

**CALENDAR ITEM  
C45**

A 37  
S 19

02/07/17  
PRC 6942.1  
R. Collins

**REVISION OF RENT**

**LESSEE:**

Point Arguello Pipeline Company (PAPCO)

**AREA, LAND TYPE, AND LOCATION:**

10.22 acres, more or less, of sovereign land in the Pacific Ocean, near Point Conception, Santa Barbara County.

**AUTHORIZED USE:**

Continued operation and maintenance of an existing 24-inch diameter oil pipeline.

**LEASE TERM:**

20 years, beginning February 1, 2011.

**CONSIDERATION:**

This lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff conducted a review of the rent under this lease and recommends that rent be revised from \$66,400 per year to \$74,383 per year, effective February 1, 2017.

**OTHER PERTINENT INFORMATION:**

1. On December 10, 2010, the Commission authorized a General Lease – Right-of-Way Use to Point Arguello Pipeline Company (PAPCO) for a term of 20 years ([Calendar Item C31, December 10, 2010](#)). The Lease will expire on January 31, 2031
2. The 24-inch oil pipeline subject to this lease was installed in 1986 by a partnership between Chevron U.S.A. Inc. and PANGL and originates from Platform Hermosa in federal waters, which is currently being operated by Freeport McMoRan Oil & Gas, LLC (FMO&G). Platform Hermosa was shut down following the May 2015 Refugio oil spill that resulted from a severely corroded onshore pipeline that transports crude oil production

CALENDAR ITEM NO. **C45** (CONT'D)

from Platform Hermosa and other platforms to onshore refineries. The oil pipeline is currently purged with natural gas and is in idle status.

3. The pipeline is currently operated and maintained by FMO&G per requirements of the Offshore California Pipeline Inspection Survey Plan developed by a multi-agency team composed of the State Lands Commission and the federal Bureau of Safety and Environmental Enforcement. Based on review of the most recent reports detailing internal and external pipeline inspections conducted by qualified consultants between 2014 and 2016, the pipeline appears to be in good operating condition.
4. This action is consistent with Strategy 2.2 of the Commission's Strategic Plan to ensure timely receipt of revenues and royalties from the use and development of State lands and minerals.
5. Approving the revision of rent is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, section 15378, subdivision (b)(5).

**EXHIBIT:**

- A. Site and Location Map

**RECOMMENDED ACTION:**

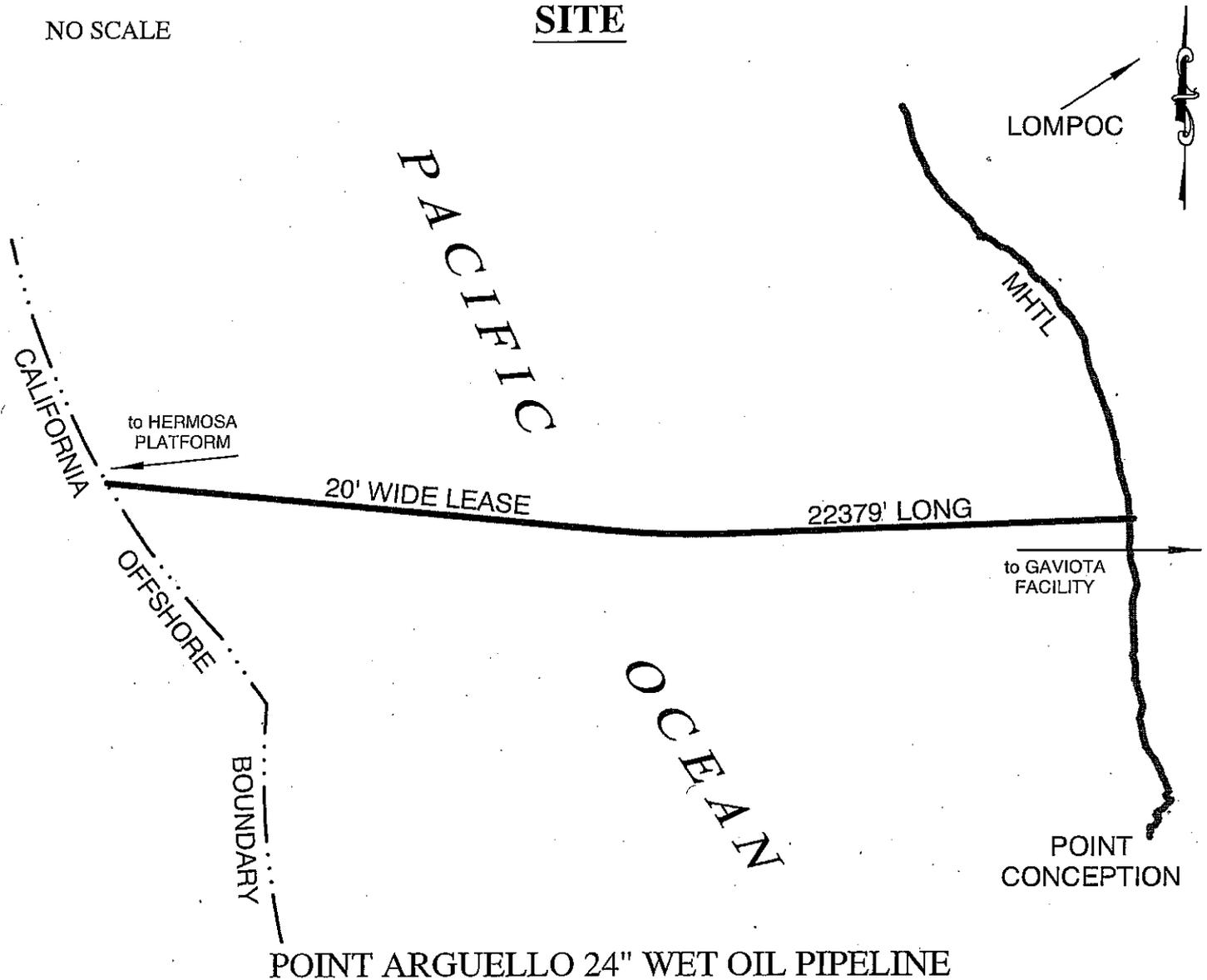
It is recommended that the Commission:

**AUTHORIZATION:**

Approve the revision of rent for Lease No. PRC 6942.1 from \$66,400 per year to \$74,383 per year, effective February 1, 2017.

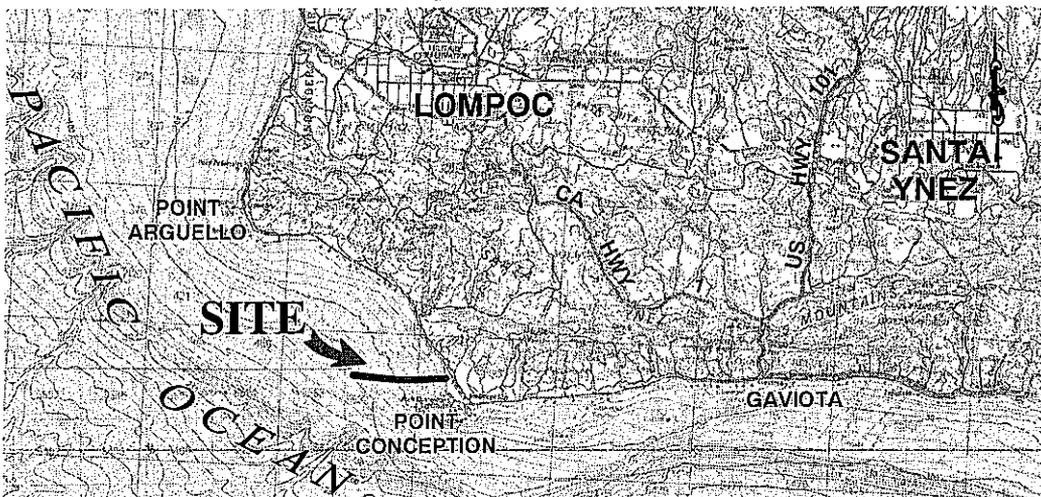
NO SCALE

# SITE



NO SCALE

# LOCATION



MAP SOURCE: USGS QUAD

## Exhibit A

PRC 6942.1  
 POINT ARGUELLO PIPELINE  
 COMPANY (PAPCO)  
 GENERAL LEASE -  
 RIGHT-OF-WAY USE  
 SANTA BARBARA COUNTY



EAP 08/15

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.