

## Appendix H

### 2013 Conservation Bank Transactions



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# KERN WATER BANK AUTHORITY

January 16, 2014

Dr. Jeffrey Single  
Regional Manager  
California Department of Fish and Wildlife  
1234 East Shaw Avenue  
Fresno, CA 93710

RE: Kern Water Bank Authority (KWBA)  
2013 Conservation Credit Certificates and  
2013 Endowment Fund for Credits Sold

Dear Dr. Single:


Enclosed are two sets of Conservation Credit certificates for the conservation credits sold in 2013. I have enclosed a check for TWELVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS, (\$12,750) representing the endowment funds for conservation credits sold in 2013. Per the Conservation Bank Agreement (Agreement), this payment is based on the sale of 34 credits at the rate of \$375.00 per credit. Paragraph 6.2 of the Agreement stipulates that KWBA should forward the endowment funds to:

FASB, California Department of Fish and Wildlife  
1416 Ninth Street, 12<sup>th</sup> Floor  
Sacramento, CA 95814  
Attention: Cash Receipts Group  
Fund: KWB Conservation Bank Endowment

Based on previous conversations with CDFW staff, however, I am sending the payment to your attention. If you need anything further, please call.

Very truly yours,

KERN WATER BANK AUTHORITY

  
Jonathan Parker,  
General Manager

Enclosures (3)

cc: Annee Ferranti, CDFW  
Thomas Leeman, USFWS  
Hilary Swarts, USFWS

**KERN WATER BANK AUTHORITY**

**GENERAL ACCOUNT**

1620 MILL ROCK WAY, SUITE 500  
BAKERSFIELD, CA 93311



Wells Fargo Bank, N.A.

018010

11-24/1210

1/13/2014

ORDER OF California Department of Fish & Game

\$\*12,750.00

Twelve Thousand Seven Hundred Fifty and 00/100\*\*\*\*\*

DOLLARS

California Department of Fish & Game  
1416 Ninth Street, 12th Floor  
Sacramento, CA 95814

MEMO

Endowment Fund for 2013 Conservation Credits

⑈018010⑈ ⑆121000248⑆ 4040017758⑈

**KERN WATER BANK AUTHORITY**

018010

California Department of Fish & Game

Date	Type	Reference	Original Amt.	Balance Due	1/13/2014 Discount	Payment
1/1/2014	Bill	2013 Endmnt Fund	12,750.00	12,750.00		12,750.00
					Check Amount	12,750.00

Wells Fargo General Endowment Fund for 2013 Conservation Credits 12,750.00

**KERN WATER BANK AUTHORITY**

018010

California Department of Fish & Game

Date	Type	Reference	Original Amt.	Balance Due	1/13/2014 Discount	Payment
1/1/2014	Bill	2013 Endmnt Fund	12,750.00	12,750.00		12,750.00
					Check Amount	12,750.00

Wells Fargo General Endowment Fund for 2013 Conservation Credits 12,750.00

# KERN WATER BANK AUTHORITY

January 16, 2014

Mr. Thomas Leeman  
U.S. Fish & Wildlife Service  
2800 Cottage Way W2605  
Sacramento, CA 95825

RE: Kern Water Bank Authority (KWBA)  
2013 Conservation Credit Certificates and  
2013 Endowment Fund for Credits Sold


Dear Mr. Leeman:

Enclosed are two sets of Conservation Credit certificates for the conservation credits sold in 2013. I am also forwarding a check for TWELVE THOUSAND SEVEN HUNDRED FIFTY DOLLARS, (\$12,750), representing the endowment funds for conservation credits sold in 2013 to California Department of Fish and Wildlife.

If you need anything further, please call.

Very truly yours,

KERN WATER BANK AUTHORITY

  
Jonathan Parker,  
General Manager

Enclosure (3)

cc: Jeffrey Single, CDFW  
Annee Ferranti, CDFW  
Hilary Swarts, USFWS

# KERN WATER BANK AUTHORITY

January 16, 2014

Ms. Sarah Soliman  
California Department of Transportation  
855 M Street, Suite 200  
Fresno, CA 93721

RE: Conservation Credit Certificate #2013-01

Dear Ms. Soliman:

Enclosed, please find the above captioned Conservation Credit Certificate confirming your prior purchase of 2 credits from the Kern Water Bank Authority Conservation Bank.

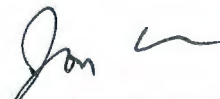
Original copies of this credit certificate are being forwarded to the United States Fish and Wildlife and the California Department of Fish and Wildlife.

We have forwarded the Endowment Fund (\$375.00 per credit) collected at the time of purchase to the California Department of Fish & Wildlife.

Please submit a report on your project, when completed, for inclusion in our Annual Report to California Department of Fish and Wildlife and United States Fish and Wildlife Service. We appreciate your interest in our conservation bank and hope we can be of service to you in the future.

Very truly yours,

KERN WATER BANK AUTHORITY



Jonathan Parker,  
General Manager

Enclosures (1)

# KERN WATER BANK AUTHORITY

## CONSERVATION CREDIT CERTIFICATE NO. 2013-01

**2 CREDITS**

**State of California Department of Transportation  
State Route 58 Buttonwillow West Project, Kern County  
(FWS 81420-2009-F-0854-2)**


This Conservation Credit Certificate certifies that ~~the~~ State of California Department of Transportation (the "Developer") has acquired two (2) Conservation Credit in the Kern Water Bank Conservation Bank (the "Conservation Bank"), established pursuant to the Conservation Bank Agreement (the "Conservation Bank Agreement") dated October 2, 1997, by and among the United States Fish and Wildlife Service ("USFWS"), the California Department of Fish and Wildlife ("CDFW"), and Kern Water Bank Authority ("Bank Owner").

This Certificate may be used only in satisfaction of requirements identified by USFWS and/or CDFW relating to that project of the Developer whose project is identified in the letter from CDFW to Developer attached hereto.

This Conservation Credit Certificate is not transferable.

KERN WATER BANK AUTHORITY

Date: January 16, 2014

By:   
Jonathan Parker  
Authorized Representative of Bank Owner



## United States Department of the Interior

FISH AND WILDLIFE SERVICE  
Sacramento Fish and Wildlife Office  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846



In Reply Refer To:  
81420-2009-F-0854-2

NOV 13 2012

Mr. Javier Almaguer  
Chief, Central Region Biology South Branch  
California Department of Transportation, District 6  
855 M Street, Suite 200  
Fresno, California 93721

**Subject:** Amendment to the Biological Opinion for the State Route 58 Buttonwillow West Project, between Buttonwillow and McKittrick, Kern County, California (Caltrans EA 06-46370, 06-KER-58-PM 21.7/27.2), as appended to the *Programmatic Biological Opinion on the Effects of Minor Transportation Projects on the San Joaquin Kit Fox, Giant Kangaroo Rat, Tipton Kangaroo Rat, Blunt-nosed Leopard Lizard, California Jewelflower, San Joaquin Woolly-threads, Bakersfield Cactus, and Recommendations for the San Joaquin Antelope Squirrel* (Service File number 1-1-01-F-0003 and 81420-2009-F-0974)

Dear Mr. Almaguer:

This is the U.S. Fish and Wildlife Service's (Service) response to the California Department of Transportation's (Caltrans) request to amend the biological opinion for the State Route 58 Buttonwillow West Project (project) between Buttonwillow and McKittrick in Kern County, California (Service File Number 81420-2009-F-0854-1), dated September 29, 2009. Under the provisions of the July 1, 2007, Pilot Program Memorandum of Understanding between the Federal Highway Administration (FHWA) and Caltrans, FHWA assigned, and Caltrans assumed, FHWA's responsibilities under the National Environmental Policy Act as well as its responsibilities for environmental review, consultation, and coordination under other Federal environmental laws.

Your letter, dated January 27, 2012, requesting to amend the biological opinion, was received in this office on January 31, 2012. Under consideration is Caltrans' request to modify the proposed method of compensation for project effects to the federally-listed as endangered San Joaquin kit fox (*Vulpes macrotis mutica*; referred to as the SJKF in the text of the original biological opinion), giant kangaroo rat (*Dipodomys ingens*; referred to as the GKR in the text of the original biological opinion), Tipton kangaroo rat (*Dipodomys nitratooides nitratooides*; referred to as the TKR in the text of the original biological opinion), and blunt-nosed leopard lizard (*Gambelia sika*; referred to as the BNLL in the text of the original biological opinion). This document has



been prepared in accordance with section 7(a)(2) of the Endangered Species Act of 1973, as amended (16 U.S.C. § 1531 *et seq.*) (Act).

In reviewing the request, the Service has relied upon: (1) the Service's September 29, 2009, original biological opinion; (2) Caltrans' January 27, 2012, amendment request letter; (3) telephone and electronic mail (e-mail) correspondence between Caltrans and the Service; and (4) other information available to the Service.

### **Consultation History**

*June 1, 2011.* Caltrans telephoned the Service to report that project construction had finished but due to complications arising with its compensation obligations, its conservation measures remained unfulfilled. The proposed collaboration with the Center for Natural Lands Management (CNLM) concerning the purchase of property proved unsuccessful due to the issues associated with Caltrans' ability to transfer endowment funds to a non-profit organization. Caltrans requested the Service's guidance.

*June 14 & 22, 2011.* The Service e-mailed Caltrans to provide several possible ideas for compensation alternatives, particularly in regards to the giant kangaroo rat, for which there is no available conservation bank. On June 22, Caltrans e-mailed the Service to provide additional information concerning the failure of the original proposal involving the CNLM.

*October 6, 2011.* The Service e-mailed Caltrans to report that following internal discussions on compensation needs for the project, the Service had concluded a case-specific solution to address specifically the issues associated with compensation for the giant kangaroo rat. The Service concluded that although exemption of section 9 incidental take prohibitions for the giant kangaroo rat will remain in place, there will be no application of credit-based compensation for this species since there is no viable solution to apply at present.

*January 17-18, 2012.* Caltrans telephoned the Service to follow-up on the issues of project compensation. The Service confirmed its earlier recommendation regarding the giant kangaroo rat; it also suggested that compensation for the San Joaquin kit fox, Tipton kangaroo rat, and the blunt-nosed leopard lizard still could be done at a Service-approved conservation bank (e.g. the Kern Water Bank Authority's (KWBA) Conservation Bank). Caltrans replied on January 18 to inquire what the Service required from Caltrans to initiate the amendment process. The Service confirmed that a short formal letter detailing all appropriate information would be sufficient.

*January 31, 2012.* The Service received a letter from Caltrans requesting an amendment to the biological opinion regarding the use of the KWBA as its revised compensation method.

The original biological opinion states that Caltrans will collaborate with the CNLM to purchase property in the vicinity of the Lokern Natural Area (LNA) as compensation for the project's effects to all species and habitat. However, given the restrictions of State law and the CNLM's

status as a non-profit organization, Caltrans has been unable to find a method by which to transfer land management funds to the CNLM. Therefore, Caltrans requests that the biological opinion be amended to indicate the proposal to purchase species conservation credits at the KWBA, or at another Service-approved conservation bank that covers the project area.

The following changes are made to the September 29, 2009, biological opinion. Segments of removed text are indicated by a strike-through line and new segments of text are indicated by an underline.

Pages 5-6, #2 under *Conservation Measures*: Remove all references to the giant kangaroo rat; replace the existing compensation method with the newly proposed conservation method; and remove the final paragraph describing the collaboration with the CNLM since this information is no longer relevant. This is amended to read:

2. **Compensation.** Caltrans shall further minimize effects to the San Joaquin kit fox, ~~giant kangaroo rat~~, Tipton kangaroo rat, and blunt-nosed leopard lizard by purchasing land of similar or better quality 1.38 acres worth of conservation credits (0.46 acre at a 3:1 compensation ratio) at the KWBA, or at another Service-approved conservation bank that covers the project area and the appropriate species. The proposed compensation ratios for adverse effects to the SJKF, GKR, TKR, and BNLL are as follows (these ratios apply only outside of kit fox core and satellite population areas):

- a. 3 units of replacement habitat for every 1 unit of habitat permanently lost within grasslands and natural lands (i.e., scrub and alkali sink communities) (3:1)
- b. 1.1 units of replacement habitat for every 1 unit of habitat temporarily lost within grasslands and natural lands (1.1:1)
- c. 1.1 units of replacement habitat for every 1 unit of habitat permanently lost within agricultural and ruderal lands (1.1:1).
- d. 0.3 units of replacement habitat for every 1 unit of habitat temporarily lost within agricultural and ruderal lands (0.3:1)

~~Caltrans proposes to collaborate with the CNLM to purchase 1.38 ac (0.46 ac at a 3:1 ratio) of land in the LNA vicinity. The land purchase will likely derive from acreage carved from a parcel originally purchased by another CNLM client, and managed by the CNLM, but currently without an existing endowment, or derive from other nearby and currently unprotected acreage in the area. Caltrans and the CNLM will continue to work together to determine the appropriate acquisition, endowment, enhancement, and management procedures and costs for enabling Caltrans to procure this acreage and for~~

~~the CNLM to manage the land in perpetuity. The funds must be set aside for this acreage and the land acquired prior to project groundbreaking.~~

The remainder of the original September 29, 2009, biological opinion, including the no jeopardy conclusion, is unchanged. This concludes the amendment to the biological opinion for the State Route 58 Buttonwillow West Project. As provided in 50 CFR § 402.16, reinitiation of formal consultation is required where discretionary Federal agency involvement or control over the action has been maintained (or is authorized by law) and if: (1) the amount or extent of incidental take is exceeded; (2) new information reveals effects of the agency action that may affect listed species or critical habitat in a manner or to an extent not considered in this opinion; (3) the agency action is subsequently modified in a manner that causes an effect to the listed species or critical habitat that was not considered in this opinion; or (4) a new species is listed or critical habitat designated that may be affected by the action.

Please contact Jen Schofield, Fish and Wildlife Biologist, or Thomas Leeman, Chief, San Joaquin Valley Division, at the letterhead address or at (916) 414-6600 if you have questions regarding this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth Sanchez". The signature is written in a cursive style with a large initial "K".

Kenneth Sanchez  
Assistant Field Supervisor

cc:

Annee Ferranti, California Department of Fish and Game, Fresno, California



State of California – Natural Resources Agency  
DEPARTMENT OF FISH AND WILDLIFE  
Central Region  
1234 East Shaw Avenue  
Fresno, California 93710  
(559) 243-4005  
[www.wildlife.ca.gov](http://www.wildlife.ca.gov)

EDMUND G. BROWN, JR., Governor  
CHARLTON H. BONHAM, Director



January 14, 2013

Javier Almaguer  
California Department of Transportation  
855 M Street, Suite 200  
Fresno, California 93721

**Subject: State Route 58 Buttonwillow West Project - Kern County**  
**KER 58 PM 21.7-27.2 EA 06-46370**  
**Request for Approval of Habitat Compensation Purchase at Kern Water Bank**

Dear Mr. Almaguer:

The California Department of Fish and Wildlife (CDFW) has reviewed your request to mitigate for the above Project through the Kern Water Bank Authority's (KWBA) Kern Water Bank (KWB).

The Project is located on State Route (SR) 58 at Post Mile 21.7-27.2 west of the town of Buttonwillow, in Kern County. This is 3.7 kilometers north of the intersection with SR 58, near the City of McKittrick in Township 30 South, Range 22 East, Section 8, Reward Quad. This location is high quality valley saltbush scrub habitat. The Project occurred in an area with the potential to support State-listed species, including the State and federally endangered and State fully protected blunt-nosed leopard lizard (*Gambelia sila*); the State threatened and federally endangered San Joaquin kit fox (*Vulpes macrotis mutica*); the State threatened San Joaquin antelope squirrel (*Ammospermophilus nelsoni*); the federally endangered and State endangered Tipton's kangaroo rat (*Dipodomys nitratooides nitratooides*); and the federally endangered and State endangered, giant kangaroo rat (*Dipodomys ingens*).

**Project Description:** SR 58 in the vicinity of the Project is a conventional highway with no median. There are occasional two-way stop controlled intersections for county roads that intersect the highway. The Project, which was completed by June 1, 2011, repaired the existing roadbed by removing (through cold plane processing) 2.36 inches of existing asphalt concrete and subsequently laying 2.95 inches of new asphalt concrete. There was no widening of the pavement, but three feet of shoulder backing was placed adjacent to the newly laid concrete, except in areas deemed sensitive due to the presence of native valley saltbush scrub habitat, where only two feet of shoulder backing was placed.

Caltrans determined that there were no special status wildlife species within the Project impact area. CDFW agreed that Project implementation was unlikely to result in "take" as defined under Section 86 of California Fish and Game Code therefore, Caltrans believed the acquisition of a State Incidental Take Permit (ITP) pursuant to Fish and Game Code Section 2081(b) was not required, because Caltrans proposed to implement measures that would likely avoid direct

*Conserving California's Wildlife Since 1870*

Javier Almaguer  
January 14, 2013  
Page 2

injury or mortality to threatened and endangered species. The Project would, however, impact valley saltbush scrub habitat.

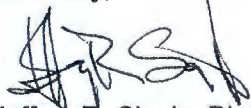
Caltrans did the work under the Programmatic Biological Opinion (BO) 1-1-01-F-0003 from the United States Fish and Wildlife Service (Service) for the Effects of Minor Transportation Projects on the San Joaquin kit fox, giant kangaroo rat, Tipton's kangaroo rat, blunt-nosed leopard lizard, California jewelflower, San Joaquin woolly-threads, Bakersfield cactus, and recommendations for the San Joaquin antelope squirrel. The BO as issued stated that Caltrans would collaborate with the Center for Natural Lands Management (CNLM) to purchase property in the vicinity of the Lokern Natural Area as compensation for the Project's effects to all species and habitat. However, Caltrans subsequently requested that the BO be Amended to meet its habitat mitigation through the purchase of species conservation credits at the KWBA, or another Service-approved conservation bank that covers the Project area. On November 13, 2012, the Amendment to the BO allowing for mitigation at KWBA was issued by the Service.

CDFW concurs that KWB is an appropriate location to compensate for the loss of habitat that has resulted from Project implementation and that the KWBA may issue a Conservation Credit Certificate for this Project for two credits as specified by the Service in its amended BO dated November 13, 2012 (81420-2009-F0854-2).

Please note that this letter does not grant incidental take authority for this Project under the State ITP held by the KWB. Any additional potential habitat disturbance associated with road construction or maintenance by Caltrans would need separate review by CDFW and a separate approval for use of KWB for mitigation.

If you have any additional questions, please contact Laura Peterson-Diaz, Environmental Scientist, at the address provided on this letterhead, by telephone at (559) 243-4014, extension 225, or by e-mail at [laura.peterson-diaz@wildlife.ca.gov](mailto:laura.peterson-diaz@wildlife.ca.gov).

Sincerely,

  
Jeffrey R. Single, Ph.D.  
Regional Manager

cc: See Page Three

Javier Almaguer  
January 14, 2013  
Page 3

cc: Jon Parker  
Kern Water Bank Authority  
1620 Mill Rock Way, Suite 500  
Bakersfield California 93311

Tim Kuhn  
United States Fish and  
Wildlife Service  
2800 Cottage Way, W-2605  
Sacramento, California 95825

Amy Kuritsubo  
Bureau of Land Management  
Bakersfield Field Office  
3801 Pegasus Drive  
Bakersfield, California 93308

# KERN WATER BANK AUTHORITY



January 16, 2014

Glen Mears  
Plains LPG Services, L.P.  
19430 Beech Avenue  
Shafter, CA 93263

RE: Conservation Credit Certificate #2013-02

Dear Mr. Mears:

Enclosed, please find the above captioned Conservation Credit Certificate confirming your prior purchase of 17 credits from the Kern Water Bank Authority Conservation Bank.

Original copies of this credit certificate are being forwarded to the United States Fish and Wildlife and the California Department of Fish and Wildlife.

We have forwarded the Endowment Fund (\$375.00 per credit) collected at the time of purchase to the California Department of Fish & Wildlife.

Please submit a report on your project, when completed, for inclusion in our Annual Report to California Department of Fish and Wildlife and United States Fish and Wildlife Service. We appreciate your interest in our conservation bank and hope we can be of service to you in the future.

Very truly yours,

KERN WATER BANK AUTHORITY

A handwritten signature in black ink, appearing to read "Jon" followed by a flourish.

Jonathan Parker,  
General Manager

Enclosures (1)

# KERN WATER BANK AUTHORITY

## CONSERVATION CREDIT CERTIFICATE NO. 2013-02

### 17.0 CREDITS

**Plains LPG Services, LP  
Westside Pipeline Project, Kern County  
(FWS 81420-2011-TA-0530)**

This Conservation Credit Certificate certifies that Plains LPG Services, LP (the “Developer”) has acquired seventeen (17) Conservation Credits in the Kern Water Bank Conservation Bank (the “Conservation Bank”), established pursuant to the Conservation Bank Agreement (the “Conservation Bank Agreement”) dated October 2, 1997, by and among the United States Fish and Wildlife Service (“USFWS”), the California Department of Fish and Wildlife (“CDFW”), and Kern Water Bank Authority (“Bank Owner”).

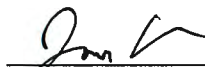
This Certificate may be used only in satisfaction of requirements identified by USFWS and/or CDFW relating to that project of the Developer whose project is identified in the letter from CDFW to Developer attached hereto.

This Conservation Credit Certificate is not transferable.

KERN WATER BANK AUTHORITY

Date: January 16, 2014

By:



Jonathan Parker

Authorized Representative of Bank Owner





# United States Department of the Interior



FISH AND WILDLIFE SERVICE  
Sacramento Fish and Wildlife Office  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

In Reply Refer To:  
81420-2011-TA-0530

**MAY 16 2013**

Mr. Glen Mears  
Plains LPG Services, L.P.  
19430 Beech Avenue  
Shafter, California 93263

Subject: Request for Authorization to Obtain Conservation Credits from the Kern Water Bank and Coles Levee Ecosystem Preserve for Plains LPG Services, L.P.'s Westside Pipeline Project near Tupman and Shafter, Kern County, California

Dear Mr. Mears:

This letter responds to your October 29, 2012, request by email for U.S. Fish and Wildlife Service (Service) authorization for the purchase of conservation credits from the Kern Water Bank Authority (KWBA) by Plain LPG Services, L.P. for ground disturbing activities associated with the proposed Westside Pipeline Project (Project) near Tupman and Shafter, Kern County, California. The purchase of these credits is intended to minimize the effects of incidental take upon the federally-listed, endangered San Joaquin kit fox (*Vulpes macrotis mutica*), Tipton kangaroo rat (*Dipodomys nitratooides nitratooides*), and blunt-nosed leopard lizard (*Gambelia sila*), resulting from project-related impacts. Federal incidental take authorization for the project would be extended through the *Kern Water Bank Habitat Conservation Plan/Natural Community Conservation Plan* (HCP/NCCP) (1997).

The Project originates southeast of Tupman at the Inergy North Coles Levee Fractionator Facility within the Coles Levee Ecosystem Preserve (CLEP), then trends approximately 14.5 miles north-northeasterly on the Kern Water Bank (KWB), through intensively farmed agricultural lands, until termination at the Plains Lone Star Facility in the City of Shafter. The project area includes portions of the following Townships, Ranges, and Sections: Township (T) 28 South, Range (R) 25 East, Section 35; T29 South, R25 East, Sections 2, 3, 4, 10, 11, 14, 15, 21, 22, 23, 27, 28, 33, 34; T30 South R25East, Sections 3, 4, 7, 16, 20, 21, 29, and 32, Mount Diablo Base and Meridian.

The Project consists of construction and use of three new petroleum pipelines (a 4-inch natural gas condensate line, a 6-inch propane line, and a 6-inch butane line) that will allow Plains LPG Services, L.P. (Plains) to move the petroleum products directly to their own processing and storage facility, thus reducing numerous truck deliveries to Shafter, California. The proposed pipeline route has been designed to be located within existing or adjacent to existing pipeline

rights-of-way, existing roadways, or other areas that have been previously disturbed by recent human activities. Construction of this pipeline will result in 16.049 acres of temporary disturbance.

Construction activities could result in effects on the following federally-listed, endangered species: the San Joaquin kit fox (*Vulpes macrotis mutica*), the Tipton kangaroo rat (*Dipodomys nitratoide's nitratoide's*), the blunt-nosed leopard lizard (*Gambelia sila*), and the Buena Vista Lake shrew (*Sorex ornatus relictus*), as these species are known to occur on the Project site or in close proximity to the Project site.

While the shrew is known to occur in the Project site, the dry status of the recharge basins in the Kern Water Bank and the West Kern Water District since April 1, 2012 and May 1 2012, respectively, (as described in James Jones' letter, dated April 30, 2013) make it highly unlikely that shrews would be found on the Project site currently. As the Project will begin as soon as possible and be completed before the next wet season and will result in no new above ground structures, the Service does not expect the Project to have a negative effect on the shrew.

The Service concludes that it is likely the Project will result in incidental take of San Joaquin kit fox by a variety of factors, including harm resulting from destruction of their habitat as well harassment and mortality from vehicle strikes related to Project construction. To minimize the amount and extent that the kit fox will be affected by Project activities, Plains will incorporate all Service protective measures from the Service's *Standardized Recommendations for Protection of the San Joaquin Kit Fox Prior to or During Ground Disturbance* (2011).

Although surveys in 2011 did not detect either Tipton kangaroo rat or blunt-nosed leopard lizard presence (*Biological Report for the Plains LPG Services, L.P. Proposed Westside Pipeline Project, Located in Kern County, California, South Valley Biology Consulting Report, January 16, 2012*), the Project will be constructed in suitable habitat for both of these species. The Service concludes that it is likely that the Project will result in incidental take of these two species through harassment and/or mortality from temporary habitat loss through ground disturbing activities associated with pipeline construction. To minimize the extent of these effects, Plains will adhere to the minimization measures presented in the Kern Water Bank Habitat Conservation Plan (KWBHCP).

Additionally, using the following ratios for conservation credits, Plains will provide approximately 21 acres for the temporary ground disturbance caused by the proposed pipeline:

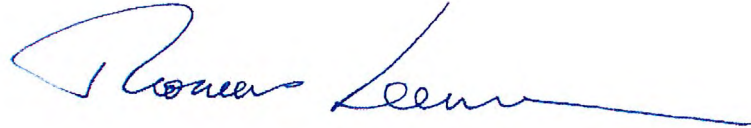
- 2.1:1 for temporary impacts to habitat at CLEP (in accordance with terms specified in the *Coles Levee Ecosystem Preserve Conservation Easement Agreement, October 1992*, for temporary impacts to Designated Preserve Lands).
- 2.1:1 for temporary impacts to habitat within the San Joaquin kit fox Western Core Area (only the CLEP portion of the project lies within this area).
- 1.1:1 for temporary impacts to habitat at KWB recharge area and on the private lands north of KWB.

The application of these ratios results in 5.376 (2.560 x 2.1) acres for impacts at CLEP, 12.613 (11.466 x 1.1) acres at KWB, and 2.225 (2.023 x 1.1) acres on the private lands. This results in a total of 20.214 acres of conservation credits for the project.

The Service authorizes the Project to proceed under the HCP/NCCP. For the effects of constructing the pipeline, Plains will purchase 17 conservation credits from the KWBA and will commit 4 credits that Plains has on reserve at the Coles Levee Ecological Preserve. Plains will be authorized to purchase the 17 credits from the KWBA upon demonstrating to the Service proof of transfer of 4 conservation credits at the CLEP. The purchase of the KWBA credits must be completed in full and a copy of the fully executed credit sales agreement received by the Service prior to any surface disturbance associated with the Project.

Please contact Hilary Swarts, Fish and Wildlife Biologist in the San Joaquin Valley Division at (916) 414-6600 with questions regarding this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Thomas Leeman", with a long horizontal flourish extending to the right.

Thomas Leeman  
San Joaquin Valley Division

cc:

Reagan O'Leary, California Department of Fish and Wildlife, Fresno, CA  
Jon Parker, Kern Water Bank Authority, Bakersfield, CA



May 21, 2013

Glen Mears  
Plains LPG Services, L.P.  
19430 Beech Avenue  
Shafter, California 93263

**Subject: Plains LPG Services, L.P.'s Westside Pipeline Project near Tupman and Shafter, Kern County, California  
Request for Approval of Habitat Compensation Purchase at Kern Water Bank**

Dear Mr. Mears:

The California Department of Fish and Wildlife (Department) has reviewed your request to mitigate for the above Project through the Kern Water Bank Authority's (KWBA) Kern Water Bank (KWB).

The proposed Project includes construction of an approximately 14-mile pipeline route that would include the installation of three new petroleum pipelines (a 4-inch natural gas condensate line, a 6-inch propane line, and a 6-inch butane line) that would allow Plains LPG Services, L.P. (Plains) to move petroleum products directly to their own processing and storage facility, thus reducing numerous truck deliveries to Shafter, California. The proposed pipeline route is designed to be located within existing or adjacent to existing pipeline right-of-way, existing roadways, or other areas that have been previously disturbed by recent human activities. Construction activities would include clearing and grading, trenching, stringing pipe, pipe installation, backfilling of trenches, hydrostatic testing, and restoration. Where the pipeline crosses water bodies and road crossings traditional boring methods and horizontal directional drilling would be employed. Construction of this pipeline would result in 16.049 acres of temporary disturbance.

The Project originates southeast of Tupman at the Inergy North Coles Levee Fractionator Facility within the Coles Levee Ecosystem Preserve (CLEP), then trends approximately 14.5 miles north-northeasterly on the KWB, through intensively farmed agricultural lands, until termination at the Plains Lone Star Facility in the City of Shafter. The Project area includes portions of the following Townships, Ranges, and Sections: Township (T) 28 South, Range (R) 25 East, Section 35; T29 South, R25 East, Sections 2, 3, 4, 10, 11, 14, 15, 21, 22, 23, 27, 28, 33, 34; T30 South, R25 East, Sections 3, 4, 7, 16, 20, 21, 29, and 32, Mount Diablo Base and Meridian.

*Conserving California's Wildlife Since 1870*

The United States Fish and Wildlife Service (USFWS) have notified Plains that the Project is suitable for inclusion under the KWBA Section 10 Master Permit to cover Project-related incidental take under the Federal Endangered Species Act (ESA). Plains would purchase 21 conservation credits using following the ratios:

- 2.1:1 for temporary impacts to habitat within the CLEP (in accordance with terms specified in the *Coles Levee Ecosystem Preserve Conservation Easement Agreement, October 1992*, for temporary impacts to Designated Preserve Lands).
- 2.1:1 for temporary impacts to habitat within the San Joaquin kit fox Western Core Area (only the CLEP portion of the Project lies within this area).
- 1.1:1 for temporary impacts to habitat at KWB recharge area and on the private lands north of the KWB.

The application of these ratios results in: 5.376 (2.560 x 2.1) acres for impacts at CLEP, 12.613 (11.466 x 1.1) acres at KWB, and 2.225 (2.023 x 1.1) acres on private lands. These results include a total of 20.214 acres of conservation credits needed for the Project, where conservation credit purchases can only be made in whole number increments.

Due to the long linear nature of the Project, habitat site conditions vary as it traverses the landscape. Habitats within the Project footprint include valley saltbush scrub, Great Valley mesquite scrub, groundwater recharge, non-native grassland, riparian, ruderal, and agricultural lands. The proposed Project is in an area where the following State listed species could occur: The State and Federally endangered Tipton kangaroo rat (*Dipodomys nitratooides nitratooides*), and blunt-nosed leopard lizard (BNLL) (*Gambelia sila*), which is also a State fully protected species, the State threatened and Federally endangered San Joaquin kit fox (*Vulpes macrotis mutica*), and the State threatened San Joaquin antelope squirrel (*Ammospermophilus nelsoni*), and Swainson's hawk (*Buteo swainsoni*). In addition, burrowing owl (*Athene cunicularia*), a State Species of Special Concern that is protected by the Federal Migratory Bird Treaty Act (MBTA) and Sections 3503, 3503.5, and 3513 of the Fish and Game Code, could also occur on or adjacent to the Project site.

Biological surveys of the Project site and adjacent areas in 2011 indicated that no special status species were observed on the Project site, and that no burrows suitable for State listed species were present. The Department believes that with the implementation of measures that would likely avoid direct injury or mortality to threatened and endangered species, Project implementation is unlikely to result in take under the California Endangered Species Act (CESA), and therefore that a State Incidental Take (2081) Permit is not necessary. The Project will follow the acquisition of protective measures in the USFWS *Standard Recommendations for Protection of the San Joaquin Kit Fox Prior to or During Ground Disturbance* (2011), in addition to operational procedures listed in the Mitigated Negative Declaration

(SCH# 2012111022) adopted by Kern County Planning Department. Measures include but are not limited to: a preconstruction survey will be completed to demonstrate whether site conditions have changed such State listed species may be present; a qualified biologist will be present during ground-disturbing activities (site preparation); an Environmental Awareness Program will be held to educate all workers on the site about the sensitive species with potential to occur; all excavated steep-walled holes or trenches in excess of two feet in depth shall be provided with one or more earthen escape ramps; and construction corridors, access roads, laydown, staging, and parking areas shall be clearly delineated with fencing, stakes, and signs by the Project biologist before Project commencement.

Should pre-construction surveys or construction monitoring indicate the presence of listed species or a change in conditions such that the Project site could support listed species (e.g., the presence of suitable burrows) in or immediately adjacent to the Project area, the Project proponent must consult with the Department to determine whether additional surveys are warranted, and to develop and implement avoidance measures acceptable to the Department prior to initiating or continuing ground disturbing activities or any other activities that could result in take. Alternatively, the Project proponent may apply for an Incidental Take Permit from the Department, though Project activities may not proceed until permit issuance is completed.

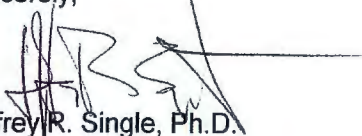
No "take" can be authorized for the fully protected BNLL. Because no suitable burrows were identified on or adjacent to the Project site and a qualified biological monitor will be present during initial ground disturbance of the site, the Department concurs that take of this species in association with project implementation is not likely; however, if pre-construction surveys or construction monitoring indicate BNLL presence in or immediately adjacent to the work area, the Project proponent must consult with the Department and develop and implement avoidance measures acceptable to the Department.

The Department concurs that KWB and CLEP are appropriate locations to compensate for the loss of habitat that will result from Project implementation and that the KWBA may issue a Conservation Credit Certificate for this Project for 17 credits as specified by the USFWS in their letter dated May 16, 2013 (81420-2011-TA-0530). Plains will also commit 4 credits they have reserved at the CLEP, to meet the needed 21 Conservation Credits for the Project. Please note that this letter does not grant Incidental Take Authority under CESA for this Project under the State Incidental Take Permit held by the KWBA. Additional incidental take authority under CESA, if needed, would need to be secured separately by Plains prior to conducting any work that would result in take of a State-listed species.

Glen Mears  
May 21, 2013  
Page 4

If you have any additional questions, please contact Reagen O'Leary, Environmental Scientist, at the address provided on this letterhead or by telephone at (559) 243-4014, extension 244.

Sincerely,

A handwritten signature in black ink, appearing to read 'JRS', with a horizontal line extending to the right.

Jeffrey R. Single, Ph.D.  
Regional Manager

cc: Thomas Leeman  
United States Fish and Wildlife Service  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

Jonathan Parker  
Kern Water Bank Authority  
1620 Mill Rock Way, Suite 500  
Bakersfield, California 93311

# KERN WATER BANK AUTHORITY

January 16, 2014

Will Satterfield  
Solimar Energy, LLC  
121 North Fir Street, Suite H  
Ventura, CA 93001

RE: Conservation Credit Certificate #2013-03

Dear Mr. Satterfield:

Enclosed, please find the above captioned Conservation Credit Certificate confirming your prior purchase of 2 credits from the Kern Water Bank Authority Conservation Bank.

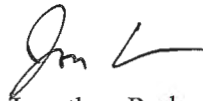
Original copies of this credit certificate are being forwarded to the United States Fish and Wildlife and the California Department of Fish and Wildlife.

We have forwarded the Endowment Fund (\$375.00 per credit) collected at the time of purchase to the California Department of Fish & Wildlife.

Please submit a report on your project, when completed, for inclusion in our Annual Report to California Department of Fish and Wildlife and United States Fish and Wildlife Service. We appreciate your interest in our conservation bank and hope we can be of service to you in the future.

Very truly yours,

KERN WATER BANK AUTHORITY



Jonathan Parker,  
General Manager

Enclosures (1)



# KERN WATER BANK AUTHORITY

## CONSERVATION CREDIT CERTIFICATE NO. 2013-03

### 2.0 CREDITS

**Solimar Energy, LLC**  
**Solimar Proposed Test Drill Site Project, Kern County**  
**(FWS 81420-2008-TA-0479)**

This Conservation Credit Certificate certifies that Solimar Energy, LLC (the “Developer”) has acquired two (2) Conservation Credits in the Kern Water Bank Conservation Bank (the “Conservation Bank”), established pursuant to the Conservation Bank Agreement (the “Conservation Bank Agreement”) dated October 2, 1997, by and among the United States Fish and Wildlife Service (“USFWS”), the California Department of Fish and Wildlife (“CDFW”), and Kern Water Bank Authority (“Bank Owner”).

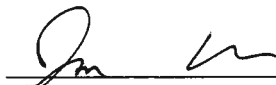
This Certificate may be used only in satisfaction of requirements identified by USFWS and/or CDFW relating to that project of the Developer whose project is identified in the letter from CDFW to Developer attached hereto.

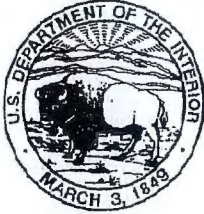
This Conservation Credit Certificate is not transferable.

KERN WATER BANK AUTHORITY

Date: January 16, 2014

By:

  
\_\_\_\_\_  
Jonathan Parker  
Authorized Representative of Bank Owner



# United States Department of the Interior

FISH AND WILDLIFE SERVICE  
Sacramento Fish and Wildlife Office  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846



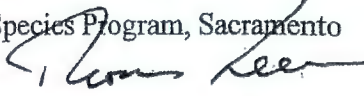
In Reply Refer To:  
81420-2008-TA-0479

APR 18 2013

Memorandum

APR 23 2013

To: Amy Kuritsubo, Wildlife Biologist, Bureau of Land Management, Bakersfield Field Office, Bakersfield, California

From: Chief, San Joaquin Valley Division, Endangered Species Program, Sacramento Fish and Wildlife Office, Sacramento, California 

Subject: Request for Authorization to Obtain Two Additional Conservation Credits from the Kern Water Bank Authority, for the Solimar Proposed Test Drill Site Project near Maricopa, Kern County

This memorandum responds to your April 2, 2013, request for U.S. Fish and Wildlife Service (Service) authorization for the purchase of two conservation credits for San Joaquin kit fox (*Vulpes macrotis mutica*) habitat at the Kern Water Bank by Solimar Energy, LLC. This project was authorized under the Bureau of Land Management (BLM) Oil and Gas Programmatic Biological Opinion (BO 1-1-01-F-0063). The purchase of these credits will fulfill section VI.C. of the BO's Terms and Conditions for ground disturbing activities such as those associated with the proposed Test Drill Site Project (Project).

In 2008, the Service approved Solimar Energy's request to purchase three conservation credits from the Kern Water Bank Authority (KWBA) in anticipation of temporary and permanent damage from the drilling of Wellington Maricopa numbers 6,7 and 8 (BLM Project #130). However, according to Post-Construction Reports furnished by McCormick Biological, Inc., from November 2, 2012 and November 27, 2012, project effects were greater than originally expected. This was due in part to additional projects that were completed during the last 4 years (BLM Projects #243 and #473), which increased the total development footprint in the lease area. The final amount of permanent and temporary disturbance is shown, by project, in Table 1.

Under the Programmatic Agreement, conservation credit ratios for projects with permanent effects on listed species habitat is 3:1, while the ratio for temporary impacts is 1.1:1. Less the three conservation credits purchased on February 26, 2008, there remained a 1.544 credit deficit in Solimar's Energy's obligation to the BLM. Therefore, Solimar is proposing to purchase two additional conservation credits from the KWBA, where conservation credit purchases can only be made in whole number increments.

We authorize the KWBA to complete the sale of two conservation credits to Solimar Energy.

Table 1. Summary of temporary and permanent disturbance effects for BLM projects 130, 243, 473, under the BLM Oil and Gas Programmatic Biological Opinion (1-1-01-F-0063). WM refers to Wellington Maricopa wells.

BLM Project #	Project Description	Temporary Disturbance (acres)	Proposed Credits (1.1:1)	Permanent Disturbance (acres)	Proposed Credits (3:1)	Total Proposed Credits	Total Purchased
130	Drill WM 6, 7, 8	0.640	0.704	1.200	3.600	4.304	3.000
243	Workover WM	0.100	0.110	0.000	0.000	0.110	0.000
473	Effective Depth WM 1-5	0.120	0.132	0.000	0.000	0.132	0.000
<b>TOTAL</b>		<b>0.860</b>	<b>0.946</b>	<b>1.200</b>	<b>3.600</b>	<b>4.546</b>	<b>3.000</b>

If you have questions or concerns about this memorandum, please contact Hilary Swarts or Thomas Leeman at the letterhead address or at (916) 414-6600.

cc:

Julie Vance, California Department of Fish and Game, Fresno, CA  
Cheryl Harding, Kern Water Bank Authority, Bakersfield, CA



May 8, 2013

MAY 15 2013

Will Satterfield  
Solimar Energy, LLC  
121 North Fir Street, Suite H  
Ventura, California 93001

Subject: Request for Authorization to Obtain Two Additional Conservation Credits from the Kern Water Bank Authority, for the Solimar Proposed Test Drill Site Project near Maricopa, Kern County.

Dear Mr. Satterfield:

The California Department of Fish and Wildlife (Department) has reviewed your request to mitigate for an additional two Conservation Credits from the Kern Water Bank Authority (KWBA) for the Solimar Proposed Test Drill Site Project near Maricopa, Kern County. In February 2008, Solimar, LLC purchased 3 Conservation Credits from the KWBA's Kern Water Bank (KWB) with the approvals of the United States Fish and Wildlife Service (Service) and the Department for the construction of three oil well pads within the Wellington Maricopa Lease, an area with Bureau of Land Management (BLM) mineral rights and private surface ownership. This original 2008 Project, referred to as BLM Project #130, included an estimated total disturbance of 1.63 acres from the drilling of the Wellington Maricopa numbers 6, 7, and 8. However, Wellington Maricopa No. 8 was never drilled. In addition, according to Post-Construction Reports furnished by McCormick Biological, Inc., dated November 2, 2012 and November 27, 2012 respectively, Project impacts were greater than originally expected. This was due in part to additional projects within the Wellington Maricopa Lease, that were completed during the last 4 years (BLM Projects #243 and #473), which increased the total development footprint in the lease area and added to the total lease ground disturbance. BLM Projects No. #130, 243, and 473 are located 2.5 miles southeast of the town of Maricopa, in Township 11N, Range 23E, Section 8 (Pentland Quad). The final amount of permanent and temporary impacts are described below, as well as the required conservation credit ratios explaining the request for an additional two Conservation Credits from the KWB.

BLM has permit authority for these Projects, were the Programmatic Biological Opinion (1-1-01-F-0063) and 2005 amendment (1-1-03-F-0295) issued by the U.S. Fish and Wildlife Service for Oil and Gas Projects in Kern County (Programmatic BO) was used for Federal Endangered Species Act (FESA) compliance. On December 16, 2005, the

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Department issued a Consistency Determination (2080-2005-035-04), pursuant to Fish and Game Code Section 2080.1, for California Endangered Species Act (CESA) compliance for projects covered under the Programmatic BO. As a result, no further authorization under CESA was required for incidental "take" of San Joaquin kit fox (*Vulpes macrotis mutica*), giant kangaroo rat (*Dipodomys ingens*), or California jewel flower (*Caulanthus californicus*) resulting from this Project. Incidental "take" coverage under CESA was not conferred for blunt-nosed leopard lizard (*Gambelia sifa*) due to its State fully protected status nor for the State threatened San Joaquin antelope squirrel (*Ammospermophilus nelsoni*) since it is only listed under CESA and not FESA.

The Project proponent was required to compensate by the BLM for Project #130 as follows: 0.6 acres of permanent impacts requiring a 3:1 ratio equaling 1.8 compensation acres, and 1.03 acres of temporary impacts requiring a 1.1:1 ratio equaling 1.133 compensation acres; for a total of 2.933 compensation acres. As purchases can only be made in whole acres at the KWB, 3 Conservation Credits were purchased in 2008. The BLM Project #130 project description consisted of drilling three oil producing wells targeting the Contact Zone of the Reef Ridge Formation. The wells were Wellington Maricopa numbers 6, 7 and 8. Wellington Maricopa numbers 6 and 7 were drilled in 2008 to total depths of 3,550-feet and 3,588-feet, respectively. Wellington Maricopa number 8 was never drilled. The Project required building a 20-foot by 300-foot access road to well 6, and building 100-foot by 200-foot drilling pads with gravel base material for wells 6 and 7. The installation of conductor pipe and the construction of concrete well cellars of approximately 8-feet by 8-feet were also required. Following pad and cellar construction, a drilling rig was moved in and the wells drilled to a depth of approximately 400-feet where surface casing was set. After cementing the surface casing, the wells were drilled to total depth, logged and production casing cemented at the top of the Contact Zone. The production casing cement was then cleaned out and the Contact Zone under-reamed to 13-inches. A slotted liner was installed across the Contact Zone and gravel packed in place for sand control. The drilling rig was then released, and a production rig brought in. After running tubing, pumps, and rods in the hole, the wells were placed on production to a temporary production facility. Well No. 6 remains on production, while No. 7 is shut-in. This Project actually resulted in the total disturbance of 1.84 acres; 1.2 acres of permanent impacts and 0.64 acres of temporary impacts. No San Joaquin antelope squirrels were observed on the Project site during repeated biological surveys. A biological monitor was present during initial ground disturbing Project activities. It was determined in the post-construction compliance report for BLM Project #130 that the Project did not result in "take", in the form of injury or mortality of any federal or state listed species.

In 2009, BLM Project #243 was completed. This Project consisted of reentering Wellington Maricopa number 4 to attempt the recompletion and stimulation of the Contact Zone, which never performed well after initial completion. This Project required moving in a workover rig and circulating equipment. The Project lasted approximately

two weeks, and after cleaning out the well through the Contact Zone, problems with casing leaks made the Project too expensive to continue. The well was left shut-in. This Project resulted in the temporary disturbance of 0.1 acres requiring a 1.1:1 ratio equaling 0.11 compensation acres. A biological monitor was present during initial Project activities. It was determined in the post-construction compliance report for BLM Project #243, that the Project did not result in "take" of any federal or state listed species.

In 2012, BLM Project # 473 was completed. This Project consisted of entering Wellington Maricopa numbers 1 through 5 for the purposes of determining the level of fill in each well. This was information required by the California Division of Oil, Gas and Geothermal services for their idle well program. The Project required bringing a production rig onto each of the old well pads, removing the production tree, if present, pulling tubing, if present, and running in the hole with a sinker bar on a sand line to tag each wells' effective depth. This Project took one week to complete. This Project resulted in the temporary disturbance of 0.12 acres requiring a 1.1:1 ratio equaling 0.132 compensation acres. A biological monitor was present during initial Project activities. It was determined in the post-construction compliance report for BLM Project #473, that the Project did not result in "take" of any federal or state listed species.

The final amount of permanent and temporary disturbance is shown, by BLM project number, in Table 1. Under the Programmatic Agreement, conservation credit ratios for projects with permanent effects on listed species habitat is 3:1, while the ratio for temporary impacts is 1.1:1. Less the three conservation credits purchased on February 26, 2008, there remained a 1.544 credit deficit in Solimar Energy's obligation to the BLM. Therefore, Solimar Energy is proposing to purchase two additional conservation credits from the KWBA, where conservation credit purchases can only be made in whole number increments.

**Table 1.** Summary of temporary and permanent disturbance effects for BLM Projects 130, 243, 473. WM refers to Wellington Maricopa wells.

BLM Project #	Project Description	Temporary Disturbance (acres)	Proposed Credits (1.1:1)	Permanent Disturbance (acres)	Proposed Credits (3:1)	Total Proposed Credits	Total Purchased
130	Drill WM 6, 7, 8	0.640	0.704	1.200	3.600	4.304	3.000
243	Workover WM	0.100	0.110	0.000	0.000	0.110	0.000
473	Effective Depth WM 1-5	0.120	0.132	0.000	0.000	0.132	0.000
<b>TOTAL</b>		<b>0.860</b>	<b>0.946</b>	<b>1.200</b>	<b>3.600</b>	<b>4.546</b>	<b>3.000</b>

Will Satterfield  
Solimar Energy, LLC  
May 8, 2013  
Page 4

The Department concurs that KWB is an appropriate location to compensate for the loss of habitat that resulted from Project implementation and that the KWBA may issue a Conservation Credit Certificate for these Projects following the mitigation ratios specified in the Programmatic BO.

Any additional potential habitat disturbance associated with productive wells or for other reasons will need separate review by the Department and a separate approval for use of KWB for mitigation.

If you have any additional questions, please contact Reagen O'Leary, Environmental Scientist, at the address provided on this letterhead, or by telephone at (559) 243-4014, extension 244.

Sincerely,



Jeffrey R. Single, Ph.D.  
Regional Manager

cc: Thomas Leeman  
United States Fish and Wildlife Service  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

Jonathan Parker  
Kern Water Bank Authority  
1620 Mill Rock Way, Suite 500  
Bakersfield, California 93311

Amy Kuritsubo  
Bureau of Land Management  
Bakersfield Field Office  
3801 Pegasus Drive  
Bakersfield, California 93308

# KERN WATER BANK AUTHORITY

January 16, 2014

Richard J. Dowhower  
Bonanza Creek Company  
5601 Truxton Avenue, Suite 210  
Bakersfield, CA 93309

RE: Conservation Credit Certificate #2013-04

Dear Mr. Dowhower:

Enclosed, please find the above captioned Conservation Credit Certificate confirming your prior purchase of 7 credits from the Kern Water Bank Authority Conservation Bank.

Original copies of this credit certificate are being forwarded to the United States Fish and Wildlife and the California Department of Fish and Wildlife.

We have forwarded the Endowment Fund (\$375.00 per credit) collected at the time of purchase to the California Department of Fish & Wildlife.

Please submit a report on your project, when completed, for inclusion in our Annual Report to California Department of Fish and Wildlife and United States Fish and Wildlife Service. We appreciate your interest in our conservation bank and hope we can be of service to you in the future.

Very truly yours,

KERN WATER BANK AUTHORITY



Jonathan Parker,  
General Manager

Enclosures (1)



# KERN WATER BANK AUTHORITY

## CONSERVATION CREDIT CERTIFICATE NO. 2013-04

### 7.0 CREDITS

**Bonanza Creek Company**  
**Exploratory Oil & Gas Drilling at Multiple Well Sites, Kern County**  
**(FWS 81420-2008-TA-0275-2)**

This Conservation Credit Certificate certifies that **Bonanza Creek Company** (the “Developer”) has acquired seven (7) Conservation Credits in the **Kern Water Bank Conservation Bank** (the “Conservation Bank”), established pursuant to the **Conservation Bank Agreement** (the “Conservation Bank Agreement”) dated October 2, 1997, by and among the United States Fish and Wildlife Service (“USFWS”), the California Department of Fish and Wildlife (“CDFW”), and Kern Water Bank Authority (“Bank Owner”).

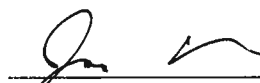
This Certificate may be used only in satisfaction of requirements identified by USFWS and/or CDFW relating to that project of the Developer whose project is identified in the letter from CDFW to Developer attached hereto.

This Conservation Credit Certificate is not transferable.

KERN WATER BANK AUTHORITY

Date: January 16, 2014

By:

  
\_\_\_\_\_  
**Jonathan Parker**  
Authorized Representative of Bank Owner



OCT 31 2012

October 26, 2012

Richard J. Dowhower III  
Senior Engineering Technician  
Bonanza Creek Company  
5601 Truxton Avenue, Suite 210  
Bakersfield, California 93309

**Subject: Bonanza Creek Energy Inc. Exploratory Oil and Gas Drilling at Multiple Well Sites, Maricopa Area, Kern County, California. Request for Approval of Habitat Compensation Purchase at Kern Water Bank**

Dear Mr. Dowhower:

The California Department of Fish and Game (Department) has reviewed your request to mitigate for the above Project through the Kern Water Bank Authority's (KWBA) Kern Water Bank (KWB). Bonanza Creek Energy Operating Company, LLC (Bonanza), developed three Projects within the year of 2010 through a lease on the United States Bureau of Land Management's (BLM) Kern River Field. These Projects are known by BLM as Projects # 183, #199, and #212. Project # 183 included five well sites (201, 202, 203H, 204H, and 205H) and a 3 inch below grade gas pipeline, Project # 199 included well 206 with flowlines and powerpoles, and Project # 212 included a water treatment facility, construction of a water softener, a filtration system and a 500 billion barrel (18 trillion gallon) storage tank. These Projects are required to compensate by the BLM as follows: Project # 183 had 1.26 acres of permanent impacts requiring a 3:1 ratio equaling 3.78 compensation acres, and 1.24 acres of temporary impacts requiring a 1.1:1 ratio equaling 1.364 compensation acres; Project # 199 had 0.48 acres of permanent impacts requiring a 3:1 ratio equaling 1.44 compensation acres; and Project # 212 had 0.23 acres of permanent impacts requiring a 3:1 ratio equaling 0.69 compensation acres; for a total of 7.274 compensation acres.

Bonanza was the parent company to what was known as the Forty Mile Creek, LLC. Forty Mile Creek, LLC purchased seven conservation credits at the KWB in 2008 for a 3 well project (106H, 107H, 108H) in the Midway Sunset Oil Field that required 6.4 compensation acres, leaving an existing credit of 0.6 acres at the KWB.

The United States Fish and Wildlife Service (USFWS) has notified Bonanza that the Kern River Field Projects are suitable for inclusion under the KWBA section 10 Master Permit to cover Project-related incidental" take" under the Federal Endangered Species

Act, and seven conservation credits shall be purchased. This is based on permanent impacts of 1.97 acres to be mitigated at 3:1 ratio (5.91 acres) and 1.24 acres of temporary disturbance at a ratio of 1.1:1 ratio (1.364 acres), for a total of (7.27 acres) of compensation required for this Project. Because KWB has 0.6 acres of existing credit on record for Forty Mile Creek, LLC, only seven conservation credits are now required to be purchased for the current Bonanza Kern River Field Projects.

The Project site consisted of disturbed/ruderal and non-native grassland habitat that was grazed heavily. There are existing roads throughout the Project areas used by local ranchers and oilfield personnel. The Projects were in an area where the following State listed species could occur: the State and federally endangered and State fully protected blunt-nosed leopard lizard (*Gambelia sila* - BNLL), the State threatened and federally endangered San Joaquin kit fox (*Vulpes macrotis mutica*), the State threatened San Joaquin antelope squirrel (*Ammospermophilus nelsoni*), and the State and federally endangered Tipton kangaroo rat (*Dipodomys nitratoides nitratoides*). In addition, burrowing owl (*Athene cunicularia*), a State Species of Special Concern that is protected by the Federal Migratory Bird Treaty Act and sections 3503, 3503.5, and 3513 of the Fish and Game Code, may also occur on or adjacent to the Project site.

The Biological Assessment for the Project dated June 2008 indicated that no special status species were observed on the Project site. The Department believes that with the implementation of avoidance measures that direct injury or mortality to threatened and endangered species was avoided, and Project implementation unlikely resulted in "take" under the California Endangered Species Act (CESA), and therefore that a State Incidental Take (2081) Permit was not necessary. The Project followed the protective measures in the 1999 USFWS "Standard Recommendations for Protection of the San Joaquin Kit Fox Prior to or During Ground Disturbance". Measures included but were not limited to: completion of a preconstruction survey to demonstrate site conditions had not changed such that State-listed species were present; a qualified biologist was present during ground-disturbing activities (site preparation); an Environmental Awareness Program was held to educate all workers on the site about the sensitive species potentially occurring in the work area; all excavated steep-walled holes or trenches in excess of two feet in depth were provided with one or more earthen escape ramps; and all work related activities avoided burrows that could be used by any State-listed species by 50 feet.

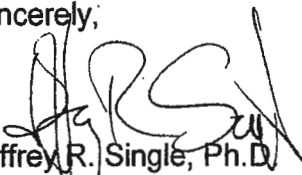
The Department concurs that KWB is an appropriate location to compensate for the loss of habitat that resulted from Project implementation and that the KWBA may issue a Conservation Credit Certificate for this Project for seven acres as specified by the USFWS in their letter dated September 26, 2012 (814200-2008-TA-0275-2). Please note that this letter does not grant Incidental Take Authority under CESA for this Project

Richard J. Dowhower III  
October 26, 2012  
Page 3

under the State Incidental Take Permit held by the KWBA. Additional incidental "take" authority under CESA, if needed, would need to be secured separately by Bonanza prior to conducting any work that would result in "take" of a State-listed species.

If you have any additional questions, please contact Annee Ferranti, Senior Environmental Scientist, at the address provided on this letterhead or by telephone at (559) 243-4014, extension 227.

Sincerely,



Jeffrey R. Single, Ph.D.  
Regional Manager

cc: Bill Pelle  
United States Fish and Wildlife Service  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

✓ Jonathan Parker  
Kern Water Bank Authority  
1620 Mill Rock Way, Suite 500  
Bakersfield, California 93311

Amy Kuritsubo  
Bureau of Land Management  
Bakersfield Field Office  
3801 Pegasus Drive  
Bakersfield, California 93308



## United States Department of the Interior



FISH AND WILDLIFE SERVICE  
Sacramento Fish and Wildlife Office  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

In Reply Refer To:  
81420-2008-TA-0275-2

SEP 26 2012

Mr. Richard J. Dowhower III  
Sr. Engineering Technician  
Bonanza Creek Company  
5601 Truxton Avenue, Suite 210  
Bakersfield, California 93309

**Subject:** Request for Authorization to Purchase Additional Conservation Credits from the Kern Water Bank Authority for Bonanza Creek Company Exploratory Oil and Gas Drilling at Multiple Well Sites, Maricopa Area, Kern County, California

Dear Mr. Dowhower:

The U.S. Fish and Wildlife Service (Service) is responding to an August 27, 2012, electronic mail submission from the Bonanza Creek Company, LLC, (Bonanza), formerly known as the Forty Mile Creek Company, requesting authorization from the Service to purchase seven conservation credits from the Kern Water Bank Authority (KWBA). Bonanza first requested to purchase credits at KWBA on June 16, 2008. The purchase would compensate for impacts to listed species habitat associated with the Bonanza Creek - Forty Mile Creek, exploratory oil and gas drilling project (project) at multiple well sites within the Kern River and Midway Sunset oil fields, southeast of Maricopa, Kern County, California.

The project is included in the Bureau of Land Management (BLM) Oil and Gas Programmatic Agreement (Service File Number 1-1-01-F-0063). At the Kern River field the surface is privately owned, with the BLM possessing the underlying mineral rights. At the Midway Sunset field, the BLM has rights to both surface and minerals.

The Service approves your purchase of seven acres of conservation credits from the KWBA to compensate for impacts associated with implementation of the project. Please notify the Service when the conservation credit purchase has been made. If you have questions regarding this letter, please contact Fish and Wildlife Biologist, Bill Pelle or San Joaquin Division Chief, Thomas Leeman at (916) 414-6630.

Sincerely,

A handwritten signature in blue ink that reads "Daniel Russell". The signature is written in a cursive style with a light blue background behind it.

Daniel Russell  
Deputy Assistant Field Supervisor

cc:

Annee Ferranti, California Department of Fish and Game, Fresno, California

Jonathan Parker, Kern Water Bank Authority, Bakersfield, California

Amy Kuritsubo, Bureau of Land Management, Bakersfield Field Office, Bakersfield, California

# KERN WATER BANK AUTHORITY

January 16, 2014

Chad Hathaway  
Hathaway, LLC  
4205 Atlas Court  
Bakersfield, CA 93308

RE: Conservation Credit Certificate #2013-05

Dear Mr. Hathaway:

Enclosed, please find the above captioned Conservation Credit Certificate confirming your prior purchase of 6 credits from the Kern Water Bank Authority Conservation Bank.

Original copies of this credit certificate are being forwarded to the United States Fish and Wildlife and the California Department of Fish and Wildlife.

We have forwarded the Endowment Fund (\$375.00 per credit) collected at the time of purchase to the California Department of Fish & Wildlife.

Please submit a report on your project, when completed, for inclusion in our Annual Report to California Department of Fish and Wildlife and United States Fish and Wildlife Service. We appreciate your interest in our conservation bank and hope we can be of service to you in the future.

Very truly yours,

KERN WATER BANK AUTHORITY



Jonathan Parker,  
General Manager

Enclosures (1)

# KERN WATER BANK AUTHORITY

## CONSERVATION CREDIT CERTIFICATE NO. 2013-05

### 6.0 CREDITS

**Hathaway, LLC**  
**Poso USL Utility Gas Pipeline, Kern County**  
**(FWS 08ESMF00-2013-TA-0619)**

This Conservation Credit Certificate certifies that Bonanza Creek Company (the “Developer”) has acquired six (6) Conservation Credits in the Kern Water Bank Conservation Bank (the “Conservation Bank”), established pursuant to the Conservation Bank Agreement (the “Conservation Bank Agreement”) dated October 2, 1997, by and among the United States Fish and Wildlife Service (“USFWS”), the California Department of Fish and Wildlife (“CDFW”), and Kern Water Bank Authority (“Bank Owner”).

This Certificate may be used only in satisfaction of requirements identified by USFWS and/or CDFW relating to that project of the Developer whose project is identified in the letter from CDFW to Developer attached hereto.

This Conservation Credit Certificate is not transferable.

KERN WATER BANK AUTHORITY

Date: January 16, 2014

By:

  
\_\_\_\_\_  
Jonathan Parker

Authorized Representative of Bank Owner





## United States Department of the Interior



### FISH AND WILDLIFE SERVICE


Sacramento Fish and Wildlife Office  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

In Reply Refer To:  
08ESMF00-2013-TA-0619

SEP 12 2013

#### Memorandum

To: Amy Kuritsubo, Wildlife Biologist, Bureau of Land Management, Bakersfield Field Office, Bakersfield, California

From: Chief, San Joaquin Valley Division, Endangered Species Program, Sacramento Fish and Wildlife Office, Sacramento, California 

Subject: Request for Authorization to Obtain Conservation Credits from the Kern Water Bank Authority, for the Hathaway, LLC Poso USL Utility Gas Pipeline Project, Kern County, California

This memorandum responds to an August 23, 2013, request for U.S. Fish and Wildlife Service (Service) authorization for the purchase of conservation credits from the Kern Water Bank Authority (KWBA) by Hathaway, LLC. The Bureau of Land Management (BLM) is authorizing Hathaway, LLC to use the BLM Oil and Gas Programmatic Biological Opinion (BO 1-1-01-F-0063) (BO), and the BLM has advised the applicant to contact the Service directly for the authorization to purchase conservation credits prior to final approval from BLM. The purchase of these credits is intended to minimize the effects of incidental take upon the federally-listed as endangered San Joaquin kit fox (*Vulpes macrotis mutica*) that may result from project-related impacts. The purchase of these credits will partially fulfill section VI.C of the BO's Terms and Conditions for ground disturbing activities.

The proposed project is located approximately 0.8 miles north of Poso Creek, and crosses State Route 65 on its western end. The project consists of the construction and use of a new natural gas pipeline. The pipeline will be constructed of 4.5-inch fiberspar pipe that will be buried to a depth of no less than 4 feet along its approximately 3.6-mile length, excepting stream crossings. Stream crossings will transition from buried to above-ground across the streams, and will be constructed of carbon steel pipe on sleepers. The sleepers will span the stream crossings outside of the bank and channel. The pipeline will tie-in to an existing PG&E meter station at the east end and terminate at a Hathaway, LLC, facility at the west end.

The pipeline will be installed using a trencher for most of the buried portion, and a backhoe will be used in select areas. Hathaway, LLC, anticipates that a width of approximately 20 feet will be subject to disturbance from the pipeline installation. Additional support vehicles will be present along the route but confined to existing roads, where possible, and the 20-foot construction corridor. The applicant has further estimated that approximately 2.06 miles of the 3.6-mile construction route will occur within potential San Joaquin kit fox habitat off of existing roads.

Upon completion of construction, the pipeline will be hydrotested. Water for hydrotesting will be supplied by Hathaway, LLC and will consist of non-hazardous freshwater. Water from the hydrotest will be deposited into aboveground tanks at the west end of the route.

Under the Programmatic Agreement, the conservation credit ratio for projects on non-protected land in Kern County with permanent effects on listed species habitat is 3:1, while the ratio for temporary effects is 1.1:1. The effects associated with this project will be of a temporary nature, indicating that the lesser ratio of 1.1 will be used to minimize effects to the San Joaquin kit fox.

We authorize the KWBA to complete the sale of six conservation credits to Hathaway, LLC, to minimize the effects of 4.99 acres of temporary impacts to San Joaquin kit fox habitat. Hathaway LLC will also implement all other Terms and Conditions of the BO that relate to the project.

If you have questions or concerns about this memorandum, please contact Joshua Emery or Thomas Leeman at the letterhead address or at (916) 414-6692.

cc:

Julie Vance, California Department of Fish and Game, Fresno, CA  
Cheryl Harding, Kern Water Bank Authority, Bakersfield, CA  
Chad Hathaway, Hathaway LLC, Bakersfield, CA



State of California – Natural Resources Agency  
DEPARTMENT OF FISH AND WILDLIFE  
Central Region  
1234 East Shaw Avenue  
Fresno, California 93710  
(559) 243-4005  
[www.wildlife.ca.gov](http://www.wildlife.ca.gov)

EDMUND G. BROWN JR., Governor  
CHARLTON H. BONHAM, Director



September 23, 2013

Chad Hathaway  
Hathaway, LLC  
4205 Atlas Court  
Bakersfield, California 93308

**Subject: Poso USL Utility Gas Pipeline, Kern County, California  
Request for Approval of Habitat Compensation Purchase at Kern Water Bank**

Dear Mr. Hathaway:

The California Department of Fish and Wildlife (Department) has reviewed your request to mitigate for the above Project through the Kern Water Bank Authority's (KWBA) Kern Water Bank (KWB).

The proposed Project includes construction and use of a new 3.6-mile (approximately 19,000-feet) natural gas pipeline that would consist of 4.5-inch fiberspar pipe. The pipeline would be buried to a depth of no less than 4 feet along its length, except at stream crossings, in an east west orientation. At stream crossings, the pipeline would transition from buried to above ground, and consist of carbon steel pipe on sleepers. The sleepers would span the stream crossings outside of the bank and channel. The pipeline would tie-in to an existing Pacific Gas and Electric Company (PG&E) meter station at the east end and terminate at a Hathaway, LLC, facility at the west end. Construction activities would include trenching, stringing pipe, pipe installation, backfilling of trenches, hydrostatic testing, and restoration. The Project proponent anticipates that a width of approximately 20 feet would be subject to disturbance from pipeline installation which would result in 4.99 acres of temporary disturbance to non-native grassland habitat. All work would be confined to the 20-foot construction corridor where 10,877 linear feet of the route would occur within habitat off of existing roads. The proposed Project consists of approximately 1,200 feet of pipeline on private surface and federal minerals managed by the United States Department of the Interior Bureau of Land Management (BLM) and leased by Hathaway, LLC, whereas the remainder is located on private surface and minerals.

The Project is located approximately 0.8 miles north of Poso Creek, and crosses State Route 65 on its western end in central Kern County north of the City of Bakersfield. The Project traverses through the following Township, Range, and Sections: Township 27 South, Range 27 East, Sections 15, 20, 21, 22, 23, Mount Diablo Base and Meridian.

BLM has permit authority for this Project, were the Programmatic Biological Opinion (1-1-01-F-0063) and 2005 amendment (1-1-03-F-0295) issued by the United States Fish and Wildlife Service (USFWS) for Oil and Gas Projects in Kern County (Programmatic BO) was used for Federal Endangered Species Act (FESA) compliance. On December 16, 2005, the Department issued a Consistency Determination (2080-2005-035-04), pursuant to Fish and

*Conserving California's Wildlife Since 1870*

Game Code Section 2080.1, for California Endangered Species Act (CESA) compliance for projects covered under the Programmatic BO. As a result, no further authorization under CESA was required for incidental "take" of San Joaquin kit fox (SJKF) (*Vulpes macrotis mutica*), giant kangaroo rat (*Dipodomys ingens*), or California jewel flower (*Caulanthus californicus*) resulting from this Project. Incidental "take" coverage under CESA was not conferred for blunt-nosed leopard lizard (BNLL) (*Gambelia sila*) due to its State fully protected status nor for the State threatened San Joaquin antelope squirrel (*Ammospermophilus nelsoni*), since it is only listed under CESA and not FESA.

The Project area consists of natural lands, composed of non-native grassland, currently being used for cattle grazing with oil production present on the eastern and western ends of the proposed pipeline location. The proposed Project is within the range of the following State listed species: the State and federally endangered California jewel-flower (*Caulanthus californicus*), Bakersfield cactus (*Opuntia basilaris* var. *treleasei*), Tipton kangaroo rat (*Dipodomys nitratoides nitratoides*), and BNLL which is also a State fully protected species; the State endangered and federally threatened San Joaquin adobe sunburst (*Pseudobahia peirsonii*); the State threatened and federally endangered SJKF; and the State threatened striped adobe-lily (*Fritillaria striata*), and San Joaquin antelope squirrel (*Ammospermophilus nelsoni*). In addition, burrowing owl (*Athene cunicularia*), a State Species of Special Concern that is protected by the Federal Migratory Bird Treaty Act (MBTA) and Sections 3503, 3503.5, and 3513 of the Fish and Game Code, could also occur on or adjacent to the Project site.

McCormick Biological, Inc., determined based upon habitat conditions within the Project site that the following State listed species could occur on or adjacent to the Project site: San Joaquin adobe sunburst, BNLL, and SJKF. Protocol-level surveys for BNLL, using current Department guidelines (May 2004), were conducted by McCormick Biological in 2013, which resulted in a negative finding for the species. During these surveys direct observations of listed and other sensitive wildlife species, important habitat elements for these species, and any species sign were noted if encountered. SJKF den searches were conducted on August 13, 14, and 15, 2013, which included the proposed construction corridor plus a 250-foot buffer, and potential SJKF dens were observed. In addition, a rare plant survey was conducted on April 12, 2013, which focused on San Joaquin adobe sunburst, which resulted in a negative finding. This included the observation of a known reference population for the species the day before the survey effort.

Based on the negative survey results for BNLL in survey season 2013, the Department concurs that "take" of BNLL is unlikely as a result of Project implementation. Should preconstruction surveys or construction monitoring indicate their presence in or adjacent to the work area, it would be warranted that the Project proponent consult with the Department and develop and implement avoidance measures acceptable to the Department since no "take" can be authorized for fully protected species. It is important to note, that the Department accepts negative survey findings for protocol-level survey efforts for one year from the date of completion. In the event that the Project-related ground-disturbing activities do not commence this fall as planned (within one year of the last BNLL survey day of 2013), protocol-level BNLL surveys would need to be repeated.

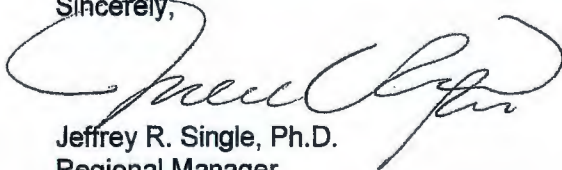
Chad Hathaway  
September 23, 2013  
Page 3

The SJKF den search survey conducted in August 2013 resulted in identification of fifteen potential SJKF dens within the construction corridor including a 50-foot buffer and thirty-six potential SJKF dens between the 50-foot buffer and 250-feet from the edge of the construction corridor. No known or natal dens were observed during any of the survey efforts. Although "take" of kit fox is permitted, direct "take" of foxes (mortality and injury) must be avoided to the extent feasible. Provided that the avoidance and minimization measures from the Programmatic BO are successfully implemented, these effects would be reduced.

The Department concurs that KWB is an appropriate location to compensate for the loss of habitat that will result from Project implementation and that the KWBA may issue a Conservation Credit Certificate for this Project following the mitigation ratios specified in the Programmatic BO. Please note that this letter does not grant Incidental Take Authority under CESA for this Project under the State Incidental Take Permit held by the KWBA. Additional incidental take authority under CESA, if needed, would need to be secured separately by Hathaway, LLC, prior to conducting any work that would result in "take" of a State-listed species not covered by the Programmatic BO.

If you have any additional questions, please contact Reagen O'Leary, Environmental Scientist, at the address provided on this letterhead, by telephone at (559) 243-4014, extension 244, or by electronic mail at [Reagen.OLeary@wildlife.ca.gov](mailto:Reagen.OLeary@wildlife.ca.gov).

Sincerely,



Jeffrey R. Single, Ph.D.  
Regional Manager

cc: Thomas Leeman  
United States Fish and Wildlife Service  
2800 Cottage Way, Room W-2605  
Sacramento, California 95825-1846

Jonathan Parker  
Kern Water Bank Authority  
1620 Mill Rock Way, Suite 500  
Bakersfield, California 93311

Amy Kuritsubo  
Bureau of Land Management  
Bakersfield Field Office  
3801 Pegasus Drive  
Bakersfield, California 93308