inch natural gas pipeline as shown on Exhibit A.

CALENDAR ITEM NO. **C27** (CONT'D)

LEASE TERM:

Master Lease:

20 years, beginning January 1, 1978, with two ten-year renewal options. The lease is in holdover while a new lease is being negotiated.

New Lease:

20 years, beginning August 22, 2008.

CONSIDERATION:

New Lease:

\$423 per year, with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC NEW LEASE PROVISIONS:

Insurance: Liability insurance with a combined single limit coverage of no less than \$1,000,000 or an equivalent self insurance program upon approval of Commission staff to satisfy insurance requirements.

Bond: \$20,000

PROPOSED AMENDMENT OF EXISTING MASTER LEASE NO. PRC 5438.1:

Delete a parcel of land with an existing ten-inch natural gas pipeline, known as Line 195A and described as Exhibit "A -25" from the Master Lease. All other terms and conditions of the lease shall remain in effect without amendment.

OTHER PERTINENT INFORMATION:

1. Applicant has the right to use the uplands adjoining the lease premises.
2. On December 12, 1957, the Commission authorized a Right of Way Easement to Pacific Gas and Electric Company (PG&E) for a ten-inch natural gas pipeline (Line 195A), which was installed in 1942. On January 26, 1978, the Commission authorized Master Lease No. PRC 5438.1 to PG&E that incorporated various gas pipelines throughout the State into one lease. That lease has expired and is in holdover while a new Master Lease is being negotiated.
3. The existing pipeline was installed in 1942 and was maintained and operated by PG&E until 2003. The pipeline sat idle until PG&E sold Line 195A to Rosetta Resources Operating LP (Rosetta) in 2007. Rosetta is proposing to use the existing ten-inch pipeline as casing for the installation of a new four-inch flexible gathering pipeline. The proposed installation will consist of inserting the four-inch flexible pipe into the existing pipeline vault on the Sherman Island side then pulling it through the existing steel

CALENDAR ITEM NO. **C27** (CONT'D)

pipeline casing approximately 2,114 feet to the Bradford Island side vault. All of the work will be completed on the land side of the levees. The existing pipeline will be pigged prior to insertion of the new flexible pipe to insure the pipeline is clear of any obstructions. Line 195A has been regulated under state and federal jurisdiction and, throughout its history, has been maintained and operated in accordance with these regulations. The pipeline is currently cathodically protected. PG&E is now applying for an amendment to delete the parcel upon which Line 195A is located from the master lease and Rosetta is applying for a new General Lease - Right of Way Use.

4. **Amend PG&E Lease PRC 5438.1:**

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the 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.

5. **Issuance of a New Lease:**

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 Class 1, Existing Facilities; Title 2, California Code of Regulations, section 2905 (a)(2).

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

6. **Pipeline Reconstruction:**

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 Class 2, Replacement or Reconstruction; Title 2, California Code of Regulations, section 2905(b)

CALENDAR ITEM NO. **C27** (CONT'D)

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

7. 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.

APPROVALS OBTAINED:

Bradford Island Reclamation District

EXHIBITS:

- A. Site and Location Map
- B. Land Description (also referred to as Exhibit "A-25")

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

AMEND PG&E LEASE NO. PRC 5438.1:

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.

ISSUE NEW LEASE:

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 2, CALIFORNIA CODE OF REGULATIONS, SECTION 2905 (a)(2).

PIPELINE RECONSTRUCTION:

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 2, REPLACEMENT OR RECONSTRUCTION; TITLE 2 CALIFORNIA CODE OF REGULATIONS, SECTION 2905 (b).

CALENDAR ITEM NO. **C27** (CONT'D)

SIGNIFICANT LANDS INVENTORY FINDING:

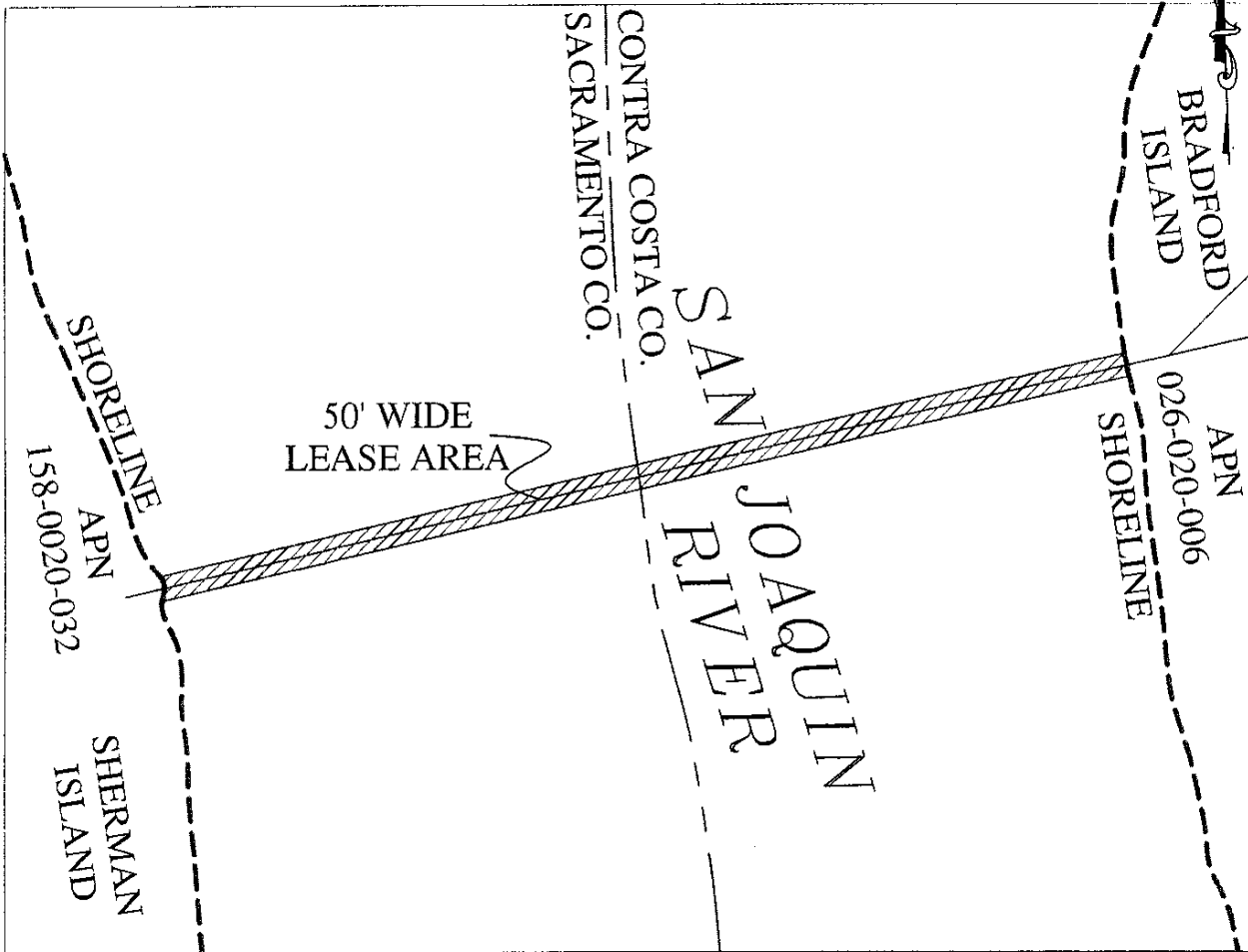
FIND THAT THIS ACTIVITY IS CONSISTENT WITH THE USE CLASSIFICATION DESIGNATED BY THE COMMISSION FOR THE LAND PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 6370, ET SEQ.

AUTHORIZATION:

1. AUTHORIZE THE AMENDMENT OF MASTER LEASE NO. PRC 5438.1, A GENERAL LEASE – RIGHT OF WAY USE, OF LANDS AS SHOWN ON EXHIBIT A (FOR REFERENCE PURPOSES ONLY) AND AS DESCRIBED IN EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE AUGUST 22, 2008, TO DELETE A PARCEL OF SOVEREIGN LANDS FROM THE MASTER LEASE, DESCRIBED IN THE MASTER LEASE AS EXHIBIT 'A -25' ; ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.
2. AUTHORIZE ISSUANCE TO ROSETTA RESOURCES OPERATING LP, OF A NEW GENERAL LEASE – RIGHT OF WAY USE BEGINNING AUGUST 22, 2008, FOR A TERM OF 20 YEARS, FOR THE INSTALLATION, USE AND MAINTENANCE OF A FOUR-INCH DIAMETER NATURAL GAS GATHERING PIPELINE CASED WITHIN AN EXISTING DEACTIVATED TEN-INCH NATURAL GAS PIPELINE UNDER THE SAN JOAQUIN RIVER, ADJACENT TO BRADFORD AND SHERMAN ISLANDS, SACRAMENTO AND CONTRA COSTA COUNTIES, ON THE LANDS SHOWN ON EXHIBIT A (FOR REFERENCE PURPOSES ONLY) AND AS DESCRIBED IN EXHIBIT B ATTACHED AND BY REFERENCE MADE A PART HEREOF; ANNUAL RENT IN THE AMOUNT OF \$423, WITH THE STATE RESERVING THE RIGHT TO FIX A DIFFERENT RENT PERIODICALLY DURING THE LEASE TERM, AS PROVIDED IN THE LEASE; LIABILITY INSURANCE OF NO LESS THAN \$1,000,000 OR AN EQUIVALENT SELF INSURANCE PROGRAM UPON THE APPROVAL OF COMMISSION STAFF TO SATISFY INSURANCE REQUIREMENTS; AND A SURETY BOND IN THE AMOUNT OF \$20,000.

NO SCALE

SITE



10" Natural Gas Pipeline
San Joaquin River, between Sherman and Bradford Island

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit A

W 26263
ROSETTA RESOURCES OPERATING LP
APN 158-0020-032 & APN 026-020-006
GENERAL LEASE
RIGHT OF WAY
SACRAMENTO &
CONTRA COSTA COUNTY



MJF 3/25/08

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.