

# Staff Report 51

**LESSEE:**

Point Arguello Pipeline Company

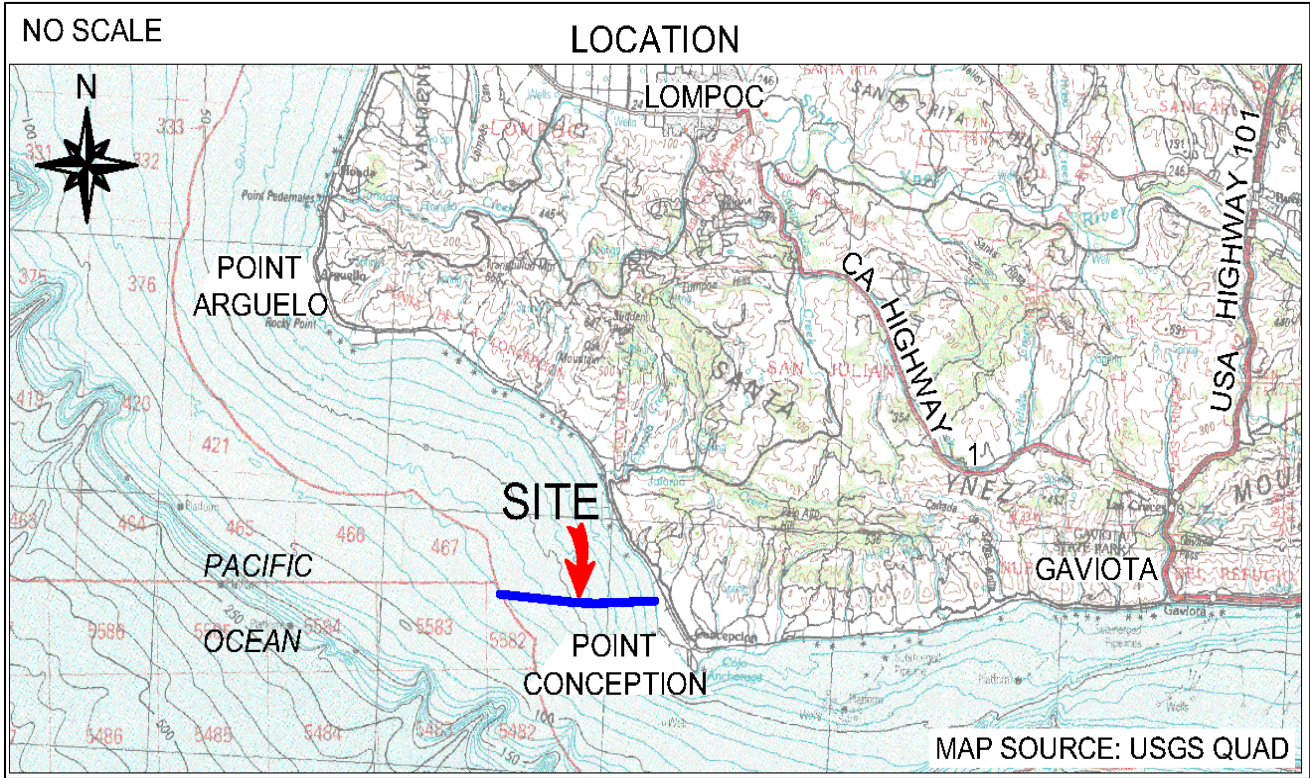
**PROPOSED ACTION:**

Continuation of Rent and Revision of Bond.

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

10.22 acres, more or less, of sovereign land in the Pacific Ocean near Point Conception, Santa Barbara County (as shown in Figure 1).

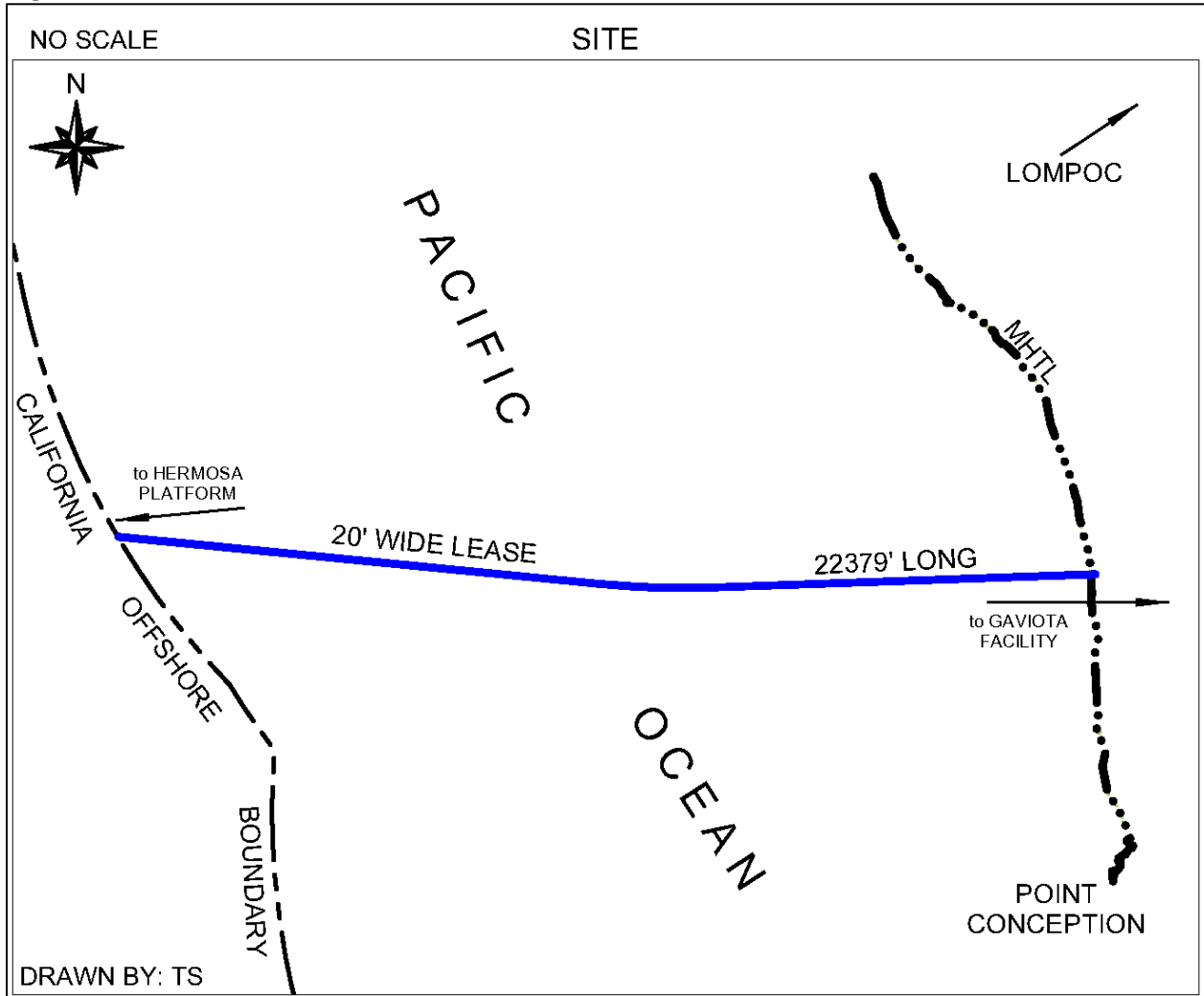
**Figure 1. Location**



**AUTHORIZED USE:**

Continued use and maintenance of a crude oil pipeline (as shown in Figure 2).

**Figure 2. Site Map**



NOTE: This depiction of the lease premises is based on unverified information provided by the Applicant or other parties and is not a waiver or limitation of any State interest in the subject or any other property.

**TERM:**

20 years, beginning February 1, 2011.

**CONSIDERATION:**

The lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent under this

lease and recommends a continuation of rent in the amount of \$74,383, and an increase in the surety bond from \$100,000 to \$11,000,000, effective February 1, 2024.

## **OTHER PERTINENT INFORMATION:**

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1. Approval or denial of the revision of rent is a discretionary action by the Commission. Each time the Commission approves or rejects a revision of rent, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Lands as authorized by law. Upon expiration or prior termination of the lease, the Lessee has no right to a new lease or to renewal of any previous lease.
2. On December 10, 2010, the Commission approved a General Lease - Right-of-Way Use to the lessee ([December 10, 2010, Item 31](#)) for the continued operation and maintenance of a 24-inch-diameter oil pipeline. The pipeline was originally installed in 1986 and transports crude oil from Platform Hermosa in federal waters to shore and is currently being operated by Freeport McMoRan Oil & Gas, LLC. On February 7, 2017, the Commission authorized an increase in the annual rent ([February 7, 2017, Item 45](#)) from \$66,400 to \$74,383, effective February 1, 2017. An external pipeline inspection was conducted in September 2022 for the pipeline from shore to Platform Hermosa. The pipeline was found to be in good condition with no visible external damage and all readings indicated the cathodic protection was within acceptable specifications.
3. Under the terms of the current lease, the lessee holds a surety bond in the amount of \$100,000. This amount is subject to increases over the lease term and serves the purpose of being able to mitigate costs that might otherwise be shouldered by the state, including where the state must take restorative actions with the leased premises upon lease termination or lease premises abandonment. An adjustment of the bond is currently appropriate to keep it consistent with estimated removal costs for similar facilities. Staff recommends increasing the bond from \$100,000 to \$11,000,000 to cover the obligations under this lease and Lease 6943 (for an associated natural gas pipeline) and reasonably limit the state's liability. The lease will expire on January 31, 2031.
4. This action is consistent with the "Address the future risk and liabilities" in the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-25 Strategic Plan.
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).

**RECOMMENDED ACTION:**

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It is recommended that the Commission:

**AUTHORIZATION:**

Approve the continuation of rent for Lease PRC 6942 in the amount of \$74,383 per year, and increase the surety bond from \$100,000 to \$11,000,000, effective February 1, 2024.