

STATE OF HAWAII  
DEPARTMENT OF LAND AND NATURAL RESOURCES  
Land Division  
Honolulu, Hawaii 96813

February 14, 2014

Board of Land and Natural Resources  
State of Hawaii  
Honolulu, Hawaii

PSF No.: 13OD-222

Oahu

Consent to Assignment of Membership Interests Regarding Grant of Easements No. S-4606 and S-5595 between Tesoro Corporation and Hawaii Pacific Energy, LLC, Honouliuli and Aiea, Ewa, Oahu, Tax Map Key:(1) 9-1-026:Seaward of 026; 9-9-003:035; 9-9-004:003 and 024; 9-9-012:005, 046 and 047

APPLICANT:

Tesoro Corporation, a Delaware corporation

Hawaii Pacific Energy, LLC, a Delaware limited liability company.

LEGAL REFERENCE:

Section 171-36(a)(5), Hawaii Revised Statutes, as amended.

LOCATION:

Portion of Government lands situated at Honouliuli and Aiea, Ewa, Oahu, Tax Map Key:(1) 9-1-026:Seaward of 026; 9-9-003:035; 9-9-004:003 and 024; 9-9-012:005, 046 and 047 as shown on the maps attached as **Exhibit A1** and **Exhibit A2**.

AREA:

Easement S-4606 - 192.596 acres

Easement S-5595 - 0.221 acres

ZONING:

State Land Use District: Conservation (S-4606) and Urban (S-5595)  
City & County of Honolulu LUO: F-1 and R-5

TRUST LAND STATUS:

Section 5(a) and (b) lands of the Hawaii Admission Act, and Acquired after Statehood

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: No

CURRENT USE STATUS:

Encumbered by Grant of Easement No. S-4606 and S-5595, Tesoro Hawaii, LLC, Grantee, for offshore mooring for tanker and pipeline easement (S-4606) and transmission pipelines (S-5595) purposes.

TERM OF EASEMENT:

S-4606 - 65 years, commencing on November 3, 1978 and expiring on November 2, 2043

S-5595 - 65 years, commencing on May 24, 1974 and expiring on May 23, 2039

RENTAL:

S-4606 – one time payment of \$252,000 was paid

S-5595 – one time payment of \$2,350 was paid

CONSIDERATION:

The Assignment of Membership Interests document does not provide any information regarding the consideration of the transfer. However, staff notes that both easements are not subject to the Assignment Premium Evaluation Policy. Therefore, the consideration under the transfer is a moot issue.

DCCA VERIFICATION

Hawaii Pacific Energy, LLC

Place of business registration confirmed: YES   x   NO   

Registered business name confirmed: YES   x   NO   

Good standing confirmed: YES   x   NO   

APPLICANT REQUIREMENT:

None

CHAPTER 343 - ENVIRONMENTAL ASSESSMENT:

In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1) and (4), the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, that states "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing" and Class No. 4, that states "Minor alteration

in the conditions of land, water, or vegetation." See Exemption Notification attached as **Exhibit B**.

REMARKS:

Grant of Easement No. S-4606 was issued in 1978 to Hawaiian Independent Refinery, Inc. for the purpose of setting up mooring facilities for the oil tankers. It also includes pipeline easements connecting the mooring site to the oil refinery in the Campbell Industrial Park area. The location of the easement was subsequently revised as a result of the damage caused by Hurricane Iwa in 1982. An amendment document was executed in 1989.

Grant of Easement No. S-5595 was approved by the Board in 1973 and issued to Tesoro Hawaii Corporation covering the petroleum transmission pipelines in Aiea, near the Aloha Stadium.

Tesoro Hawaii Corporation subsequently became the grantee for S-4606 until the company was converted to Tesoro Hawaii, LLC in July 2012 pertaining to both easements.

By a letter dated July 23, 2013, Tesoro Corporation advised through its attorney that it would be selling all membership interests in Tesoro Hawaii, LLC to Hawaii Pacific Energy, LLC. Subsequently, the transfer document was provided to the Department and a copy is attached as **Exhibit C**. Pursuant to the conditions in both easement documents, prior written consent of the Grantor is required before any transfer of the interest therein.

Hawaii Pacific Energy, LLC has not had a lease, permit, easement or other disposition of State lands terminated within the last five years due to non-compliance with such terms and conditions.

No agency or interest groups were solicited for comments, as there will be no changes in the existing use of the property. There are no issues pertaining to the compliance with the terms and conditions of the easements in regards to liability insurance and performance bond. Staff does not have any objection to the request for consent to assign.

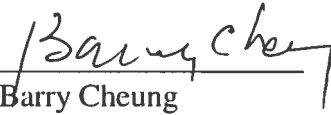
RECOMMENDATION: That the Board

1. Declare that, after considering the potential effects of the proposed disposition as provided by Chapter 343, HRS, and Chapter 11-200, HAR, this project will probably have minimal or no significant effect on the environment and is therefore exempt from the preparation of an environmental assessment.
2. Consent to the Assignment of Membership Interests regarding Grant of Easements No. S-4606 and S-5595 between Tesoro Corporation and Hawaii Pacific Energy, LLC, subject to the following:
  - a. The standard terms and conditions of the most current consent form, as

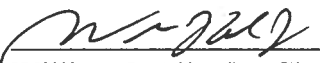
may be amended from time to time;

- b. Review and approval by the Department of the Attorney General; and
- c. Such other terms and conditions as may be prescribed by the Chairperson to best serve the interests of the State.

Respectfully Submitted,

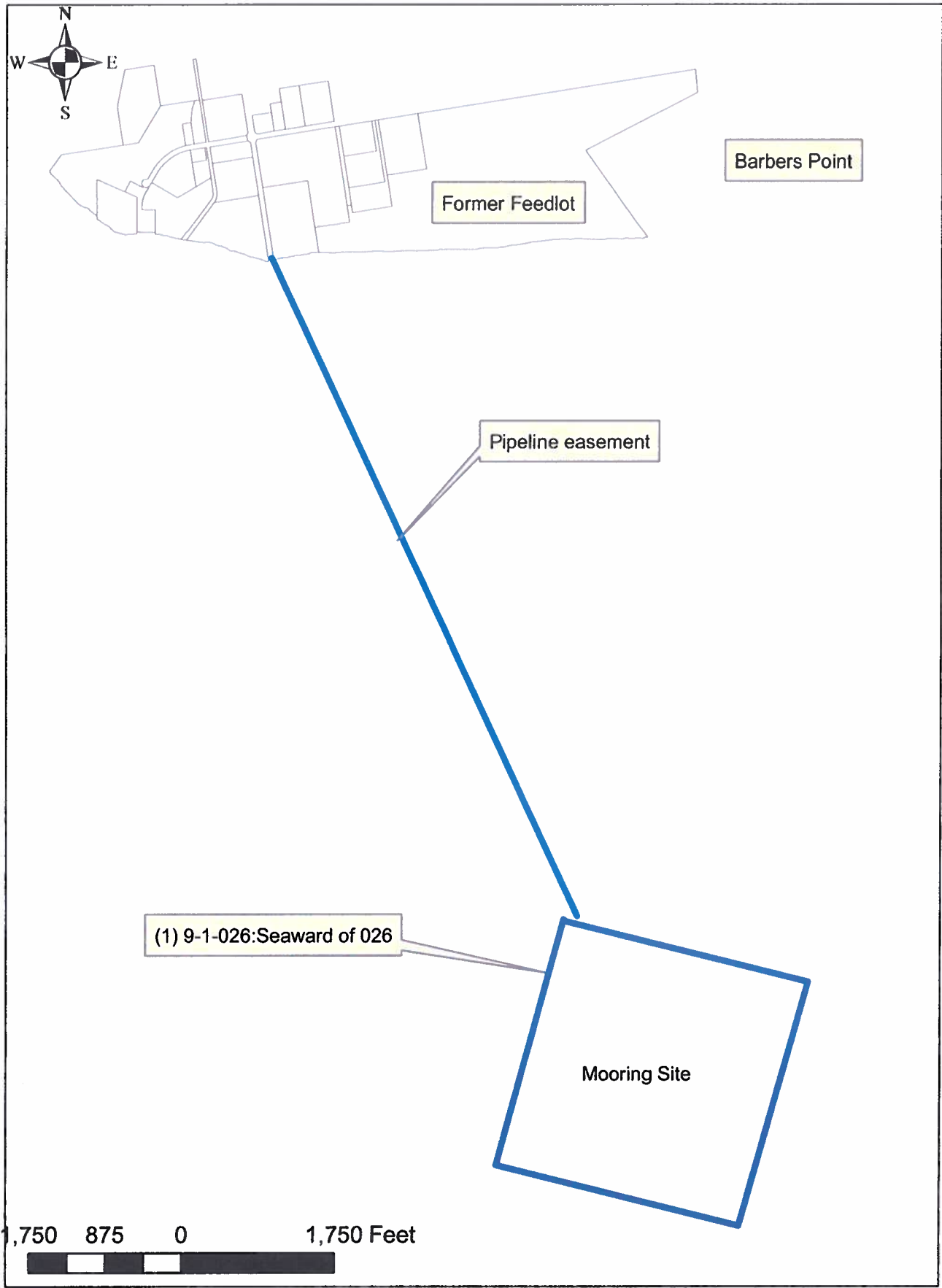
  
Barry Cheung  
District Land Agent

APPROVED FOR SUBMITTAL:

  
William J. Aila, Jr., Chairperson

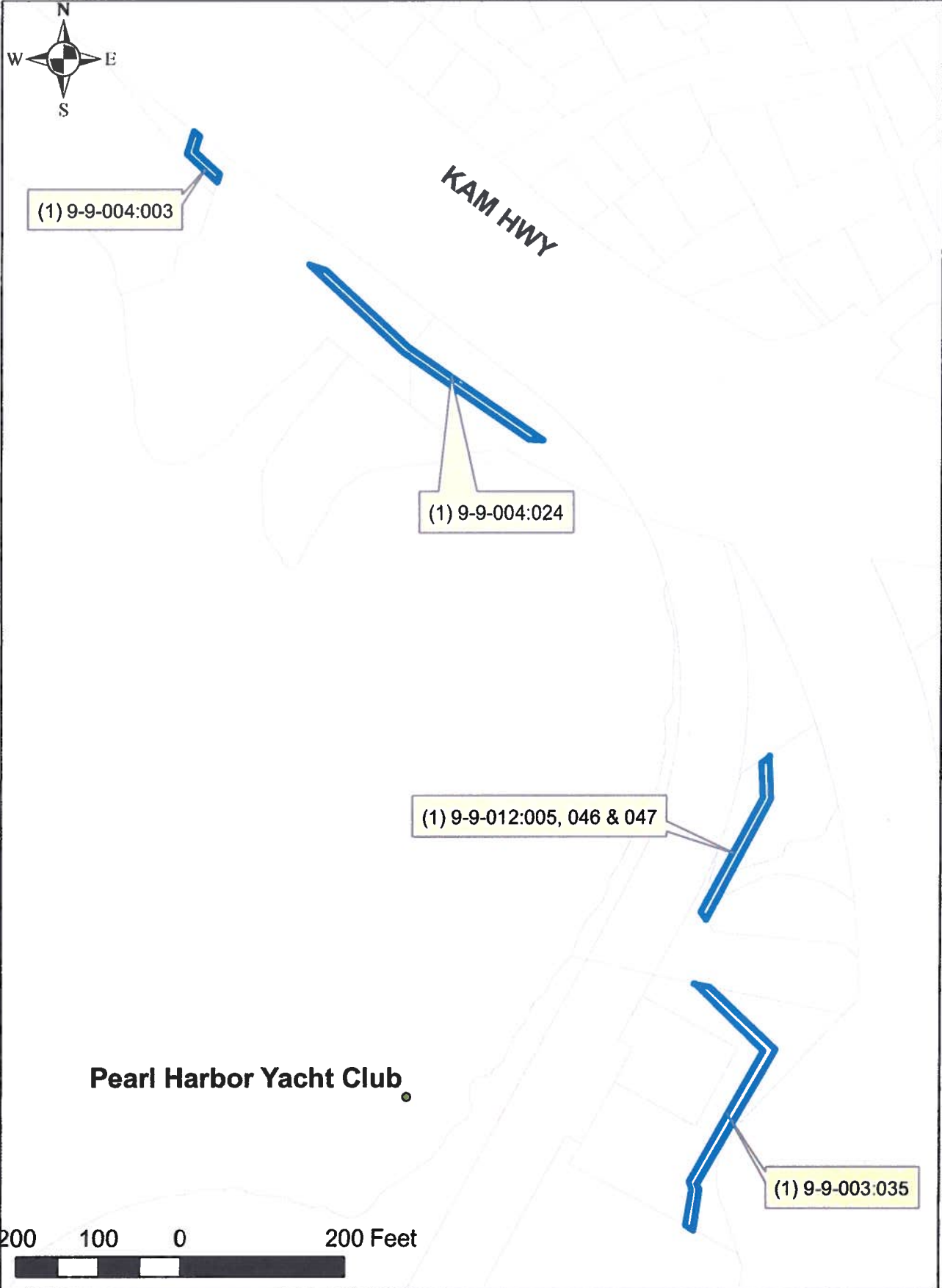


# Grant of Easement S-4606



**EXHIBIT A1**

# Grant of Easement S-5595



**EXEMPTION NOTIFICATION**

Regarding the preparation of an environmental assessment pursuant to Chapter 343, HRS and Chapter 11-200, HAR

Project Title: Consent to Assignment of Membership Interests

Project / Reference No.: PSF 13OD-222

Project Location: Honouliuli and Aiea, Ewa, Oahu, :(1) 9-1-026:Seaward of 026; 9-9-003:035; 9-9-004:003 and 024; 9-9-012:005, 046 and 047


Project Description: Transfer of Business through Assignment of Membership Interests


Chap. 343 Trigger(s): Use of State Land

Exemption Class No.: In accordance with Hawaii Administrative Rule Section 11-200-8(a)(1) and (4), the subject request is exempt from the preparation of an environmental assessment pursuant to Exemption Class No. 1, that states "Operations, repairs or maintenance of existing structures, facilities, equipment, or topographical features, involving negligible or no expansion or change of use beyond that previously existing" and Class No. 4, that states "Minor alteration in the conditions of land, water, or vegetation."

There will be no changes in the existing use of the subject properties. Staff does not anticipate the request will result in major alterations in the conditions of land, water and vegetation.

Recommendation: That the Board finds this project will probably have minimal or no significant effect on the environment and is presumed to be exempt from the preparation of an environmental assessment.

  
\_\_\_\_\_  
William J. Aila, Jr., Chairperson

  
\_\_\_\_\_  
Date

**EXHIBIT B**

## ASSIGNMENT OF MEMBERSHIP INTERESTS

This Assignment of Membership Interests (this "*Assignment*") is dated as of September 25, 2013, by and between Tesoro Corporation, a Delaware corporation ("*Seller*"), and Hawaii Pacific Energy, LLC, a Delaware limited liability company ("*Buyer*"). Buyer and Seller are referred to collectively herein as the "*Parties*."

### RECITALS

**WHEREAS**, reference is made to that certain Membership Interest Purchase Agreement dated as of June 17, 2013, by and among Seller, Buyer, and Tesoro Hawaii, LLC, a Hawaii limited liability company (the "*Company*"), whereby Seller agreed to sell and assign to Buyer all of the issued and outstanding units representing membership interests in the Company, in accordance with the terms of such Membership Interest Purchase Agreement (such agreement, as the same may be amended, the "*Purchase Agreement*").

**WHEREAS**, this Assignment is being delivered by Seller pursuant to the Purchase Agreement; and

**WHEREAS**, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Agreement.

### ASSIGNMENT

**NOW, THEREFORE**, for and in consideration of the mutual covenants contained herein and in the Purchase Agreement, and other good and valuable consideration, the receipt, sufficiency, and adequacy of which are hereby acknowledged, the Parties covenant and agree as follows intending to be legally bound:

1. Seller hereby assigns to Buyer five hundred (500) issued and outstanding units representing membership interests in the Company (the "*Membership Interests*").
2. Buyer hereby assumes all obligations and liabilities of Seller with respect to the Membership Interests arising from and after the Closing Date.
3. Seller hereby agrees to promptly execute and deliver any corrective assignments and other legal documents or notification reasonably requested by Buyer to give effect to the intent of this Assignment.
4. Seller hereby acknowledges and agrees that, as a result of this Assignment, it no longer has any Equity Interest in the Company, and it withdraws as a member of the Company effective as of the Closing Date.
5. Buyer hereby accepts the Membership Interests and shall be admitted as a member of the Company and agrees to be bound by the Operating Agreement of Tesoro Hawaii, LLC and to accept the obligations as a member of the Company.



6. This Assignment shall be binding upon the Parties and their respective successors and assigns.

7. This Assignment shall be governed by and construed in accordance with the internal laws of the State of Texas.

8. This Assignment is subject to the terms and conditions of the Purchase Agreement, and nothing contained herein shall be deemed to supersede, limit, amend, supplement, modify, vary or enlarge any of the rights, obligations, covenants, agreements, representations and warranties of the Parties under the Purchase Agreement, this Assignment being intended only to effect the transfer of the Membership Interests from Seller to Buyer as contemplated in the Purchase Agreement. In the event of any conflict between the terms of this Assignment and the terms of the Purchase Agreement, the terms of the Purchase Agreement shall control.

9. This Assignment may be executed in multiple counterparts and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Signed counterparts of this Assignment may be delivered by facsimile and by scanned pdf image.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, this Assignment is executed to be effective as of the date first above written.



**Seller:**

**TESORO CORPORATION**

By: \_\_\_\_\_

  
Gregory J. Goff,  
President and Chief Executive Officer

**Buyer:**

**HAWAII PACIFIC ENERGY, LLC**  
by PAR PETROLEUM CORPORATION, as its  
sole member

By: \_\_\_\_\_

R. Seth Bullock,  
Chief Financial Officer

IN WITNESS WHEREOF, this Assignment is executed to be effective as of the date first above written.

**Seller:**

**TESORO CORPORATION**

By: \_\_\_\_\_  
Gregory J. Goff,  
President and Chief Executive Officer

**Buyer:**

**HAWAII PACIFIC ENERGY, LLC**  
by PAR PETROLEUM CORPORATION, as its  
sole member

By: R. Seth Bullock  
R. Seth Bullock,  
Chief Financial Officer