

**CALENDAR ITEM
C19**

A 3
S 4

06/29/15
PRC 8569.1
N. Lee

**CONSIDER WAIVER OF RENT, PENALTY AND INTEREST AND
TERMINATION OF A GENERAL LEASE – RIGHT-OF-WAY USE**

LESSEE:

Aspen Exploration Corporation

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Feather River, adjacent to Assessor's Parcel Numbers 34-150-001 and 34-150-008, near Verona, Sutter County.

AUTHORIZED USE:

Construction, use and maintenance of a horizontal directionally drilled natural gas pipeline.

LEASE TERM:

20 years, beginning October 1, 2004.

CONSIDERATION:

\$100 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

SPECIFIC LEASE PROVISIONS:

Insurance:

Liability insurance in an amount no less than \$6,000,000 per occurrence.

Bond:

\$50,000

OTHER PERTINENT INFORMATION:

1. Lessee had a right to use the upland adjoining the lease premises.
2. On October 6, 2004, the Commission authorized a General Lease – Right-of-Way Use, Lease No. PRC 8569.1, to Aspen Exploration Corporation (Aspen) for the construction, use and maintenance of a horizontal directionally drilled 4 ½-inch diameter steel natural gas pipeline. That lease will expire September 30, 2024.

CALENDAR ITEM NO. **C19** (CONT'D)

3. In 2009, a consultant with West Coast Land Services (WCLS) contacted Commission staff on behalf of Aspen to advise that the pipeline had been built but was no longer needed and had already been cut, filled with water, and abandoned in place. All of the above actions by Aspen were done without staff's knowledge at the time. Aspen did not submit "as-built" plans, pipeline integrity test results, or any other post-construction reports as required by the lease. Aspen also stopped paying annual rent in 2008.
4. Upon staff's request, WCLS submitted an application for a lease termination in 2010, but no documentation regarding the pipeline abandonment and post-construction was provided. WCLS did provide copies of reports from the California Department of Conservation, Division of Oil, Gas, and Geothermal Resources, confirming that the gas wells connected to the pipeline had been properly plugged. Between 2010 and 2014, staff made several attempts to obtain documentation on the pipeline by contacting Aspen directly in addition to the Pipeline Hazardous Materials Safety Administration and upland owners at the pipeline location. WCLS advised it had no ability to obtain this information, that the founder of Aspen was deceased, and the business had been surrendered. Staff confirmed that Venoco, Inc. acquired a majority of Aspen's interests in California but did not acquire the pipeline. In 2010, the surety as required by the lease was cancelled.
5. Staff believes there is no reasonable chance for recovery of any damages in the form of past due rent, penalty, and interest. Staff has confirmed that Aspen is no longer in business. Based upon recent research, it appears all of Aspen's oil and natural gas interests were sold or abandoned, and remaining operations outside of California may have been acquired by other companies. Staff recommends termination of the lease as a result of the abandonment of the Lease Premises.
6. **Lease Termination and Waiver of Rent, Penalty, and Interest:** The staff recommends that the Commission find that the subject lease termination and waiver of rent, penalty, and interest do not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and are, therefore, not projects in accordance with the California Environmental Quality Act (CEQA).

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.
7. **Pipeline Abandonment:** The staff recommends that the Commission find that this activity is exempt from the requirements of CEQA as a

CALENDAR ITEM NO. **C19** (CONT'D)

categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, Title 2, section 2905, subdivision (a)(2).

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 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.

EXHIBIT:

- A. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Lease Termination and Waiver of Rent, Penalty, and Interest: Find that the subject lease termination and waiver of rent, penalty, and interest are not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activities are not projects as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

Pipeline Abandonment: 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.

CALENDAR ITEM NO. **C19** (CONT'D)

AUTHORIZATION:

1. Waive rent, penalty, and interest accrued, to date, in the amount of \$980.33.
2. Authorize termination, effective June 29, 2015, of Lease No. PRC 8569.1, a General Lease – Right-of-Way Use, issued to Aspen Exploration Corporation, due to abandonment of the Lease Premises.

NO SCALE

SITE



APN: 34-150-008

"SYCAMORE" (PID-A15071)
N: 2,067,336.01 SFT
E: 6,632,368.46 SFT
CCS83 ZONE 2

LEASE PARCEL
(TO BE TERMINATED)

S23°22'10"E
BASIS OF BEARINGS
18,152.45'

APN: 34-150-001

N83°08'00"E

27,195.51'

S77°23'54"W

1235.00'

50.00'

"F 859 RESET" (PID-A15062)
N: 2,050,672.67 SFT
E: 6,639,568.77 SFT
CCS83 ZONE 2

ALL BEARINGS, DISTANCES AND COORDINATES
SHOWN HEREON ARE GRID. TO OBTAIN GROUND
DISTANCE, DIVIDE GRID DISTANCE BY 0.99992873.

γ AT "F 859 RESET"
CCS83 ZONE 2

RIVER
GEODETTIC NORTH
 $\gamma = +010'20.4"$
GRID NORTH

NATURAL GAS PIPELINE NEAR VERONA, FEATHER RIVER

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit A

PRC 8569.1
ASPEN EXPLORATION CORP
APNs 34-150-001 & -008
TERMINATION OF
GENERAL LEASE -
RIGHT-OF-WAY USE
SUTTER COUNTY



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.