

**CALENDAR ITEM
C62**

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06/23/11
PRC 8354.1
N. Lavoie

**ASSIGNMENT AND AMENDMENT OF LEASE
AND THE CONTINUATION OF RENT**

LESSEE/ASSIGNOR:

Rosetta Resources Operating LP
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEE:

Vintage Petroleum, LLC
10889 Wilshire Boulevard
Los Angeles, CA 90024

AREA, LAND TYPE, AND LOCATION:

0.0419 acres, more or less, of sovereign land in Sevenmile Slough, adjacent to Twitchell and Brannan Islands, near the city of Rio Vista, Sacramento County.

AUTHORIZED USE:

Use and maintenance of an existing eight-inch diameter natural gas pipeline as shown on Exhibit A.

LEASE TERM:

20 years, beginning November 01, 2001.

CONSIDERATION:

\$100 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT:

Amend Lease No. PRC 8354.1 as follows:

Section 1 (General Provisions) to revise the liability insurance coverage from not less than \$1,000,000 to not less than \$5,000,000 and to revise the surety bond or other security from \$10,000 to \$20,000.

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Section 2 (Special Provisions) to revise engineering provisions, and add additional engineering and reporting provisions.

OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On November 26, 2001, the Commission authorized a 20-year General Lease – Right-of-Way Use to Calpine Natural Gas Company for the construction of an eight-inch diameter natural gas pipeline. On October 30, 2007 the Commission authorized the assignment of the lease to Rosetta Resources Operating LP. The lessee has made application to assign the lease to Vintage Petroleum, LLC.
3. Vintage Petroleum, LLC (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 guaranty for the full performance of all obligations under Lease No. PRC 8354.1.
4. The existing pipeline was installed utilizing horizontal directional drilling in 2001. The natural gas pipeline connects the Rio Vista Gas Unit (RVGU) No. 226 gas well on Twitchell Island to the RVGU No. 209 gas well on Brannan Island. The pipeline was last inspected on the south side on May 25, 2011 and on the north side May 28, 2011. No repairs or modifications made within the lease area were necessitated by the inspections.
5. This lease provides that Lessor may modify the rent periodically during the lease term. Pursuant to this provision, staff has conducted a review of the rent under this lease, and recommends that the rent be continued at \$100 per year, effective November 1, 2011.
6. As part of assignment staff reviewed lease requirements and are recommending that the lease be amended to include additional engineering and reporting provisions, standard in new leases, to revise liability insurance coverage from not less than \$1,000,000 to not less than \$5,000,000 and to; revise surety bond or other security device from \$10,000 to \$20,000.
7. Pursuant to the Commission's delegation of authority and the 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 the State CEQA Guidelines.

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

EXHIBIT:

- A. Site and Location Map

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

AUTHORIZATION:

Authorize the Assignment of Lease No. PRC 8354.1, a General Lease Right-of-Way Use, of sovereign land in Sevenmile Slough as shown on Exhibit A (for reference purposes only) attached and by this reference made a part hereof, from Rosetta Resources Operating LP to Vintage Petroleum, LLC and acceptance of a parental guaranty from Occidental Oil and Gas Holding Corporation, effective June 23, 2011.

Authorize the amendment of Lease No. PRC 8354.1, to include the revision of the liability insurance coverage from not less than \$1,000,000 to not less than \$5,000,000; surety bond or other security from \$10,000 to \$20,000; and revise engineering provisions, and add additional engineering and reporting provisions, effective June 23, 2011.

Approve the continuation of rent for Lease No. PRC 8354.1 at \$100 per year, effective November 1, 2011.