

# Staff Report 24

## APPLICANT:

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California Resources Production Corporation

## PROPOSED ACTION:

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Issuance of a General Lease – Right-of-Way Use.

## AREA, LAND TYPE, AND LOCATION:

Sovereign land in Sevenmile Slough, adjacent to Assessor's Parcel Numbers 057-0120-032 and 057-0130-004, near Rio Vista, Sacramento County (as shown in Figure 1).

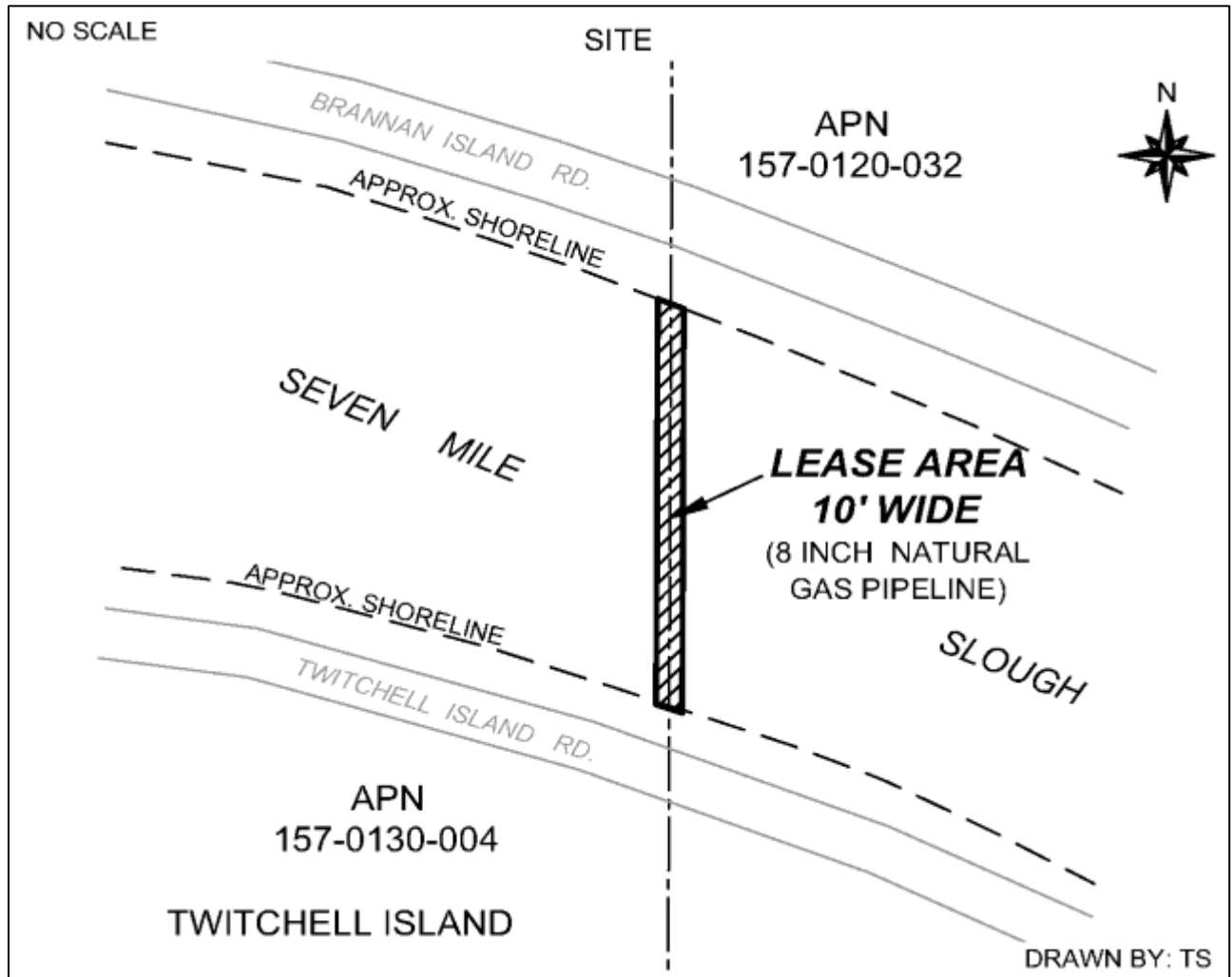
**Figure 1. Location**



**AUTHORIZED USE:**

Use of an existing 8-inch-diameter natural gas pipeline installed by Horizontal Directional Drilling (HDD) methods (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 November 1, 2026.

**CONSIDERATION:**

\$599 per year, with an annual Consumer Price Index adjustment and the State reserves the right to fix a different rent periodically during the lease term, as provided for in the lease.

**SPECIFIC LEASE PROVISIONS:**

- Insurance: General liability insurance in an amount no less than \$10,000,000 per occurrence.
- Bond or other surety in the amount of \$300,000.
- Lessee shall perform inspections of the pipelines as stated in Section 2, Special Provisions, of the lease and shall provide to Lessor results of the inspections including a report, findings, and recommended repairs as specified in the Lease.

**STAFF ANALYSIS AND RECOMMENDATION:**

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**AUTHORITY:**

Public Resources Code sections 6005, 6216, 6301, 6501.1, and 6503; California Code of Regulations, title 2, sections 2000 and 2003.

**PUBLIC TRUST AND STATE'S BEST INTERESTS:**

On November 26, 2001, the Commission authorized Lease No. PRC 8354, a General Lease – Right-of-Way Use, to Calpine Natural Gas Company for a term of 20 years beginning November 1, 2001 ([Item 16](#)). On October 30, 2007, the Commission authorized an assignment of lease to Rosetta Resources Operating LP ([Item 31](#)). On June 23, 2011, the Commission authorized an assignment of lease to Vintage Petroleum, LLC; an amendment to increase the required amount of insurance to \$5,000,000 and surety bond to \$20,000; the revision of engineering provisions and addition of engineering and reporting provisions; and the continuation of rent ([Item 62](#)). On June 19, 2014, the Commission authorized an amendment of lease to modify the parent guaranty from Occidental Oil and Gas Holding Corporation to California Resources Corporation for full performance of obligations under the lease ([Item 24](#)). Pursuant to a letter dated December 5, 2014, the lessee requested that their name be changed, due to an internal reorganization, to California Resources Petroleum Corporation. On October 19, 2017, the Commission approved a revision of rent from \$100 per year to \$450 per year ([Item 52](#)). The lease expired

on October 31, 2021. The Applicant, another subsidiary of California Resources Corporation, is applying for a General Lease – Right-of-Way Use, for the use of the existing 8-inch-diameter natural gas pipeline installed by Horizontal Directional Drilling (HDD) methods in Sevenmile Slough, near Rio Vista, Sacramento County.

The line connects the Rio Vista Gas (RVGU) Unit No. 226 gas well on Twitchell Island with the existing RVGU No. 209 gas well on Brannan Island. Rent was paid in holdover through October 31, 2026. Staff recommend starting a new lease beginning November 1, 2026. The proposed lease will require the Applicant to indemnify the State for the entire period of unauthorized occupation from November 1, 2021 through October 31, 2026, ensuring the State is protected.

Pipe-to-soil potentials from cathodic protection surveys conducted in 2023, 2024, and 2025; and a 2024 hydrotest did not identify any concerns on the condition of the pipeline. The pipeline is buried deep below the bed of the slough, does not presently impede surface use or interfere with Public Trust needs and values at this location, at this time, and does not significantly alter the land. The lease does not alienate the State's fee simple interest or permanently impact public rights. The lease is limited to a 20-year term and does not grant the lessee exclusive rights to the lease premises.

Furthermore, the lease requires that the lessee insure the lease premises and provide a bond or other surety for the faithful performance of the lease obligations in the amount of \$300,000. The lease also requires the payment of annual rent to compensate the people of the State for the occupation of the public land involved.

## **CLIMATE CHANGE:**

### ***INTRODUCTION:***

California is in the midst of the climate crisis, caused primarily by greenhouse gas emissions from the production and use of fossil fuels. In particular, the production and use of oil and gas, including natural gas, diesel, and gasoline, accounted for

78 percent of California's emissions in 2021 across all sectors.<sup>1</sup> Each year, global atmospheric concentrations of carbon dioxide and methane continue to rise to levels higher than any point in human history ([National Oceanic and Atmospheric Administration, 2024](#)). As a result, California is already experiencing a multitude of impacts from climate change, such as more extreme and frequent heatwaves, wildfires, drought, debris flows, rising sea surface temperatures, sea level rise, ocean acidification, and more. In addition, the climate crisis and rising sea levels are impacting California's coastal and inland waterways now. Likely impacts to the lease premises include, but are not limited to, sea level rise, saltwater intrusion, prolonged drought, extreme heat, and changes to the intensity and timing of precipitation events. These impacts can exacerbate natural hydrological processes such as erosion, scour, and sedimentation.

### **DATA & PROJECTIONS:**

The impacts of climate change are having negative consequences on human health, biodiversity, food and water security, property loss, and critical infrastructure ([Fifth National Climate Change Assessment: Southwest Region, 2023](#)). For example, between 2015 and 2021, California endured 15 of its 20 most destructive wildfires ever recorded, resulting in 42 thousand destroyed structures and 154 lives lost ([CAL FIRE, 2024](#)). Devastating impacts such as these are projected to worsen as the climate continues to warm. If greenhouse gas emissions are not lowered substantially, air temperatures in California could increase 4.4 to 5.8 degrees Fahrenheit by 2050 and 5.6 to 8.8 degrees Fahrenheit by 2100 ([California's Fourth Climate Change Assessment Statewide Summary Report, 2018](#)).

The most effective way to prevent the worst impacts of the climate crisis is to reduce greenhouse gas emissions by eliminating the use of fossil fuels, including natural gas, and transitioning the state's energy portfolio to renewable and zero carbon sources such as solar, wind, and geothermal. [Senate Bill 1020](#) (Laird, 2022) requires that at least 90 percent of California's retail electricity come from renewable and zero-carbon sources by 2035, 95 percent by 2040, and 100 percent by 2045. The State is already on its way, securing 43 percent of its energy from

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<sup>1</sup> Based on all emissions from California Air Resources Board's [California GHG Inventory By Scoping Plan Category 2023 Edition: 2000 to 2021](#) with 'Sector & Activity Details' that list petroleum products and activities, including but not limited to natural gas, gasoline, crude oil, diesel, jet fuel, oil and gas production and processing, and petroleum refining.

renewable sources in 2023, and 24 percent from other zero carbon sources, for a combined 67 percent of retail electricity ([California Energy Commission, 2025](#)).

Along with the other consequences of climate change discussed above, water levels in tidally-influenced rivers will rise as sea levels rise. The California Ocean Protection Council updated the [State of California Sea Level Rise Guidance](#) in 2024 to provide a synthesis of the best available science on sea level rise projections and rates for multiple emissions scenarios. Commission staff evaluated the “intermediate” scenario due to the lower vulnerability and exposure of the lease location and the depth of cover over the HDD pipeline. The San Francisco tide gauge was used for the projected sea level rise scenario for the region, as listed in Table 1.

**Table 1. Projected Sea Level Rise for San Francisco**

Year	Intermediate (feet)
2040	0.6
2050	0.8
2070	1.4
2100	3.1

Source: Table 6, State of California Sea Level Rise Guidance: 2024 Update

Note: Projections are with respect to a 2000 baseline.

In addition to rising seas, warmer temperatures have led California and the Southwest region to experience a megadrought from 2000 to 2022, measured as the driest 22 years in the past 1200 years, and more megadroughts are projected through the end of the century ([Fifth National Climate Change Assessment: Southwest Region, 2023](#)). Hotter and drier conditions have led to declines in snowpack volumes, higher-elevation snow lines, earlier snowmelt, and reduced overall runoff. Streamflow and river volumes are lower and will be drawn down farther as temperatures continue to rise and demand for water increases. Despite the region’s increasing aridity, flooding from extreme precipitation events is projected to increase, attributed to earlier snowmelt, sea level rise, and more intense and frequent atmospheric rivers. Minor and moderate flooding (flooding events defined as disruptive to damaging), attributed to higher water levels, is expected to increase five to ten orders of magnitude by 2100, according to [NOAA’s 2022 Sea Level Rise Technical Report](#).

**ANALYSIS:**

While fossil fuels are still used to produce energy, it is crucial that emissions from their production and transportation are reduced as much as possible. Methane emissions occur throughout natural gas supply chains and infrastructure, from the production at gas wells to processing facilities, compressor stations, transportation pipelines, storage tanks, and distribution pipelines to consumers. Methane is the primary contributor to the formation of ground-level ozone, a hazardous air pollutant and greenhouse gas. It is also a major driver of global warming since it is 83 times more potent at warming the planet than carbon dioxide over a 20-year period ([EPA, 2025](#)).

The pipeline system included in this lease connects a gas well on Twitchell Island with a gas well on Brannan Island. Methane emissions from pipelines and associated equipment, such as valves and meters, commonly occur from unintended leaks at degraded components or loose connections and from the intentional venting of methane into the atmosphere for maintenance or safety purposes (e.g., blowdowns) ([EPA, 2023](#)). In 2023, the Environmental Protection Agency issued [regulations](#) that will, once implemented, reduce emissions of methane and other harmful air pollution from natural gas operations, including transmission and distribution segments, by requiring routine monitoring for leaks, increasing the performance standards for equipment, and requiring new management practices to minimize or eliminate gas venting. In addition to atmospheric impacts, methane is highly flammable. The lease premises is located in Sacramento County, and may be susceptible to increased wildfire risk, extreme heat, prolonged drought, flash flooding, and more intense storms due to climate change.

However, the portion of the pipeline within the jurisdiction of the Commission lies below the riverbed of Sevenmile Slough. There is no development directly on the banks, on the bed, or in the waters within the Commission's leasing jurisdiction. The pipeline lies approximately 60 feet below the riverbed. Therefore, the leased structure is unlikely to be affected by sea level rise impacts or the frequent and intense storms that are the result of climate change.

**RECOMMENDATIONS:**

To reduce the risks of leaks and methane emissions, the pipeline should be routinely monitored, maintained, and the best practices and best available technologies for emissions mitigation should be implemented, in accordance with all regulatory requirements. See the U.S. Environmental Protection Agency's recommendations

for [methane mitigation strategies](#). Replacing older structural components with materials designed to better withstand heat fluctuations, extreme heat, and corrosion can reduce the likelihood of degradation and damage to the pipeline. Any future construction or activities on State land would require a separate authorization from the Commission. Regular maintenance, as required by the lease, may reduce the risks. Pursuant to the proposed lease, the Applicant acknowledges that the lease premises and adjacent upland are located in an area that may be subject to the effects of climate change.

### **CONCLUSION:**

For all the reasons above, staff believes the proposed lease will not substantially impair the public rights to navigation and fishing or substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the lease; and is in the best interests of the State.

### **OTHER PERTINENT INFORMATION:**

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1. Approval or denial of a lease is a discretionary action by the Commission. Each time the Commission approves or rejects a use of sovereign land, it exercises legislatively delegated authority and responsibility as trustee of the State's Public Trust lands as authorized by law. The lessee has no right to a new lease or renewal of any previous lease.
2. This action is consistent with the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
3. Staff recommends that the Commission find that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) as a categorically exempt project. The project is exempt under Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301.

Authority: Public Resources Code section 21084 and California Code of Regulations, title 14, section 15061.

## **RECOMMENDED ACTION:**

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It is recommended that the Commission:

### **CEQA FINDING:**

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 14, section 15301.

### **PUBLIC TRUST AND STATE'S BEST INTERESTS:**

Find that the proposed lease will not substantially impair the public rights to navigation and fishing or substantially interfere with Public Trust needs and values at this location, at this time, and for the term of the lease; and is in the best interests of the State.

### **AUTHORIZATION:**

Authorize issuance of a General Lease – Right-of-Way Use to the Applicant beginning November 1, 2026, for a term of 20 years, for the use of an existing 8-inch-diameter natural gas pipeline; rent in the amount of \$599 per year, with an annual Consumer Price Index adjustment; liability insurance in an amount no less than \$10,000,000 per occurrence; and bond or other surety in the amount of no less than \$300,000.