

**CALENDAR ITEM
C67**

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04/26/13
PRC 7493.1
R. Boggiano

**ASSIGNMENT AND AMENDMENT OF LEASE
AND REVISION OF RENT**

LESSEE/ASSIGNOR:

Venoco, Inc.
6267 Carpinteria Avenue, Suite 100
Carpinteria, CA 93013

APPLICANT/ASSIGNEE:

Vintage Production California, LLC
9600 Ming Avenue
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Sovereign land in the Old River, at Union Island, near the city of Tracy, Contra Costa and San Joaquin counties.

AUTHORIZED USE:

Continued use and maintenance of an existing 12-inch-diameter natural gas pipeline.

LEASE TERM:

30 years, beginning February 7, 1991.

CONSIDERATION:

This lease provides that the State may modify the rent periodically during the lease term. Pursuant to this provision, staff conducted a review of the rent under this lease, and recommends rent be revised from \$100 per year to \$180 per year, effective February 7, 2014.

PROPOSED AMENDMENT:

Amend Lease No. PRC 7493.1 as follows:

1. Section 1 (General Provisions) to revise the liability insurance coverage from an amount no less than \$1,000,000 per occurrence to an amount no

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less than \$5,000,000 per occurrence; or equivalent staff-approved self-insurance program; and to revise the security bond from \$10,000 to \$20,000.

2. Section 2 (Special Provisions) to add additional provisions for pipeline burial surveys and remediation plan; engineering, reporting, and abandonment provisions; and include acceptance of a parent guaranty from Occidental Oil and Gas Holding Corporation for full performance of obligations under the lease.
3. Replace in their entirety Exhibits A and B with the attached new Exhibit A (Land Description) and Exhibit B (Site and Location Map).

All other terms and conditions of the lease remain in effect without amendment.

OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On February 6, 1991, the Commission authorized Lease No. PRC 7493.1, a General Lease - Right-of-Way Use, for the construction, use, and maintenance of a 12-inch natural gas pipeline with Union Oil Company of California. On May 9, 1996, the Commission authorized the assignment of the lease to Torch Operating Company. On November 21, 2006 the Commission authorized an assignment of the lease to Conoco Phillips Company and on March 28, 2008, the Commission authorized the assignment of the lease to Venoco, Inc. Vintage Production California, LLC (Vintage) is purchasing the pipeline from Venoco, Inc. and is now applying for an assignment of the lease. The lease will expire on February 6, 2021.
3. Vintage is a wholly owned subsidiary of Occidental Oil and Gas Holding Corporation (Oxy). Vintage will be responsible for complying with all obligations of the lease for the existing facilities and Oxy is providing an unconditional parent guaranty for the full performance of all obligations under Lease No. PRC 7493.1.
4. The pipeline were installed in 1991 and is a portion of a 70-mile-long pipeline from the Union Island gas field with two termini, one at the Union Oil refinery in Rodeo and one at the Chevron refinery in Richmond. A burial survey of the pipeline crossing the Lease Premises in the Old River was performed in March 2013, and reported sections of the pipeline are not adequately buried to a minimum depth of five feet. The amendment

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includes provisions where within 60 days of execution of the amendment of lease, Vintage agrees to submit a remediation plan for covering the pipeline. The scope of the burial activities included in the remediation plan will be reviewed by Commission staff and Vintage may be required to submit an amendment application for the Commission's consideration for approval of the remediation activities.

5. Staff reviewed the lease requirements and further recommends that the lease be amended to revise the liability insurance coverage from an amount no less than \$1,000,000 per occurrence to an amount no less than \$5,000,000 per occurrence; or equivalent staff-approved self-insurance program; and revise the surety bond or other security device from \$10,000 to \$20,000.
6. The staff recommends that the Commission find that the subject lease assignment, amendment, and revision of rent do not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and are, therefore, not projects in accordance with the California Environmental Quality Act (CEQA).

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

EXHIBITS

- A. Land Description
- B. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the subject lease assignment, amendment, and revision of rent are not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activities are not projects as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

1. Authorize the Assignment of Lease No. PRC 7493.1, a General Lease Right-of-Way Use, of sovereign land in the Old River as described in Exhibit A and shown on Exhibit B (for reference purposes only) attached and by this reference made a part hereof,

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from Venoco, Inc. to Vintage Production California, LLC, effective April 26, 2013.

2. Authorize an Amendment of Lease No. PRC 7493.1, to include the revision of liability insurance coverage from an amount no less than \$1,000,000 per occurrence to an amount no less than \$5,000,000 per occurrence; or equivalent staff-approved self-insurance program; revise the surety bond from \$10,000 to \$20,000; add additional provisions for pipeline burial survey and remediation plan; engineering, reporting, and abandonment plans; replace Exhibit A and Exhibit B of the lease with the attached Exhibit A (Land Description) and Exhibit B (Site and Location Map); and include acceptance of a parent guaranty from Occidental Oil and Gas Holding Corporation for full performance of obligations under the lease, effective April 26, 2013. All other terms and conditions of the lease remain in effect without amendment.
3. Approve the revision of rent for Lease No. PRC 7493.1 from \$100 per year to \$180 per year, effective February 7, 2014

EXHIBIT A

PRC 7493.1

LAND DESCRIPTION

A strip of tide and submerged land 20 feet wide lying in the bed of the Old River, Counties of San Joaquin and Contra Costa, State of California, lying 10 feet on each side of the following described centerline:

BEGINNING at the point having CCS 83 Zone 3 coordinates of Northing 2126056.38 feet, Easting 6257237.85 feet which bears North 50° 17' 35" East, 9389.40 feet from the NGS monument "GPS Control PT 46" (PID DE8500, Epoch 2010.00) having CCS 83 Zone 3 coordinates of Northing 2120057.86 feet, Easting 6250014.38 feet; thence the following three (3) courses;

1. North 34° 10' 59" East 27.63 feet;
2. North 75° 40' 05" East 82.09 feet;
3. North 78° 30' 53" East 613.02 feet to the terminus of said description.

The sidelines of said strip to be lengthened or shortened as to terminate at the ordinary high water mark of the right and left banks of Old River.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark of the right and left banks of said river.

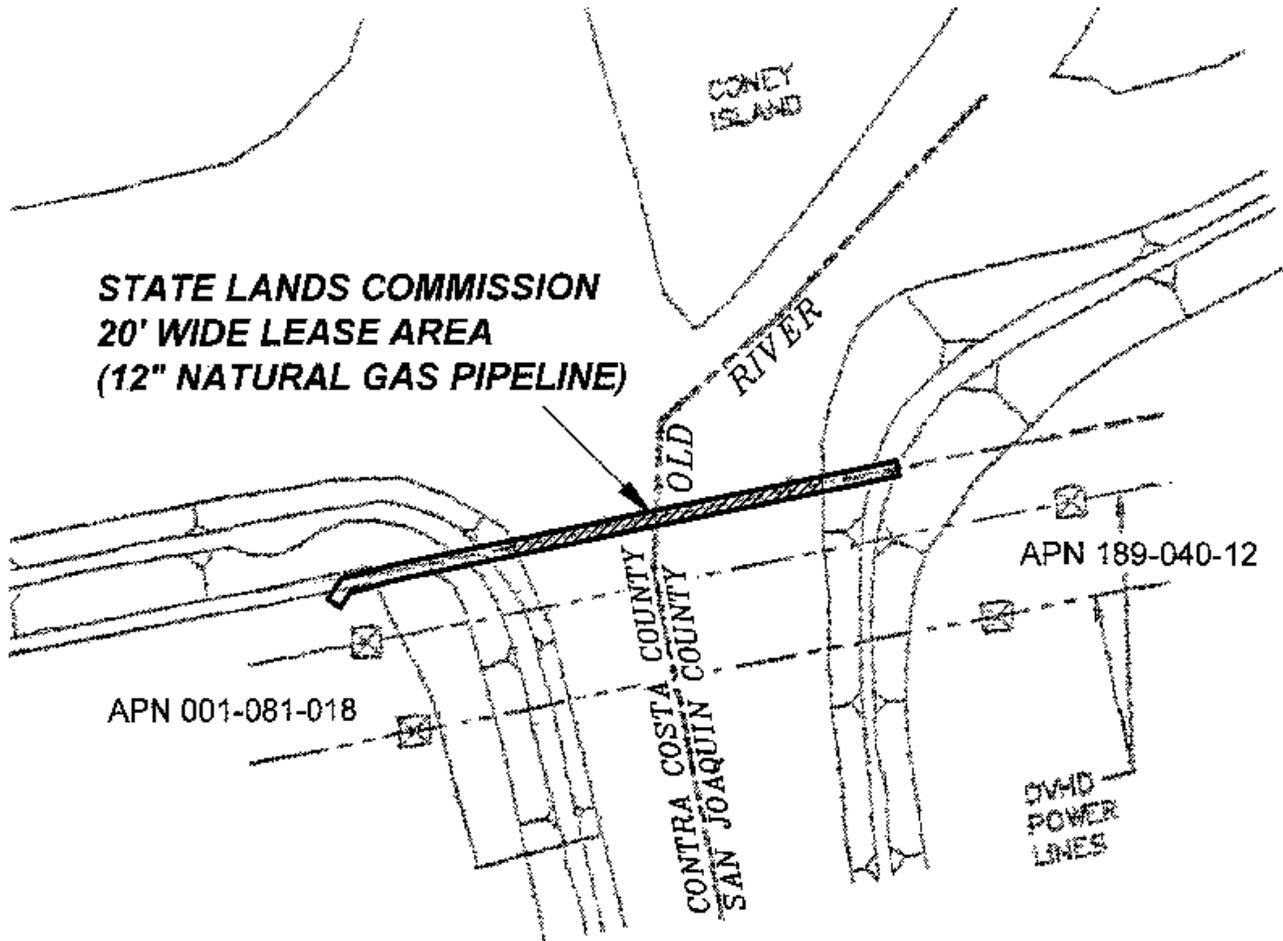
END OF DESCRIPTION

Prepared 04/02/2013 by the California State Lands Commission Boundary Unit



NO SCALE

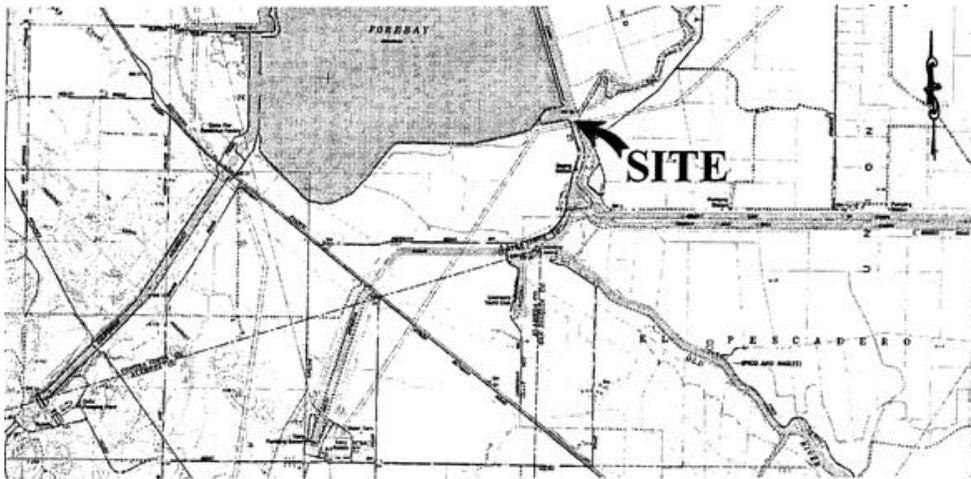
SITE



OLD RIVER, NORTHWEST OF THE CITY OF TRACY

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

Exhibit B

PRC 7493.1
 VINTAGE PRODUCTION
 CALIFORNIA, LLC
 APNs 189-040-12 & 001-081-018
 GENERAL LEASE -
 RIGHT-OF-WAY USE
 SAN JOAQUIN & CONTRA COSTA
 COUNTIES



SITE

TS 04/02/13