

**CALENDAR ITEM
C130**

A 8, 11, 15

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06/23/2011
PRC E-415.1
M. Le Clair
J. Planck

**CONSIDER APPROVAL OF A LEASE AMENDMENT AND ASSIGNMENT,
AS PROVIDED FOR IN THE ASSIGNMENT CONSENT AGREEMENT, FROM
ROSETTA RESOURCES OPERATING LP'S 100 PERCENT INTEREST IN
OIL AND GAS LEASE NO. PRC E-415.1 TO VINTAGE PETROLEUM, LLC,
RIO VISTA GAS FIELD, CONTRA COSTA, SAN JOAQUIN,
SACRAMENTO AND SOLANO COUNTIES**

ASSIGNOR:

Rosetta Resources Operating LP
Attn.: Mr. Michael J. Rosinski
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEE:

Vintage Petroleum, LLC
Attn.: Mr. Michael D. Gooding
9600 Ming Avenue, Suite 300
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC E-415.1 contains approximately 2,827 acres, more or less, of State land that encompasses portions of the beds of the Sacramento, San Joaquin, Mokelumne, Old, and False Rivers and other tide and submerged lands within the area designated by Agreement for Easement No. 415 dated June 3, 1940 (Location Map attached as Exhibit A).

BACKGROUND:

Agreement for Easement No. 415 was issued to Standard Oil Company of California ("Standard," presently Chevron Corporation) on June 3, 1940. On December 20, 1963, the California State Lands Commission (Commission)

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approved Standard's request for a new lease designated as PRC E-415.1 (Lease) in exchange for Agreement for Easement No. 415. Calpine Corporation eventually succeeded to the lessee's interest under the Lease. Calpine and its affiliated entities entered into a Purchase and Sale Agreement (PSA) dated July 7, 2005, with Rosetta Resources, Inc. and its affiliates. The Commission approved the assignment of, and amendment to, the lease to Rosetta Resources Operating LP (Rosetta), a Delaware limited partnership on October 30, 2007. On February 24, 2011, Rosetta entered into a Purchase and Sale Agreement with Vintage Petroleum, LLC (Vintage), a Delaware limited liability corporation, and subsidiary of Occidental Petroleum Corporation, for all of its California assets including Lease No. PRC E-415.1.

Commission staff received a letter dated March 1, 2011, containing an application for Commission approval of the assignment of Rosetta's interest in the Lease to Vintage. As part of the assignment review process, staff performed a financial review of Vintage's assets to ensure its performance of the terms of the Lease. Staff determined that, in addition to a performance bond, Vintage's parent, Occidental Oil and Gas Holding Corporation (OOGHC), a California Corporation, would be required to sign a parental guarantee (in a form substantially similar to that set forth in Exhibit C) and take financial responsibility for the Lease obligations.

Staff determined that the original 1940 easement as amended by the current Lease entered into on December 20, 1963, and by an amendment entered into on October 30, 2007, should be further amended to provide additional protection of the State's interests in the leased lands. Staff also believes that verification of the accuracy of the cost allocations within the complex net profits provisions had become too expensive and too burdensome to manage.

The parties agreed that changing the existing 30 percent royalty plus a percentage of net profits to a flat royalty would be mutually beneficial, provided that the State would remain whole. In furtherance of that goal, staff and Vintage agreed to amend the Lease to provide for a flat royalty rate of 35 percent of the production of gas substances from the State's interest in all wells in the Rio Vista Gas Unit (RVGU), which is contained within the lease boundary, and from all current non-unit wells within State sovereign land below the RVGU, for the remaining economic life of the Lease. Staff and Vintage also agreed to a flat 25 percent royalty on gas substances produced from new wells drilled outside the boundaries of, or below, the RVGU into State sovereign land. These are the highest royalty rates in the area.

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The amendments and agreements between the parties are contained in the Assignment Consent Agreement on file with the Commission in a form substantially similar to the document attached as Exhibit B.

Some of the more significant new terms are:

1. Changing the current fixed royalty rate plus net profits to a higher fixed royalty rate;
2. A requirement that Vintage develop offset wells to protect State lands from drainage or, alternatively, provide a compensatory royalty for any drainage that is occurring. Vintage is, under certain circumstance, to quitclaim particular areas the Lease so that the State may enter into a lease with the other operators;
3. A requirement that Vintage provide compensation for any well it drills through State land that does not produce from the State land (known as a "pass-through" provision);
4. An increase in the rental rate for the leased land, the bond and the insurance provisions, with a five-year review of each of these terms;
5. A requirement that Vintage, within three years of the date of the approval of the assignment, provide to the State a development plan and a description of all the surface leases Vintage has or will acquire and quitclaim any land it does not intend or have the ability to develop, and that it develop or quitclaim three distinct non-unit areas within the lease boundaries;
6. A requirement that Vintage adhere to all current regulations and any regulations promulgated during the remaining life of the Lease; and
7. A requirement that Vintage submit an annual report of Lease activity and projection for the continued development of the Lease.

Having a flat royalty rate instead of the current complicated net profits arrangement, which has resulted in payment of only the minimum 30 percent

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royalty since 2006, will simplify the accounting and auditing functions associated with the Lease.

Staff and Vintage have also agreed to increase the bonding requirement from the current amount of \$1.5 million to \$2.0 million. The rental rate for the 2,827 acres will increase from the \$1,500 annual rental that is credited against subsequent royalties to a minimum annual rental of \$20.00 per acre (amounting to \$56,540.00), which will be in addition to any royalties. Both the bond amount and the annual rental are subject to review every five years.

In order to protect the State's resources from drainage and to allow leasing to other operators, staff has also added to the lease a term which would require the lessee to review and identify its surface holdings and a development plan within the boundaries of the lease within 36 months. Vintage will be required to quitclaim back to the State any sovereign land that is not included as part of the development plan, or in which it cannot protect the State's interest, so that the State may lease these areas to other interested parties.

STATUTORY AND OTHER REFERENCES:

- A. Section 2 (o) and Section 8 of the Lease.
- B. Public Resources Code section 6804

OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of CEQA because it is not a "project" as defined by CEQA and State CEQA Guidelines.

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

2. Assignment forms have been provided and prerequisite filing fees have been paid by Rosetta.
3. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code section 6370 et seq., but such activity will not affect those significant lands.

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4. Upon approval of the transfer, Lease No. PRC E-415.1 shall be amended pursuant to the Assignment Consent Agreement in a form and substantially similar to the document attached as Exhibit B.
5. Performance bonds totaling \$2.0 million are on file at the Commission's Long Beach office.
6. Occidental Oil and Gas Holding Corporation has executed an irrevocable and unconditional guaranty of Vintage Petroleum, LLC's performance of the terms of the Lease. Occidental Oil and Gas Holding Corporation has submitted corporate and financial data which were reviewed by Commission staff. Based on the results of the reviews and the fact that Occidental Oil and Gas Holding Corporation has other entities with leases with the State, Commission staff has determined that Occidental Oil and Gas Holding Corporation possesses the financial resources to meet the requirements and obligations under the terms of Lease No. PRC E-415.1
7. Staff will conduct an exit audit to ensure that all amounts due from the prior lessee, Rosetta, have been paid. Rosetta has agreed to increase its lease performance bond to four million dollars in order to secure payment of any amount found by the audit to be owed to the State. In addition, Rosetta has agreed to pay up to one hundred and fifty thousand dollars of the State's audit costs.

EXHIBITS:

- A. Location Map
- B. Proposed Assignment Consent Agreement
- C. Proposed "Parental" Guarantee of Occidental Oil and Gas Holding Corporation

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

1. Find that the activity is not subject to the requirements of the CEQA pursuant to Title 14, California Code Of Regulations, Section 15060(C)(3) because the activity is not a project as defined by

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Public Resources Code Section 21065 and Title 14, California Code Of Regulations, Section 15378.

2. Find that this activity is consistent with the use classification designated by the Commission for land pursuant to Public Resources Code Sections 6370, et seq.

AUTHORIZATION:

1. Approve the Assignment Consent Agreement of Oil and Gas Lease No. PRC E-415.1, in a form substantially similar to that set forth in Exhibit B of this calendar item.
2. Approve the Parental Guarantee of Occidental Oil and Gas Holding Corporation, in a form substantially similar to that set forth in Exhibit C of this calendar item.
3. Consent to the assignment of 100 percent interest in Oil and Gas Lease No. PRC E-415.1 from Rosetta Resources Operating LP to Vintage Petroleum, LLC, effective upon execution of all implementing documents, with the assignee to be bound by all the terms and conditions of the Lease as amended.
4. Authorize the Executive Officer or his designee to execute any documents necessary to implement this assignment .

EXHIBIT A

PRC E-415.1

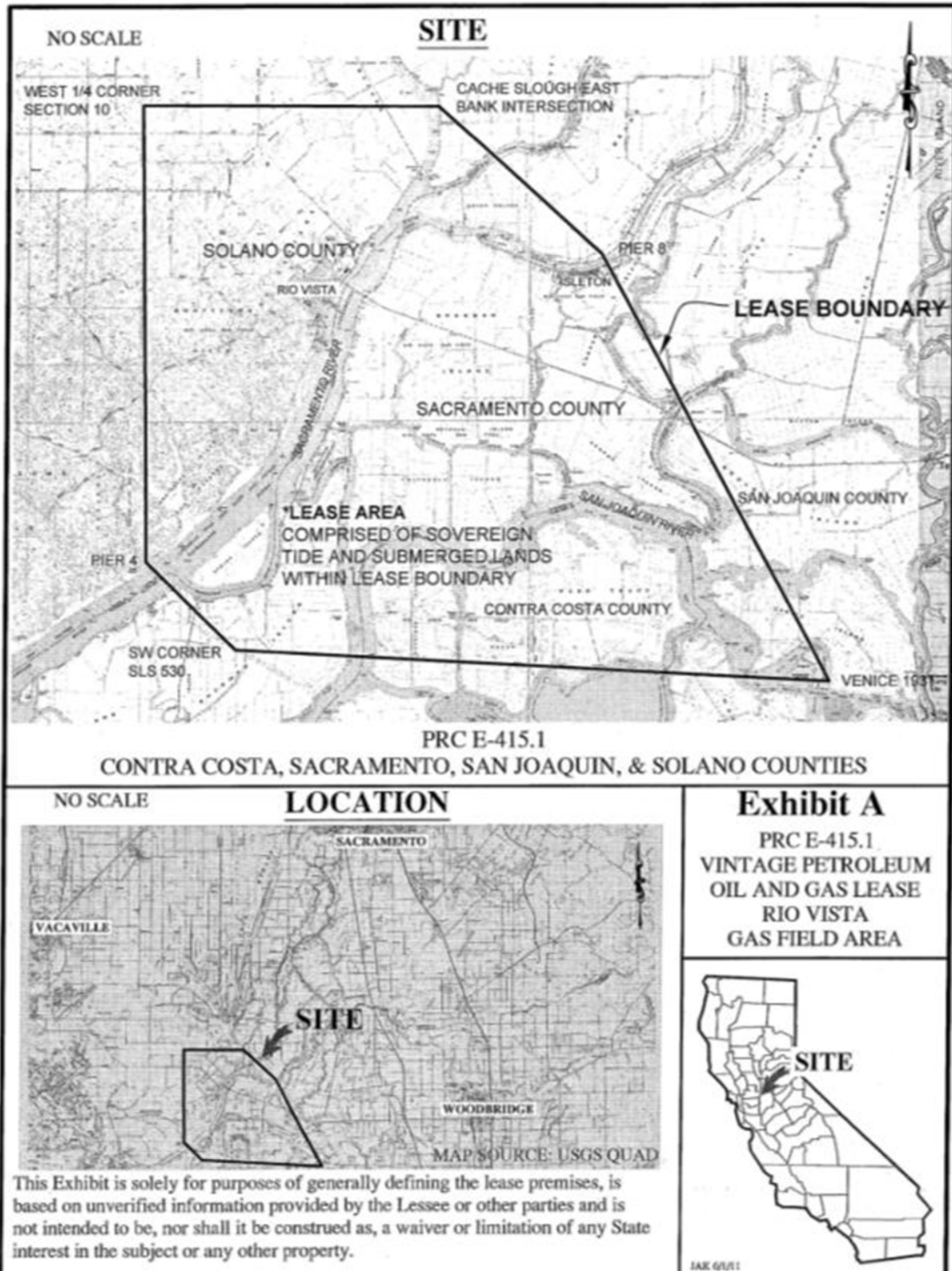


EXHIBIT B

PROPOSED ASSIGNMENT CONSENT AGREEMENT STATE GAS LEASE PRC E-415.1

A. The State of California, acting by and through the State Lands Commission (the "State") leased approximately 2,827 acres, more or less, of certain State sovereign lands located in Contra Costa, San Joaquin, Sacramento and Solano Counties, California, pursuant to Agreement for Easement No. 415 (as amended from time to time, the "Easement") to Standard Oil Company of California (the "Original Lessee") on June 3, 1940, as amended and supplemented by that certain Gas Lease Issued in Exchange for Gas Lease Easement No. 415 entered into as of December 20, 1963, and as further amended and supplemented on October 30, 2007 (the "Lease").

B. Through a series of conveyances and transactions, Rosetta Resources Operating LP a Delaware limited partnership ("Rosetta"), succeeded to the interest of the Original Lessee under the Lease. Rosetta entered into certain agreements with Vintage Petroleum, LLC ("Vintage," subsidiary of Occidental Petroleum Corporation) and certain of its affiliates under the terms of which Rosetta agreed to convey certain oil and gas leases in California, including the Lease, to Vintage or its designee. Rosetta has requested that the State approve the assignment of the Lease to Vintage.

C. The State has determined that it is in its best interest to make certain modifications to the terms of the Lease in connection with its approval of the assignment.

Therefore, the State consents to the assignment of the Lease to Vintage subject to the amendment of the Lease to add the following provisions and Vintage agrees to all of

these provisions becoming part of the Lease upon the effective date of State's consent:

1. RENTAL

(a) The Lessee shall pay to the State on or before each anniversary date of the consent to the assignment of the Lease to Vintage (Consent to Assignment), the rental provided in Exhibit "A" and shall supplement the current 2011-2012 year to the prorated amended rental amount within 30 days of the effective date of the Consent to Assignment. The rental shall be based on the total State acreage under lease on the anniversary date of the Consent to Assignment.

(b) The annual rental shall continue until the date the State accepts the Lessee's quitclaim for all of the leased lands under the lease.

(c) If the Lessee quitclaims any portion of the leased lands as to all zones, the annual rental shall be reduced proportionately. This reduction shall take effect on the next lease anniversary date following the date of the State approved partial quitclaim.

2. ROYALTY

(a) In addition to the rental, the Lessee shall account for and pay to the State in money as royalty on gas substances a percentage, as provided in Exhibit "A", of the current market price of all gas substances removed or sold from the leased lands. Gas substances shall consist of dry gas, including vented and flared gas (except during testing and with prior approval of the State, or in the event of an operational upset that is outside the control of the operator, natural gasoline, condensate and other hydrocarbon products extracted and saved from the gas produced from the leased lands. The current market price shall be determined by the Gas Purchase and Sale Agreement dated July 7, 2005 (as Amended and Restated) between Rosetta Resources

Operating LP and Calpine Energy Services, L.P. until its expiration, currently December 31, 2019, at which time the State shall determine the market price and shall include any premium or bonus paid for the gas substances. The current market price shall not be less than the higher of the highest price in the nearest field at which gas substances of like quality are being sold in substantial quantities or the net proceeds or exchange value derived by the Lessee from the gas substances removed or sold from the leased lands, and shall include any premium or bonus paid. Money royalty on gas substances shall be due no later than the twenty-fifth day of the second calendar month following the calendar month in which the gas substances are produced and shall be paid in accordance with procedures prescribed by the State.

(b) All royalties shall be due and payable to the State not later than the 25th day of each calendar month, following the calendar month of production, whether in money or in kind, and shall be without any deductions including, but not limited to, deductions for the cost of drilling, completing, producing, well work, gathering, separating, compressing, treating, dehydrating, processing, transporting and otherwise making the gas substances marketable, except for reasonable transport and shrinkage rates imposed by the buyer. Further, all money royalties payable to the State shall be without any deductions for the costs of marketing the State's royalty share of gas substances.

3. MEASUREMENT OF PRODUCTION AND LEASE INSPECTION

(a) The Lessee shall measure and account for all gas substances produced from, used on or transported from the leased lands in accordance with the terms of the Lease and the regulations of the State. Commission Staff shall have the right at all times to witness the measurement and sampling of all gas substances

(b) The Lessee also consents to the inspection at all reasonable times by any person authorized by the State of its operations on, in or adjacent to the leased lands, including wells, improvements, machinery and fixtures used in connection with those operations.

4. SUBMISSION OF SALES CONTRACTS AND EXCHANGE AGREEMENTS

The Lessee shall file with Commission Staff, within thirty (30) days of their execution by all parties, copies, certified by the Lessee to be true, of all contracts and other agreements for the sale, exchange or other disposition of all gas substances produced from the leased lands.

5. LEASE MANAGEMENT FEE

In addition to any other payment or obligation required to be made or performed by Lessee under the Lease, Lessee agrees to reimburse the State for the actual, reasonable and necessary costs incurred for the administration and implementation of the Lease, including but not limited to, engineering review, royalty verification and/or audit, reservoir and geologic review, annual lease reviews, and for any other staff time or expenses incurred or expended to ensure such operations conform to all the terms of the Lease and to the State's rules and regulations, now or hereafter promulgated, covering drilling and production operations on the Lease. The current (2011) lease management fee is Twenty-Seven Thousand Three Hundred Eighteen Dollars (\$27,318), and the fee escalates at 3% per year, such increase takes effect annually on the first of January each year.

Lessee and the State shall each execute and deliver a State Standard Reimbursement Agreement (SRA), substantially in the form of and replacing the current SRA, containing

more detailed provisions pertaining to the lease management fee. The State shall provide to Lessee a statement setting forth the amount of the lease management fee for each calendar year during the remaining term of the Lease, together with detailed documentation to identify and support the amounts claimed. The requirements of this Paragraph 5 shall continue through the remaining life of the Lease.

6. DEVELOPMENT OF NON-UNIT LANDS

Within 36 months of the approval of this consent to assign, the Lessee shall submit to the State a detailed map and description of all surface leases Lessee has, or is acquiring, within the boundaries of PRC E415. Also at that time, Lessee shall submit a development plan for all non-unit State lands within the lease boundary. If, at the end of the 36 months, the Lessee determines it will not develop all or any portion of the non-unit lands, the Lessee shall quitclaim to the State all of the non-unit lands it does not intend to develop.

With respect to the non-unit State lands that Lessee intends to develop, the Lessee shall diligently pursue execution of the development plan. For purposes of lease land outside of the unit boundaries but within the boundary of the lease – the lease shall be divided into four areas for purposes of determining areas of ongoing production. The three areas (see map attached as “Exhibit C”) are defined as:

Area1 - those non-unitized leased lands lying southerly of Hwy 12 and westerly of Fisherman's Cut;

Area 2 – those non-unitized leased lands lying southerly of Hwy 12 and easterly of Fisherman's Cut; and,

Area 3 – those leased non-unitized lands lying northerly of Hwy 12.

Area 4 – those leased non-unitized lands lying below the unit (below 5450 feet and within the unit boundary)

Lessee shall diligently pursue development of each area within 60 months of this consent to assign. Each area shall remain within the lease for so long as that area is producing gas substances in paying quantities. As long as each area has an economically producing State well, that area shall be regarded as “held by production.” Should State production cease in any given area, the Lessee shall return the State land within that area to production within 24 months, or other reasonable time frame agreed to by Commission Staff. If Lessee fails to return an area to production within the allotted time, Lessee shall provide the State with a quitclaim of that area. Notwithstanding the foregoing, Lessee shall not be required to quitclaim any deep rights it has below the unitized interval under the Rio Vista Gas Unit, identified here as Area 4.

7. COMPLIANCE WITH LAWS AND OPERATIONAL REQUIREMENTS

The Lessee shall comply with all valid laws, rules and regulations of the United States and of the State of California and its political subdivisions applicable to the Lessee's operations, including, but not limited to, the applicable provisions of Divisions 3 and 6 of the Public Resources Code and the regulations of the Division of Oil, Gas and Geothermal Resources and the State Lands Commission currently in force or promulgated after the effective date of the Consent to Assignment over the life of the Lease.

8. APPROVAL OF DRILLING

Any well or wells drilled into or through the leased lands in accordance with the provisions of the Lease shall be drilled only on a course and to an objective approved in

writing by Commission Staff prior to the commencement of drilling. The Lessee shall submit a detailed well drilling program to Commission Staff for its review and approval prior to commencement of drilling. Any significant changes in the approved drilling program, such as altering the casing program or redrilling, deepening or abandoning a well, shall require advance approval by Commission Staff.

9. OFFSET WELLS

(a) Notwithstanding anything contained in the Lease to the contrary, as to any well producing gas substances in paying quantities which is drilled after the date of this Assignment Consent Agreement on lands other than the leased lands with the producing interval of such well, being within fourteen hundred eighty-nine (1489) feet of the exterior boundary of the mineral estate owned by the State lying beneath those waterways that comprise the leased land, Commission Staff may notify the Lessee in writing to drill an offset well. Within the time specified in the notice, which shall be a reasonable time taking into account the availability, type and location of facilities required and which in no event shall be less than one hundred twenty (120) days from the date of the notice. The Lessee shall commence operations for the drilling of an offset well on the leased lands to the same zone as that zone from which such well is or is capable of producing gas or gas substances. An offset well for the production of only gas substances shall mean a well, the midpoint of the producing interval of which is situated at a location on the leased lands not more than fourteen hundred eighty-nine (1489) feet from the point on the boundary of the Lease nearest to the producing interval of the well to be offset. (b) In the alternative, the Lessee shall pay a compensatory royalty to the state based on the proportion that the state acreage being

drained by the thief well bears to the total area being drained by the thief well.

Notwithstanding the foregoing, the requirements in this paragraph 9 can be waived by Commission Staff if Lessee can demonstrate that the offset well is not necessary based on geologic or reservoir conditions.

10. RIGHT OF WAY FOR PASS-THROUGH WELL

In addition to the right to prospect for, drill for, produce and take gas substances from the leased lands as provided above, Lessee is granted a non-exclusive right of way (the "ROW") to drill pass-through wells into and through the leased lands, subject to the following terms and conditions:

- (a) A "pass-through well" is defined as a well that is drilled through the leased land at a depth greater than 500 feet below the surface, which produces oil, gas and/or other hydrocarbon substances from one or more producing intervals in the wellbore, no producing interval of which is located within 1489 feet of the leased lands. Notwithstanding the foregoing, **with the prior written consent of Commission Staff** a pass-through well may be completed with a producing interval within 1489 feet of the leased lands, provided it can be determined to the satisfaction of Commission Staff that such pass-through well will not subject the leased lands, or any part thereof to uncompensated drainage.
- (b) A pass-through well shall not constitute a well drilled under the Lease for purposes of fulfilling or deferring any drilling or other operations permitted or required under the Lease, nor have the effect of extending or perpetuating the term of the lease. Production from a pass-through well

shall not be deemed to be production from the leased lands for any of the purposes of the Lease.

- (c) The ROW shall lapse and be of no force and effect if a pass-through well is not drilled and completed during the term of the Lease. Provided the ROW is timely exercised, it shall remain in effect for: (i) so long as the pass-through well produces oil or gas in paying quantities, or Lessee is diligently conducting producing, drilling, repairing, redrilling or other necessary well maintenance operations; or (ii) forty-nine years from the effective date of the Assignment Consent Agreement. The parties acknowledge that the ROW may survive the termination of the Lease, in which event Lessee shall promptly surrender the lease, excepting to, and reserving, a 50 foot diameter right of way surrounding the borehole.
- (d) In consideration of the rights granted herein, Lessee shall pay to the State, in addition to any other payment due under the Lease, an overriding royalty in the amount of three percent (3) % of the current market price of all oil, gas and hydrocarbon substances produced from the pass-through well. The overriding royalty shall be calculated and payable monthly in the same manner as royalty under the Lease.

11. ANNUAL REPORT OF OPERATIONS

Lessee shall file annually with Staff a report on all state land exploration, development, production and projections for continued development for the following year within 30 days of the anniversary of the effective date of the Consent to Assignment.

12. BOND

The Lessee shall furnish and maintain a bond in favor of the State of California in the sum provided in Exhibit "A" to guarantee the faithful performance by the Lessee of all provisions of the Lease, Division 6 of the Public Resources Code and the regulations of the State, including, but not limited to, the plugging and abandonment of all wells and the removal of production facilities and the immediate elimination of any contamination or pollution caused by or resulting from operations under the Lease. The bond shall require the surety to give at least one hundred fifty (150) days written notice of its intention to cease acting as guarantor. If a surety gives notice of its intention to cease acting as guarantor, the Lessee shall provide to the State within forty-five (45) days of such notice a replacement bond of equal value to become effective upon the expiration of the existing bond. Failure to provide such a replacement bond within the required time shall constitute a default entitling the State to levy against the entire amount of the existing bond.

13. NOTICES

All notices to be given under the Lease shall be in writing or by electronic media producing a permanent record. When given in writing, the notice shall be given personally or by registered or certified mail, return receipt requested, and addressed to the State and to the operator at their addresses given below. All notices shall be effective when received.

To the State: State Lands Commission
 Attn: Chief, Mineral Resources Management Division
 State Lands Commission
 200 Oceangate, 12th Floor
 Long Beach, CA 90802

To the Lessee: Vintage Petroleum LLC
 9600 Ming Avenue, Suite 300
 Bakersfield, CA 93311

The addresses to which the notices shall be mailed may be changed by written notice given by one party to the other as provided above. Nothing contained in this paragraph shall preclude the giving of any notice by personal service to the Lessee or its officer or agent. All payments specified in the Lease shall be made to the State at the address provided for notices to the State.

14. FAILURE TO ENFORCE

The failure of the State to enforce any provision of the Lease, which includes the exhibits, shall not constitute a waiver by the State of that or any other provision.

15. CONFLICT OF TERMS OR CONDITIONS

To the extent that the provisions in the foregoing modifications to the lease are in conflict with the provisions in the Lease before the effective date of this Assignment Consent Agreement, the provisions in this consent shall prevail over the provisions in the lease before the effective date of this Consent to Assignment and shall completely replace them.

Conversely, to the extent that any provision in the Unit Agreement for the Rio Vista Gas Unit is conflict with any provision of in the foregoing modifications to the lease, the provision in the Unit Agreement shall prevail.

STATE OF CALIFORNIA
STATE LANDS COMMISSION
Lessor

VINTAGE PETROLEUM LLC
Lessee

By: _____
(Signature)

By: _____
(Signature)

(Name of Officer)

(Name of Officer)

(Title)

(Title)

Date: _____

Date: _____

EXHIBIT "A"

RENTAL, ROYALTY PERCENTAGE AND BONDING REQUIREMENTS

1. RENTAL

The annual rental for the Lease shall be twenty dollars (\$20.00) per acre or fraction of an acre for a total of fifty six thousand five hundred and forty dollars (\$56,540.00) for approximately 2827 acres, more or less.

2. ROYALTY PERCENTAGE

(a) The royalty percentage on all gas substances, as defined in paragraph 3(a) herein, shall be fixed at thirty five percent (35%) for all "Unit Wells" (wells drilled within the boundaries and producing from the unit formation(s)), and current "Non-Unit Wells" (listed in Exhibit "B").

(b) The royalty percentage on all gas substances from new wells drilled in or producing from State lands within the PRC E415 lease, shall be fixed at twenty five percent (25%) for "Non-Unit Wells," which include wells drilled within the unit but below the unit depth of 5450 feet (TVD) and wells drilled outside the unit boundaries but on state lands within the PRC E415 lease boundary.

3. BOND

The performance bond or other security to be furnished and maintained by the Lessee shall be in the sum of two million dollars (\$2,000,000.00).

4. REVIEW

Every five years the State may review the sufficiency of, and amend the following specific terms of the lease: (1) the bond to ensure performance by the Lessee of all of the covenants and obligations under the Lease including abandonment obligations; (2) the insurance requirements to ensure liability protection; and, (3) the rent to ensure it is comparable for like properties.

EXHIBIT “B”

CURRENT NON-UNIT STATE WELLS

1. Idle Wells:

RVS 11
RVS 19
RVS 23

2. Plugged Wells:

RVS 13
RVS 21

3. Active Wells:

RVS 15
RVS 17
RVS 22
RVS 26
RVS 27 – RD#1
RVS 28
RVS 31

EXHIBIT "C" **LEASE "AREAS" MAP**

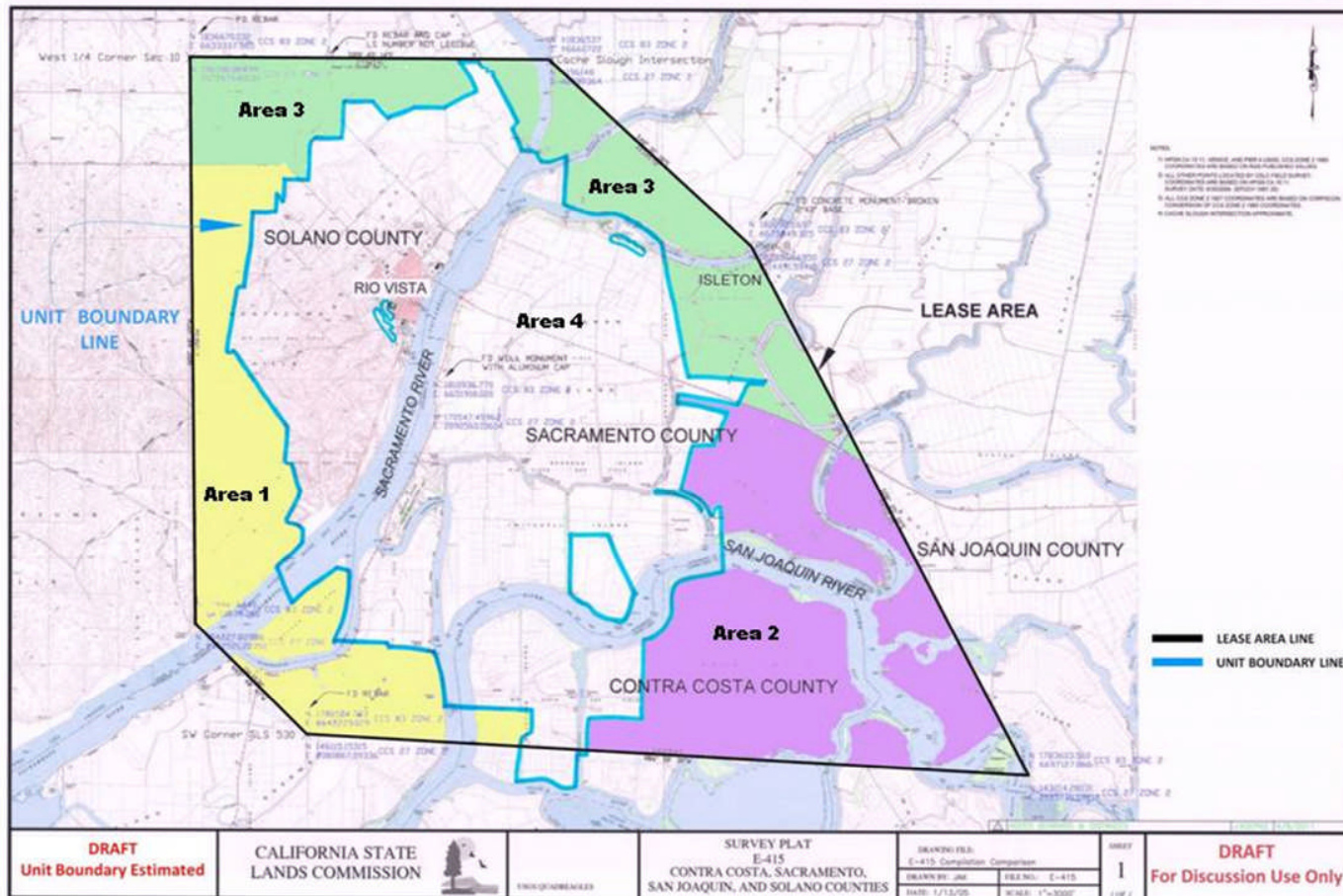


EXHIBIT C

PRC E-415.1

GUARANTY

1. **Occidental Oil and Gas Holding Corporation a California corporation,** (“Guarantor”) owns **Vintage Petroleum LLC, a Delaware limited liability company.** Vintage Petroleum LLC is the lessee of 100.00% interest in a Gas Lease designated as PRC E-415.1 ("State Lease") granted by the State of California acting by and through the State Lands Commission (“Lessor”). For valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, Guarantor hereby unconditionally guarantees performance by Vintage Petroleum LLC of all the terms, covenants, conditions, agreements, and obligations of the State Lease in the same manner and to the same extent as though Guarantor were the lessee thereunder (the “Obligation”).
2. This is a continuing and absolute Guaranty relating to the Obligation, irrespective of any release of, or granting of time or any other forbearance or indulgence to Vintage Petroleum LLC, except as specifically authorized by the Lessor. Modifications of or alterations or changes which may be made in the State Lease, or in the terms, duties and obligations imposed thereunder shall not in any way release the Guarantor, either in whole or in part, from any liability arising under this Guaranty. Notice to the Guarantor of any such modifications, alterations, changes, extensions or forbearance is hereby waived.

3. If, during the term this Guaranty is in effect, Vintage Petroleum LLC fails to timely perform any obligation arising under the State Lease, including without limitation, the obligation to make any monetary payment provided for thereunder, and fails to cure any such failure in the manner and within the period of time provided within the State Lease, Guarantor will tender performance of such obligation directly for Lessor's benefit promptly upon Lessor's demand therefore, and without Lessor having to make prior demand upon Vintage Petroleum LLC. Notwithstanding the preceding sentence, the obligations of the Guarantor hereunder are independent of the obligations of Vintage Petroleum LLC, and a separate action or actions may be brought and prosecuted against the Guarantor whether an action is brought against Vintage Petroleum LLC or whether Vintage Petroleum LLC is joined in any such action or actions.
4. The Guarantor waives: (a) any right to require the Lessor to (i) proceed against Vintage Petroleum LLC; (ii) proceed against or exhaust any security or other guarantor; or (iii) pursue any other remedy in Lessor's power whatsoever; and (b) notice of acceptance of this Guaranty
5. The Guarantor represents and warrants to Lessor that (a) all authorizations, approvals, notices, filings and other action required by the internal documents governing the Guarantor and the regulatory authorities having jurisdiction over the Guarantor in connection with the due authorization, execution and delivery of this Guaranty has been duly obtained or made and are in full force and effect; and (b) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and

binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

6. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Guarantor, by its execution of this Guaranty, hereby submits to the non-exclusive jurisdiction of the courts of the State of California and of the United States of America in connection with any action or proceeding relating to this Guaranty and hereby consents to service of process or other summons in any such action or proceeding brought by Lessor against it in any such court by means of registered mail to the last known address of the Guarantor. Nothing herein, however, shall prevent service of process by any other means permitted by law or the bringing of any such action or proceeding in any other jurisdiction.
7. None of the terms or provisions hereof may be waived, altered, modified or amended except by a writing duly signed by the Lessor and by the undersigned. If any term hereof shall be held to be invalid, illegal or unenforceable in any jurisdiction, the validity of all other terms shall in no way be affected thereby in that jurisdiction, and the unenforceability in that jurisdiction shall in no way affect the validity or enforceability of that or any other terms hereof in any other jurisdiction.
8. This Guaranty shall be binding on the Guarantor and its successors and assigns and shall inure to the benefit of the Lessor. This Guaranty shall not be deemed to benefit any person except Vintage Petroleum LLC and Lessor.

In witness whereof, the Guarantor has caused this Guaranty to be executed on its behalf
by its duly authorized representatives, as of this 23th day of June 2011.

Occidental Oil and Gas Holding Corporation.

By:  _____

Name: TODD STEVENS

Title: VICE PRESIDENT