

Staff Report 72

LESSEE/ASSIGNOR:

California Resources Petroleum Corporation

ASSIGNEE:

California Natural Resources Group Ventura County, LLC

PROPOSED ACTION:

Consent to Assign State Oil and Gas Leases 735 and 3314.

AREA, LAND TYPE, AND LOCATION:

Approximately 220 (Lease 735) and 5,430 (Lease 3314) acres of ungranted State-owned tide and submerged land that is located offshore McGrath State Beach known as the West Montalvo oil field, Ventura County (as shown on Figure 1).

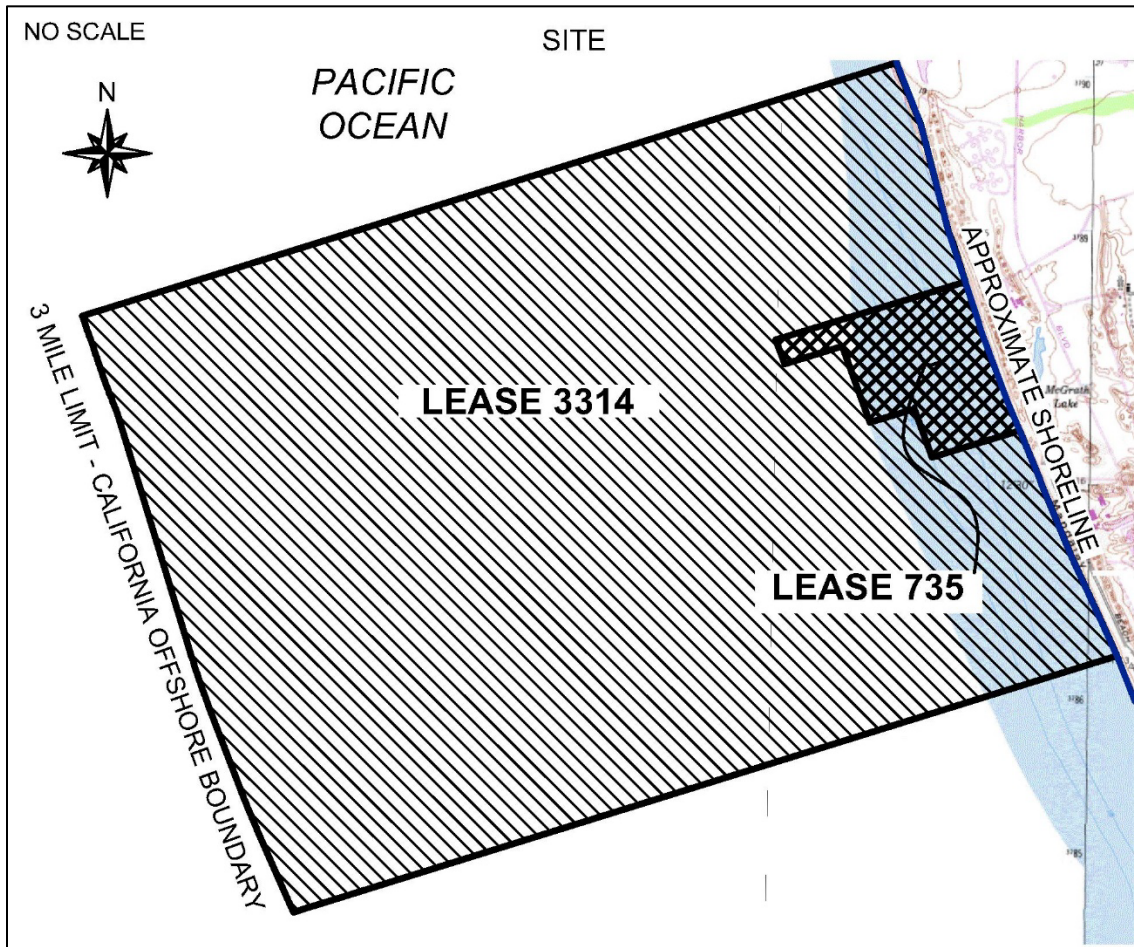
Figure 1. Location



AUTHORIZED USE:

Produce oil and gas offshore (as shown in Figure 2) from wells directionally drilled from onshore.

Figure 2. Site Map



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

TERM:

The term for both leases are "for so long as oil and gas are being or capable of being produced in commercial quantities from the leased land."

CONSIDERATION:

- Royalty rate for Lease 735: fixed 16-2/3 percent with annual rental of \$960.

- Royalty rate for Lease 3314: sliding scale at 16 2/3 percent to 50 percent (based on production) with annual rental of \$5,430.
- \$7 million bond to cover all lease obligations through plug and abandonment of the wells producing from state owned lands and is subject to review and modification every 5 years.
- Insurance for both leases: \$27,500,000 per occurrence.

CONSENT TO ASSIGNMENT AGREEMENT:

- If the Commission consents to the assignment, the Assignor will retain the obligation for plugging and abandonment all wells within the two leases pursuant to Public Resources Code section 6804 and a separately executed Consent to Assignment Agreement (Exhibit A).
- California Natural Resources Group LLC shall also provide a Parental Guarantee securing the plugging and well abandonment obligations of the Assignee.

BACKGROUND:

State oil and gas lease 735 was first issued to Standard Oil Company of California in 1952 ([Item 42, June 30, 1952](#)). State oil and gas lease 3314 was first issued to Shell Oil Company in 1965 ([Item 31](#), [Item 35](#), July 2, 1965). In 1992, both leases were assigned to Berry Petroleum Company ([Item 67, September 23, 1992](#) and [Item 73, September 23, 1992](#)). In 2007, the Commission consented to the assignment of the leases from Berry Petroleum Company to Venoco Inc. ([Item 44, October 30, 2007](#)). In 2014, Venoco Inc., assigned the leases to Vintage Petroleum, LLC ([Item 96, October 14, 2014](#)), and in October 2016, Vintage Petroleum, LLC changed its name to California Resources Petroleum Corporation (CRPC). CRPC, the Assignor, is now seeking to assign its State oil and gas leases to California Natural Resources Group Ventura County, LLC (CalNRG or Assignee).

There are 20 wells within these two leases (three wells on lease 735 and 17 wells on lease 3314), where the wellheads are all located onshore on privately owned uplands and directionally drilled into the offshore portion of the reservoir beneath State owned tide and submerged lands. All wellheads, production equipment, pipelines, and surface facilities associated with the leases are located onshore, outside of the Commission's leasing jurisdiction. Currently, both leases produce approximately 4,000 barrels of oil each month, and in 2023, the State received \$745,843 in royalty.

In 2021, the Assignor applied to assign the leases to the Assignee as part of a larger sale that included all the Assignor's West Montalvo assets (47 non-state wells) along with other operations in Ventura. The Assignee was formed in late 2020, as a new entity, and did not hold any substantial financial assets prior to the contemplated acquisitions. While the Assignee was a new company, the management team collectively held decades of oil and gas development experience and actively sought to retain existing local operational field staff at those facilities. Because Commission staff could not verify the financial health of the newly created company and because the Assignee was unable to secure the necessary bonding of \$7,000,000, to meet the requirements of the existing leases, the Assignee and the Assignor withdrew the assignment applications. The Assignor and the Assignee proceeded to close their sale, excluding the State lease assets. The Assignee thereafter worked out an agreement with the Assignor to operate the leases on behalf of the Assignor (who remains the Commissions lessee).

On August 27, 2023, the Assignor reapplied to assign its 100 percent interest in the State leases to the Assignee. The Assignee has provided evidence from a third-party underwriter that demonstrates their ability to secure a \$7,000,000 bond and the underwriters intent to issue the bond. The Assignee has also been the lease operator on behalf of the Assignor since 2021 and has remained compliant with the Commission's lease provisions and California Geological Energy Management Division (CalGEM) regulations.

Per staff's request, from September to December 2023, the Assignee submitted information relevant to assessing the factors within section 6804 of the Public Resources Code.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code section 6801 and 6804; Section 4 of State oil and gas leases 735 and 3314.

FRAMEWORK FOR ASSESSING THE ASSIGNMENT:

The effective management and enforcement of the State oil and gas leases serves the Public Trust by holding the Lessees accountable, by ensuring that lessees remain responsible operators, ensuring lessees comply with lease provisions and all required regulatory requirements, and by preventing environmental harm. Given

the significant environmental and public health and safety risks, regulatory compliance responsibilities, and abandonment obligations associated with oil and gas production on Public Trust lands, the Commission has the responsibility to assess whether a proposed assignee has the operational experience and fiscal stability to safely operate the leases and safely decommission infrastructure on those leases at their expiration.

Each of the State leases contains a provision requiring the consent of the Commission for any assignment, transfer, or sublease of the lessee's interest. In addition, Public Resources Code section 6804 provides that, unless approved by the Commission, no assignment, transfer, or sublease of an oil and gas lease shall be effective.

Public Resources Code section 6804 (Section 6804) sets forth factors to guide the Commission's evaluation of whether to consent to assign a State oil and gas lease. By statute, the question guiding whether to consent to assign is *whether the assignee is likely to comply with the terms of the lease*. The answer to this question relies on objective considerations, of both financial and operational capabilities. Pursuant to existing law, when the available facts demonstrate a likelihood that the assignee will comply with the terms of the lease, consent to assign cannot be withheld. Withholding consent to assign under such circumstances would be unreasonable and arbitrary.

Section 6804 outlines the factors below that the Commission may consider in assessing whether the Assignee is likely to comply with the terms of the Leases.

- The proposed assignee's experience with offshore or onshore oil or gas production or mineral extraction, as applicable.
- Any financial or economic considerations that may affect a proposed assignee and its ability to comply with the terms of a lease or permit.
- Any information concerning the proposed assignee's compliance or noncompliance with other contractual obligations to the state or other government agency.
- Any record of noncompliance with any other laws or regulations.

The Assignor and the Assignee entered into a Purchase and Sales Agreement, in 2021, under the terms of which Assignor agreed to sell all its Ventura basin oil and gas interest to the Assignee. The State leases 735 and 3314, also a part of the Ventura basin operation, are to transfer should the Commission consent to the

assignment. Upon assignment, the Assignee will be responsible for compliance with all lease obligations, including the plugging and abandonment of all 20 wells within the two leases at the termination or expiration of those leases, but the Assignor remains responsible for all lease obligations as well. Thus, if the Commission consents to the assignment, both the Assignee and Assignor will be jointly liable pursuant to Public Resources Code section 6804 and a separately executed Consent to Assignment Agreement (Exhibit A).

STAFF'S ASSESSMENT OF THE SECTION 6804 FACTORS:

Staff reviewed documentation provided by the Assignee reflecting its operational and safety practices, maintenance programs, plug and abandonment goals, annual financial summaries, and compliance record with CalGEM and other agencies, both in the context of the leases (20 wells) and the Assignee's larger multi-county portfolio (approximately 1,465 wells total, within Ventura, Monterey, and Orange counties). To assist in evaluating the information provided and the review standards of section 6804, staff focused its evaluation on three items: 1) Assignee's experience and record of operations to date; 2) its financial position relative to its ability to meet lease obligations; and 3) the sufficiency of financial guarantees to ensure the 20 wells drilled within the leases will be decommissioned, without cost to the State, in the event of a default.

1. There is evidence to support the conclusion that the Assignee is likely to comply with the terms of the lease.

a. Operational Compliance

Although the Assignee is a relatively new entity, the recent record of operations and overall experience of its team reflects a pattern of lease and regulatory compliance.

Because of the Assignee's recent incorporation in 2020, an operational assessment includes both the recent history of the leases (which the Assignee operates on behalf of the Assignor with the Assignee's staff) and the prior career experience of Assignee's management and staff. In 2021, the Assignee assumed ownership and control over certain operations throughout Ventura, Monterey, and Orange counties. Because the organization is relatively new, it lacks an extensive organizational history with which to compare it to similar operators, although its executive team and staff themselves have long documented experience operating safely in the industry.

As operator for the leases since 2021 and owner/operator of the larger West Montalvo operations adjacent to the leases (encompassing 47 non-state wells), the Assignee has coordinated well with staff on inspection timing and access and has improved operational responsiveness to issues such as calibration of metering equipment for the State leases.

The Assignee has adopted and updated the existing operations and maintenance plans, implemented a mechanical integrity program, computerized its maintenance management system, and has provided comprehensive documentation to staff as evidence.

Of importance, the level of development on the leases is capped by the County of Ventura's Conditional Use Permit (CUP). Under the CUP, the Assignee cannot drill new lease wells unless the Assignee submits an amendment to the CUP which would require CEQA compliance by the County and CalGEM. The Assignee has not indicated any plans to expand the number of wells but rather to focus on addressing long term idle wells (10 of 20 total) by either permanent abandonment or returning them to production via capital investment. As to their non-state operations, the Assignee is working to address issues outstanding from the Assignor's prior control regarding the delayed testing and elimination of a substantial number of idle wells. Staff understands that the Assignee has plugged 85 idle wells, from its Ventura County operations, and tested another 85 to CalGEM's requirements through 2023 to continue resolving remaining idle well compliance issues that arose under the Assignor. In all, staff found that there are no outstanding notices of violation in the Assignee's lease operations, communication and coordination have improved over prior operators, and that the Assignee appears active in resolving pre-existing idle well compliance issues.

Staff currently have no unresolved concerns about the Assignee's lease operations and compliance that would recommend against consenting to this assignment. The Assignee has resolved nearly all regulatory issues that it inherited from prior operators, including the Assignor, involving the operations outside the State oil and gas leases.

b. Financial Circumstances and Liabilities

The Assignee provided balance sheets for 2021, 2022, and January through June 2023 which reflects year-over-year growth in net income, after application of all expenses. The total reported assets appear to exceed long-term liabilities, which include well abandonment and other asset retirement obligations. The documents

reviewed by Commission staff reflect profitability, which is likely a major contributor to the Assignee's ability to secure the required bonding.

The Assignee provided a copy of the most recent Idle Well Management Plan approved by CalGEM which requires, based on the size of their operations, a long-term idle well elimination rate of 33 wells each year, at minimum. The Assignee's current efforts towards plugging almost 10 percent of its total idle well count in its Ventura operations, along with their intent to continue that trend, indicate a reduction in the organization's overall liabilities.

Staff understands that the Assignee entity, California Natural Resources Group Ventura County LLC, will hold, as its primary assets, the State oil and gas leases as well as the private West Montalvo operations and that the Assignee is itself held by California Natural Resources Group LLC. Because the Assignee holds only the Ventura portion of the total Assignee's assets, staff recommend a parental guarantee, from California Natural Resources Group LLC, to ensure the larger entity guarantees the obligations of the Assignee as well.

c. Status of Guarantees Covering Lease Obligations

In 2019, for purposes of updating bonding, staff assessed the amount to permanently plug and abandon the 20 lease wells to be \$7,000,000. A similar assessment was done by CalGEM in 2020/2021 and a separate assessment was conducted as part of the current [AB 2257 \(Boerner Horvath\) cost study](#). Both those assessments confirmed that the appropriate bonding amount is \$7,000,000. The critical lease infrastructure is located onshore, on privately held land, with well bores that extend out into the offshore production zones. Because well heads are located onshore, well abandonment can be performed by conventional onshore methods which are generally less expensive and less difficult than abandoning wells located on offshore platforms. Staff are confident that the \$7,000,000 estimate is accurate, and the \$7,000,000 bond currently held as a condition of the leases is sufficient to cover the full cost of plugging and abandoning the lease wells. Staff will update bonding requirement numbers on a 5-year schedule, as required under the leases.

In addition, as a customary practice, and as a condition of Public Resources Code section 6804, staff recommends authorizing the Consent to Assignment Agreement (Exhibit A) with the Assignor, and with California Natural Resources Group, LLC, the Assignee's holding company, to ensure those two entities remain obligated to decommission any lease infrastructure if the Assignee defaults on any lease obligation. Between the \$7,000,000 bonding, the two guarantees, and the limited

number of wells on the leases, staff believe that lease decommissioning obligations are sufficiently secured.

CLIMATE CHANGE:

California is in the midst of the climate crisis, caused in large part by carbon emissions from the production and use of fossil fuels. According to the [State's Fourth Climate Change Assessment](#) (Governor's Office of Planning and Research 2018), climate change is making extreme conditions in California more frequent and severe. For example, there were 4.2 million acres of land burned in wildfires in California in 2020, more than the previous four years combined, and 2022 was the driest year on record ([CAL FIRE, in 2021 SB 100 Joint Agency Report, California Energy Commission; National Integrated Drought Information System 2022](#)). Average annual temperatures are on the rise in California, and if greenhouse gas emissions are not lowered substantially, air temperatures could increase by an average of 5.8°F by 2050 and 8.8°F by 2100 ([California Natural Resources Agency 2022](#)). These impacts endanger natural resources and public health.

The most effective way to prevent the worst impacts of the climate crisis is to reduce greenhouse gas emissions by transitioning the state's energy portfolio from fossil fuels to renewable, non-emitting sources such as solar, wind, and geothermal. Senate Bill (SB) 1020 (Laird) requires that at least 90 percent of California's retail sales of electricity come from renewable and zero-carbon sources by 2030, 95 percent by 2035, and 100 percent by 2045. The State is already on its way, securing over 37 percent of the state's electricity from renewable sources in 2021, and over 21 percent from zero-carbon sources, for a combined 59 percent of total retail sales ([California Energy Commission, 2023](#)). The primary action to achieve these targets is to reduce and ultimately eliminate the use of fossil fuels in the state, including oil and natural gas¹.

The impacts of climate change, including sea level rise, increased wave activity, storm events, flooding, and ocean acidification are likely to affect the lease

¹ There are many additional ongoing and planned actions that have to co-occur in order to achieve these goals and reduce harms to the people and natural resources of California. These include increasing energy efficiency, transforming the electrical grid to have more load flexibility, decarbonizing buildings, and electrifying the transportation sector. Learn more in the [2021 SB100 Joint Agency Summary Report](#).

premises, located in the Pacific Ocean, offshore of Ventura County, and areas adjacent to the proposed lease.

Sea level rise will affect the tidelands and uplands (outside of Commission jurisdiction) adjacent to the lease premise. The California Ocean Protection Council updated the *State of California Sea-Level Rise Guidance* in 2018 to provide a synthesis of the best available science on sea level rise projections and rates. Commission staff evaluated the “high emissions,” “medium-high risk aversion” scenario to apply a conservative approach based on both current emission trajectories and the lease location and structures. The Los Angeles tide gauge was used for the projected sea level rise scenario for the lease area as listed in Table 1.

Table 1. Projected Sea Level Rise for Los Angeles

Year	Projection (feet)
2030	0.7
2040	1.2
2050	1.8
2100	6.7

Source: Table 28, [State of California Sea-Level Rise Guidance: 2018 Update](#)

Note: Projections are with respect to a 1991 to 2009 baseline.

As stated in the [Safeguarding California Plan: 2018 Update](#) (California Natural Resources Agency 2018), climate change is projected to increase the frequency and severity of flooding and storms (especially when coupled with sea level rise). The combination of these conditions will likely result in increased wave run up, storm surge, and flooding in coastal areas. Climate change and sea level rise will further influence coastal areas by changing erosion and sedimentation rates. Beaches and coastal landscapes will be exposed to increased wave forces than previously experienced.

Because the infrastructure present on state lands is buried deeply below the sea floor, it is unlikely that the changes wrought by climate change will result in any impacts. However, the Assignee should prepare for the effects of climate change on the associated upland facilities (outside of the Commission's leasing jurisdiction) by considering adaptation strategies to increase the resiliency to impacts such as sea level rise and increased storm activity.

TRIBAL CONSULTATION:

Consistent with the Commission's [Environmental Justice Policy](#) and [Tribal Consultation Policy](#), which recognize the unique burdens and equity challenges

faced by Tribal communities, on December 20, 2021, and January 24, 2024, staff sent outreach letters to the California Native American Tribes culturally and geographically affiliated with this area as provided by the Native American Heritage Commission contacts list inviting them to engage in Tribal Consultation on the proposed assignments. On February 28, 2024, staff received a response from Santa Ynez Band of Chumash Indians Tribal Elders' Council expressing their desire to engage in formal consultation. On April 9, 2024, staff met with the representative of the Santa Ynez Band of Chumash Indians. The Tribal representative indicated the Tribe's main interests are protecting sacred sites, their desire for emission reductions, keeping project footprint as small as possible, and remediation of the site as soon as possible. Additionally, the Tribal representative expressed concerns about the negative effects of cleaning up drill sites left by oil and gas operators. They indicated that as long as the leases are producing, there will continue to be problems. Tribes and other environmental justice communities have endured the heavy burdens of the bad actors who made their profit and left without properly abandoning the wells. They raised the issue of CalGEM's responsibility to ensure the proper abandonment of thousands of idle and orphaned wells. Staff provided information such as the lease provisions that establish proper bonding and indicated that staff will prepare a consent agreement that provides additional liability protections for the state. The Tribal representative conveyed their interest in being kept abreast of any updates to the lease assignments.

ENVIRONMENTAL JUSTICE:

Consistent with the Commission's Environmental Justice (EJ) Policy, staff reviewed environmental justice data that indicated high pollution burdens to the surrounding communities near Ventura, where the offshore oil and gas operations are located. The burdens from the oil and gas operations may result in health impacts such as asthma, cardiovascular disease, and low birth rate. As part of an environmental justice outreach and engagement effort, staff sent letters dated on December 21, 2021, and January 24, 2024, to environmental justice organizations in Ventura County, providing notification of the proposed assignments and requesting input. The letters included a brief description of the lease assignment and conveyed a desire to learn from the perspectives of the local community.

On March 4, 2024, staff met with the Executive Director of Climate First: Replacing Oil and Gas (CFROG) and the Chair of the NAACP Ventura County Environment & Climate Justice Committee. Each expressed concerns regarding the onshore oil and gas facilities. The lease area is situated adjacent to a state beach that is prone

to coastal flooding and therefore has limited accessibility. The state beach has faced closures since 2019 due to storms and contamination issues. The community has expressed concerns about climate change and the impact of oil spills that occurred in the 1990s and the spills that occurred more recently. The EJ representative informed staff that the Assignee did not receive approval for flaring, as it was part of Ventura County Air Pollution Control District's flaring requirement under the County's Conditional Use Permit. Lastly, the groups expressed their desire for staff to delay approval of the assignments until the facilities are inspected in late summer. The group's strong opinion is to end oil and gas production from the leases due to its exacerbation of global warming, fires, droughts, storms, and sea level rise.

In the March 4, 2024 meeting, there were questions about AB 2257 and [AB 1167 \(Carrillo\)](#), and how it impacts the lease assignments. Staff indicated that AB 2257 imposes no limitations on assignment applications. The primary goal of AB 2257 is to assess the remaining oil and gas reserves, establish the value of these reserves, and evaluate the abandonment costs of the infrastructure authorized pursuant to the leases. For AB 1167, which is specific to CalGEM's bonding regulations and requirements, CalGEM's bonding assessment for 20 wells is consistent with the bonding level of \$7,000,000 recommended by staff. Staff also requested that the Assignee submit maps of the field operations marking the 3,200 feet distance from the well pads and facilities in relation to sensitive receptors. The Assignee reported that there are three wells subject to the [SB 1137 \(Gonzalez\)](#) 3,200 foot boundary.

Staff followed up with the Assignee regarding the County's Conditional Use Permit flaring approval, and the Assignee reported back that they are currently coordinating with the County on an amendment to the Conditional Use Permit. Staff also received a copy of the County's complete application letter dated May 25, 2023, which verifies that the Assignee is waiting on a separate hearing which has not yet been scheduled.

On March 22, 2024, staff received an additional email from the Chair of the NAACP Ventura Chapter Environment & Climate Justice Committee and CFROG's comment letter on March 25, 2024, expressing their additional concerns about previous operational concerns and Commission inspection reports that indicated a history of ongoing violations on the leases.

Staff conducted additional in-depth reviews based on the comments. Below is a summary of the staff's findings after review of the Commission records:

1. The first issue raised was related to Pressure Safety Valve testing. During an October 2019 inspection, Commission inspectors noted that the Assignor was out

of compliance with their yearly testing for the Pressure Safety Valve and staff worked with the Assignor to verify compliance. These issues were resolved by the Assignee shortly after they took over the operations in 2021. All tests and reports were completed successfully, and staff has record of completed tests for 2022 and 2023. Prior notes on Commission inspection sheets noting the lack of testing remained on subsequent inspection reports post 2022 in error. This issue has been addressed and the Commission's files and records have been corrected.

2. A second issue raised related to the lack of pipeline corrosion coupon data. The corrosion coupon section on the inspection reports relates to pipelines under the State's jurisdiction, the coupons at West Montalvo are in the export pipeline located after the custody transfer meter and are therefore not in the Commission's jurisdiction. Commission Inspectors review the corrosion coupons to ensure the pipeline is being kept in good condition, but the pipeline is outside of Commission's jurisdiction, and the records are not a requirement in this case.

Staff has also noted other concerns related to the number of idle wells, production decline, and flaring frequency by the Assignor for West Montalvo. Staff's review concludes that the Assignee has conformed to the requirements of the numerous regulatory agencies overseeing West Montalvo, including Ventura County, the Air Pollution Control District, U.S. Department of Transportation, and CalGEM. Since it took over operations, the Assignee has reduced scheduled flaring of produced natural gas (i.e., open-air incineration) by 80 percent in 21 months of operation compared to the Assignor's prior 21 months. Reduced flaring has the effect of limiting waste of the natural gas resource and air pollution from that point source. Moreover, as explained above in more detail, the Assignee continues to resolve remaining idle well compliance issues.

Staff's comprehensive review for compliance with the provisions of the leases and the factors outlined in Section 6804 of the Public Resources Code, is included throughout this Staff Report and addresses the operational concerns raised by CFROG.

Staff are committed to continued, meaningful engagement with Tribal Governments and communities, local underserved communities and environmental justice advocacy entities to exchange information in a timely manner, enhance transparency, and address concerns as they arise.

CONCLUSION:

Given Assignee's record of operational compliance at the facilities covered by the leases, and in the operations adjacent to the leases over the past 2 years, the relatively small size of the lease operation as an asset, and the ability to meet the full bonding and other obligations required by the leases, there is reasonable evidence to conclude that the Assignee is likely to comply with the terms of the lease consistent with Section 6804.

For all the reasons above, staff recommends that the Commission authorize the Executive Officer or their designee to execute the Consent to Assignment Agreement, substantially in the form of Exhibit A, and consent to the proposed assignments.

OTHER PERTINENT INFORMATION:

1. Consent to or denial of the assignment is a discretionary action by the Commission, but consent to assignment cannot be unreasonably withheld. In the present case, denial of the assignment will result in no change from the current operator. However, consent to the assignment will allow a new entity, the Assignee, to become the lessee. While the Assignee will be responsible for all lease obligations, the Assignor will also remain liable for the lease obligations consistent with Section 6804 and the Consent to Assignment Agreement.
2. This action is consistent with the "Meeting Evolving Public Trust Needs", "Prioritizing Social, Economic, and Environmental Justice," and the "Leading Climate Activism" Strategic Focus Areas of the Commission's 2021-2025 Strategic Plan.
3. The consent to assignment of the leases is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

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

EXHIBIT:

- A. Consent to the Assignment Agreement

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

1. Authorize the Commission's Executive Officer or designee to execute the Consent to Assignment Agreement, substantially in the form of Exhibit A.
2. Subject to the execution of the Consent to Assignment Agreement by all parties, consent to the assignments of State oil and gas leases 735 and 3314, for a total of 5,650 acres of State sovereign land in Ventura County, as shown on Figure 1, Location Map and Figure 2, Site Map (for reference purposes only) by this reference made a part hereof, from California Resources Petroleum Corporation to California Natural Resources Group Ventura County, LLC effective on June 7, 2024.

Exhibit A

Leases 735, 3314

Assignment Consent Agreement

This Assignment Consent Agreement (Agreement) is entered into by **California Resources Petroleum Corporation (CRPC)**, **California Natural Resources Group, LLC (CalNRG)**, and the State of California, acting by and through the **California State Lands Commission (Commission)**.

RECITALS

1. California Resources Petroleum Corporation (CRPC) is the lessee of two offshore State Oil and Gas Leases. These leases are Lease 3314.1 and 735.1 (collectively State Leases) and are produced from reservoirs underlying state tide and submerged lands offshore Ventura County.
2. The State Leases produce oil and gas from the West Montalvo Oil Field from 13 wells (17 wells at 3314.1 and 3 wells at 735.1); the wellheads are located onshore above the ordinary high-water mark, but the wells bottomhole and produce hydrocarbons from reservoirs under the jurisdiction of the Commission.
3. In addition to the State Leases, the West Montalvo Oil Field includes a larger operation encompassing wells and equipment located on private uplands which is not subject to this Agreement.
4. On October 14, 2014, the Commission approved assignment of the State Leases from Venoco, Inc., to Vintage Petroleum, LLC. In October 2016, Vintage Petroleum, LLC, changed its name to CRPC.
5. In 2021, CRPC and CalNRG entered an agreement for California Natural Resources Group Ventura County, LLC (Assignee), a subsidiary of CalNRG, to operate the State Leases which it has and currently does on behalf of CRPC through CalNRG Operating, LLC, a subsidiary of CalNRG and the operator entity for CalNRG and Assignee.
6. In August 2023, CRPC and CalNRG applied to the Commission for the assignment of 100 percent of CRPC's (Assignor) interest in the Leases to Assignee of which CalNRG is the parent/owner.
7. By the terms of paragraph 4 of each of the State Leases, no assignment is valid unless approved by the Commission, and as

amended on November 1, 2007, the definition of assignment includes a change of control over the ownership of the lessee; Section 6804 of the Public Resources Code provides that “[t]he assignor, transferor, or sublessor of a lease or permit . . . shall remain liable for, and shall not be released or discharged from, obligations under the lease or permit, including requirements under state law to properly plug and abandon all wells, decommission all production facilities and related infrastructure, complete well site restoration and lease restoration, and remediate contamination at well and lease sites.

8. As a condition of the State Leases, CPRC currently has in effect and has filed with the State a performance bond in the amount of \$7 million guaranteeing the lessee's performance under the State Leases; additionally, as a condition of the October 14, 2014 assignment, a corporate guarantee was executed by the ultimate parent company of CRPC, California Resources Corporation (CRC), as guarantor of obligations of CRPC on the State Leases.
9. The Commission has a vital interest, on behalf of the State, in ensuring the performance of lease obligations, primarily, the safe operation and then timely and permanent decommissioning of oil and gas facilities upon the expiration or termination of a lease.
10. The Commission protects its interest in authorizing lease assignments by ensuring that assignors remain liable for lease obligations and that parent companies and affiliated entities are liable for the actions and omissions of subsidiaries, as lessees.
11. The Commission further protects its interests by ensuring that guarantors are financially durable and able to timely undertake those lease obligations to the extent they arise.
12. The Commission, CRPC, and CalNRG, wish to enter into this Agreement, as a condition of the Commission approving the assignment, to ensure that obligations under the Lease are fulfilled in the event that the Assignee is unable or unwilling to fulfill those obligations.

Therefore, the parties agree as follows:

AGREEMENT

1. CRPC agrees that it shall remain liable for, and shall not be released or discharged from, obligations under the lease or permit, including requirements under state law to properly plug and abandon all wells, decommission all production facilities and related infrastructure, complete well site restoration and lease restoration, and remediate contamination at well and lease sites, unless expressly released from those obligations by the Commission in writing, and that this provision applies to the State Leases.
2. CRPC agrees that, as to the State Leases, it is considered a “previous operator” as that phrase has meaning and effect under California Public Resources Code section 3237.
3. CalNRG, as owner of Assignee, unconditionally guarantees the performance of Assignee of all terms, covenants, conditions, and obligations of the State Leases.
4. CRPC and CalNRG (collectively the Guarantors) understand and agree that the State Leases requires the safe operation and maintenance of the Lease premises while planning and undertaking the permanent plugging and abandonment of wells, decommissioning of improvements, and restoration of the lands within the Leases at the expiration or earlier termination of the Leases (the Decommissioning Obligation).
5. The Guarantors agree that, upon a finding of the Commission that the Assignee, or its assigns, is in default of any obligation of the Leases, including the Decommissioning Obligation, that Guarantors will timely assume that obligation and cure any outstanding default. For purposes of this Agreement, a default includes circumstances where the Assignee is either unwilling or unable to perform its obligations or appears unable to perform its obligations due to events including, but not limited to, an inability to adequately staff the Lease, filing for bankruptcy protection, or by foreclosure on assets on the State Leases.
6. If directed by the Commission to undertake the Decommissioning Obligation, Guarantors will act as the operator of the Leases, as far as that term has legal significance, as well as timely and at its sole expense:
 - a. Enter onto the State Leases to operate and maintain improvements.

- b. Ensure routine inspections and maintenance of State Lease(s) improvements.
 - c. Ensure compliance with permit conditions and requirements of law.
 - d. Prepare a decommissioning plan to permanently plug and abandon wells, decommissioning improvements on the State Leases, and restore the lease premises.
 - e. Prepare permit applications and environmental review documentation associated with decommissioning, including documentation required under the California Environmental Quality Act.
 - f. Upon approval of the Commission and other relevant permitting agencies, undertake the decommissioning plan.
 - g. Conduct any required mitigations and post-project monitoring.
7. The Guarantors waive: (a) any right to require the Commission to (i) proceed against Assignee, (ii) proceed against or exhaust any security or other guarantor, or (iii) pursue any other remedy in the Commission's power whatsoever; (b) all rights and defenses identified in California Civil Code section 2856, subdivision (a); and (c) notice of acceptance of this Guaranty.
8. Nothing in this Agreement shall constitute a waiver by Guarantor of, or shall prevent Guarantor from asserting: (i) any defense based on Lessor's default under, or Lessor's failure to have performed its obligations arising under, the State Leases, and (ii) any defense which Assignee or the Guarantor may have or assert under the express terms of the State Leases or this Agreement. This Agreement shall be binding upon the Guarantors, their successors and assigns. For purposes of this Agreement, "Successors and Assigns" shall mean a corporation or other entity acquiring all or substantially all the assets and business of the Guarantors (including this Agreement) whether by operation of law or otherwise.
9. Guarantors acknowledge and agree that they will be jointly and severally liable for performing all obligations under this Agreement.
10. This Agreement will be effective when approved by the Commission and duly executed.

11. This Agreement may be executed in counterpart with the same force and effect as if all parties subscribed their names to the document.

IN WITNESS WHEREOF, the parties have executed this Assignment Consent Agreement on the dates set forth below.

Dated: _____ California Resources Petroleum Corporation

By _____

Dated: _____ California Natural Resources Group, LLC
On behalf of California Natural Resources
Group Ventura County, LLC

By _____

Dated: _____ California State Lands Commission

By _____

JENNIFER LUCCHESI
Executive Officer