

**CALENDAR ITEM
C68**

A 8,11
S 4,7

04/26/13
PRC 3978.1
R. Boggiano

ASSIGNMENT AND AMENDMENT OF LEASE

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 located in Suisun Bay, near the city of Pittsburg, Contra Costa and Solano counties

AUTHORIZED USE:

Continued use and maintenance of one existing four-inch diameter condensate steel pipeline and one 12-inch diameter natural gas steel pipeline.

LEASE TERM:

34 years, beginning May 1, 1983.

CONSIDERATION:

\$6,180 per year; with the State reserving the right to fix a different rent, periodically during the lease, as provided in the lease.

PROPOSED AMENDMENT:

Amend Lease No. PRC 3978.1 as follows:

1. Section 1 (General Provisions) to revise the liability insurance coverage from no less than \$1,000,000 to no less than \$5,000,000 per occurrence; or equivalent staff approved self-insurance program; and to revise the security bond from \$25,000 to \$50,000.

CALENDAR ITEM NO. **C68** (CONT'D)

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 its entirety Section 3 (Land Description) with the attached Exhibit A (Land Description) and B (Site and Location Map).

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

OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the upland adjoining the lease premises.
2. On July 12, 1984, the Commission authorized a General Lease - Right-of-Way Use, Lease No. PRC 3978.1, for the use and maintenance of a 12-inch natural gas pipeline and a four-inch condensate pipeline with Chevron U.S.A. Inc. and Shell California Production, Inc., beginning May 1, 1983. On October 26, 1989, the Commission authorized the assignment of all interest in the lease to Chevron U.S.A. Inc. and on January 29, 1999, 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 April 30, 2017.
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 3978.1.
4. The pipelines were installed in 1968 in Suisun Bay between Ryer Island and a location on shore between Port Chicago and Pittsburg. A burial survey of the pipeline was performed in March 2013 and reported sections of the pipeline are not adequately buried to a minimum depth of five feet. The amendment 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.

CALENDAR ITEM NO. **C68** (CONT'D)

5. The staff recommends that the Commission find that the subject lease assignment and amendment 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 and amendment 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 3978.1, a General Lease Right-of-Way Use, of sovereign land in Suisun Bay as described in Exhibit A and shown on Exhibit B (for reference purposes only) attached and by this reference made a part hereof, from Venoco, Inc. to Vintage Production California, LLC, effective April 26, 2013.
2. Authorize an Amendment of Lease No. PRC 3978.1, to include the revision of the liability insurance coverage from no less than \$1,000,000 to no less than \$5,000,000 per occurrence or equivalent staff-approved self-insurance program; revise the surety bond from \$25,000 to \$50,000; to add additional provisions for pipeline burial survey, remediation plan, engineering, reporting and abandonment plans; replace in its entirety Section 3 (Land Description) with the attached Exhibit A (Land Description) and 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.

CALENDAR ITEM NO. **C68** (CONT'D)

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

EXHIBIT A

PRC 3978.1

LAND DESCRIPTION

A strip of tide and submerged land 25 feet wide lying in the bed of the Suisun Bay, Counties of Solano and Contra Costa, State of California, lying 12.5 feet on each side of the following described centerline:

BEGINNING at a rebar with a cap having CCS 83 Zone 2 coordinates of Northing 1780754.76 feet, Easting 6565043.27 feet which bears North 50° 59' 29" West, 17298.63 feet from the NGS monument "P3716+33.00 EBMUD" (PID AA3823) having CCS 83 Zone 2 coordinates of Northing 1769866.39 feet, Easting 6578485.22 feet (Published CCS 83 Zone 3 coordinates of Northing 2197825.63 feet, Easting 6146409.14 feet (Epoch 2010.00)); thence the following eighteen (18) courses:

1. North 04° 01' 53" East 163.52 feet;
2. North 47° 18' 34" West 999.39 feet;
3. North 43° 19' 33" West 599.80 feet;
4. North 50° 27' 07" West 199.38 feet;
5. North 44° 52' 26" West 996.64 feet;
6. North 39° 51' 02" West 200.82 feet;
7. North 46° 17' 27" West 1195.96 feet;
8. North 58° 35' 44" West 197.51 feet;
9. North 87° 26' 09" West 194.91 feet;
10. North 77° 41' 34" West 199.58 feet;
11. North 82° 58' 27" West 491.77 feet;
12. North 75° 31' 45" West 707.64 feet;
13. North 63° 00' 55" West 199.03 feet;
14. North 35° 43' 21" West 197.94 feet;
15. North 29° 00' 06" West 199.86 feet;
16. North 22° 18' 00" West 2791.57 feet;
17. North 21° 40' 36" West 1602.57 feet;
18. North 05° 36' 13" West 328.13 feet to the terminus of said centerline.

The sidelines of said strip to be lengthened or shortened as to terminate at the ordinary high water mark of Suisun Bay.

EXCEPTING THEREFROM any portion lying landward of the ordinary high water mark of said Suisun Bay.

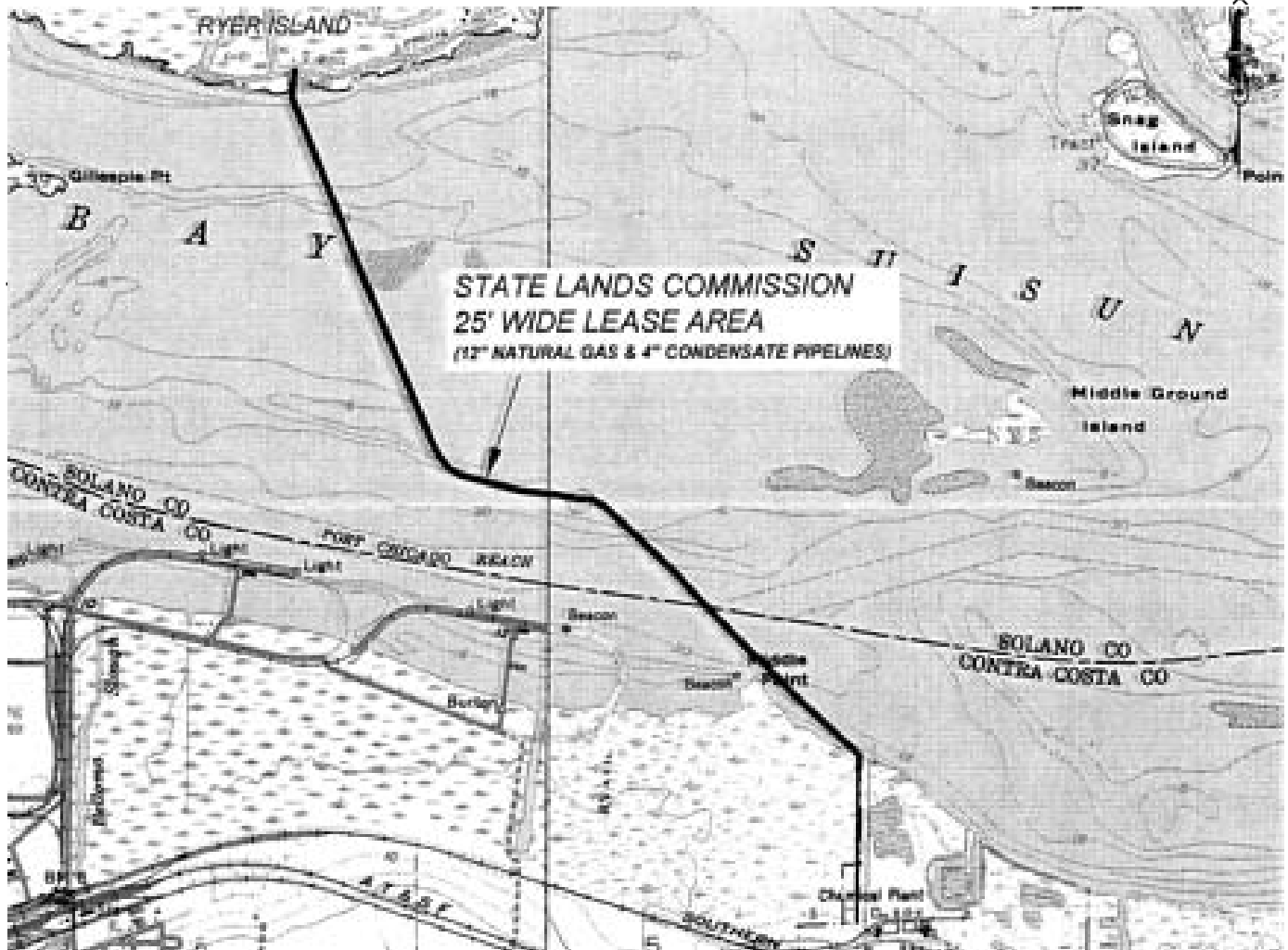
END OF DESCRIPTION

Prepared 03/27/2013 by the California State Lands Commission Boundary Unit



NO SCALE

SITE



CROSSING SUISUN BAY NEAR THE CITY OF PITTSBURG

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit B

PRC 3978.1
 VINTAGE PRODUCTION
 CALIFORNIA, LLC
 GENERAL LEASE -
 RIGHT-OF-WAY USE
 SOLANO, CONTRA COSTA
 COUNTIES



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.