

**CALENDAR ITEM
C25**

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06/19/14
PRC 8796.1
D. Oetzel
J. Rader

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AMENDMENT OF LEASE AND REVISION OF RENT

APPLICANT/LESSEE:

Vintage Petroleum, LLC
c/o Oxy Long Beach, Inc.
111 West Ocean Blvd., Suite 800
Long Beach, CA 90802

AREA, LAND TYPE, AND LOCATION:

2.46 acres, more or less, of sovereign land in the San Joaquin River, adjacent to Sherman and Bradford Islands, Sacramento and Contra Costa Counties.

AUTHORIZED USE:

Continued use and maintenance of a 4-inch diameter natural gas gathering pipeline encased in a deactivated 10-inch diameter natural gas pipeline.

LEASE TERM:

20 years, beginning August 22, 2008.

CONSIDERATION:

This lease provides that Lessor 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 that rent be revised from \$423 per year to \$1,072 per year, effective August 22, 2014.

PROPOSED AMENDMENT:

Amend Lease No. PRC 8796.1 to:
Modify the parent guaranty for full performance of obligations under the lease to be California Resources Corporation, in place of Occidental Oil and Gas Holding Corporation (OOGHC).

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

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OTHER PERTINENT INFORMATION:

1. Applicant/Lessee has the right to use the upland adjoining the lease premises.
2. On December 12, 1957, the Commission authorized a Right-of-Way Easement to Pacific Gas and Electric Company (PG&E) for a 10-inch diameter natural gas pipeline (Line 195A). On January 26, 1978, the Commission authorized Master Lease No. PRC 5438.1 to PG&E that incorporated various natural gas pipelines throughout the State into one lease. On August 22, 2008, the Commission authorized the Amendment to Master Lease PRC 5438.1 removing this crossing from the Master Lease and authorized issuance of a new General Lease – Right-of-Way Use Lease No. 8796.1 to Rosetta Resources Operating LP (Rosetta). The lease will expire on August 21, 2028.
3. On June 23, 2011, the Commission authorized the Assignment and Amendment of Lease No. PRC 8796.1 from Rosetta Resources Operating LP to Vintage Petroleum, LLC (Vintage). The lease was also amended to increase the liability insurance coverage, add a parental guaranty, and revise and add engineering and reporting provisions.
4. Vintage is currently a wholly-owned subsidiary of Oxy USA Inc. Vintage is responsible for complying with all obligations of the lease for the existing facilities and OOGHC provides an unconditional parent guaranty for the full performance of all obligations under Lease No. PRC 8796.1.
5. Occidental Petroleum Corporation (“OPC”), which is the parent company of both Oxy USA Inc. and OOGHC, is currently in the process of separating its assets into an independent and separately traded company. On February 13, 2014, the Board of Directors of OPC authorized the separation of OPC’s California business into a separate and independent publicly traded company. This new company, California Resources Corporation (“CRC”), will be separated from OPC following certain regulatory approvals, including the declaration of the United States Securities and Exchange Commission that CRC’s Registration Statement on Form 10 is effective and final approval of OPC’s Board of Directors. When separated, CRC will replace OPC as the ultimate parent company with respect to OPC business in California. For reference purposes, the separation described above is referred to as “Oxy’s spin-off.”

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6. The Commission's approval would be conditioned upon approval of: (1) the declaration of the United States Securities and Exchange Commission that CRC's Registration Statement on Form 10 is effective; (2) the most recent pro forma balance sheet included in CRC's Registration Statement on Form 10 and declared effective by the United States Securities and Exchange Commission that reflects the net worth (total assets less total liabilities) of CRC to be in excess of One Billion Dollars (US); and, (3) final approval of Oxy's spin-off by the OPC Board of Directors. Until such time, OOGHC will remain the parent guaranty.
7. The existing pipeline was installed in 1942 and was maintained and operated by PG&E until 2003. The pipeline sat idle until PG&E sold Line 195A to Rosetta Resources Operating LP (Rosetta) in 2007. Rosetta installed a new four-inch diameter flexible gathering pipeline into the existing deactivated ten-inch diameter pipeline previously used by PG&E. The installation of the four-inch flexible pipeline was completed on November 4, 2008.
8. The pipeline is classified as a rural gathering line flowing natural gas production from Bradford Island to a delivery point on Sherman Island crossing the San Joaquin River. The pipeline was last inspected on May 5, 2010 on the Sherman Island side and on December 14, 2010 on the Bradford Island side. No repairs or modifications made within the lease area were necessitated by the inspections.
9. Under the lease, the Lessor is authorized to conduct a review of the rent every five years on the anniversary date. Staff conducted a rent review and recommends the rent be increased.
10. Staff recommends that the Commission find that the subject lease 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 is, therefore, not a project 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.

EXHIBIT:

- A. Site and Location Map

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RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the subject lease 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 activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

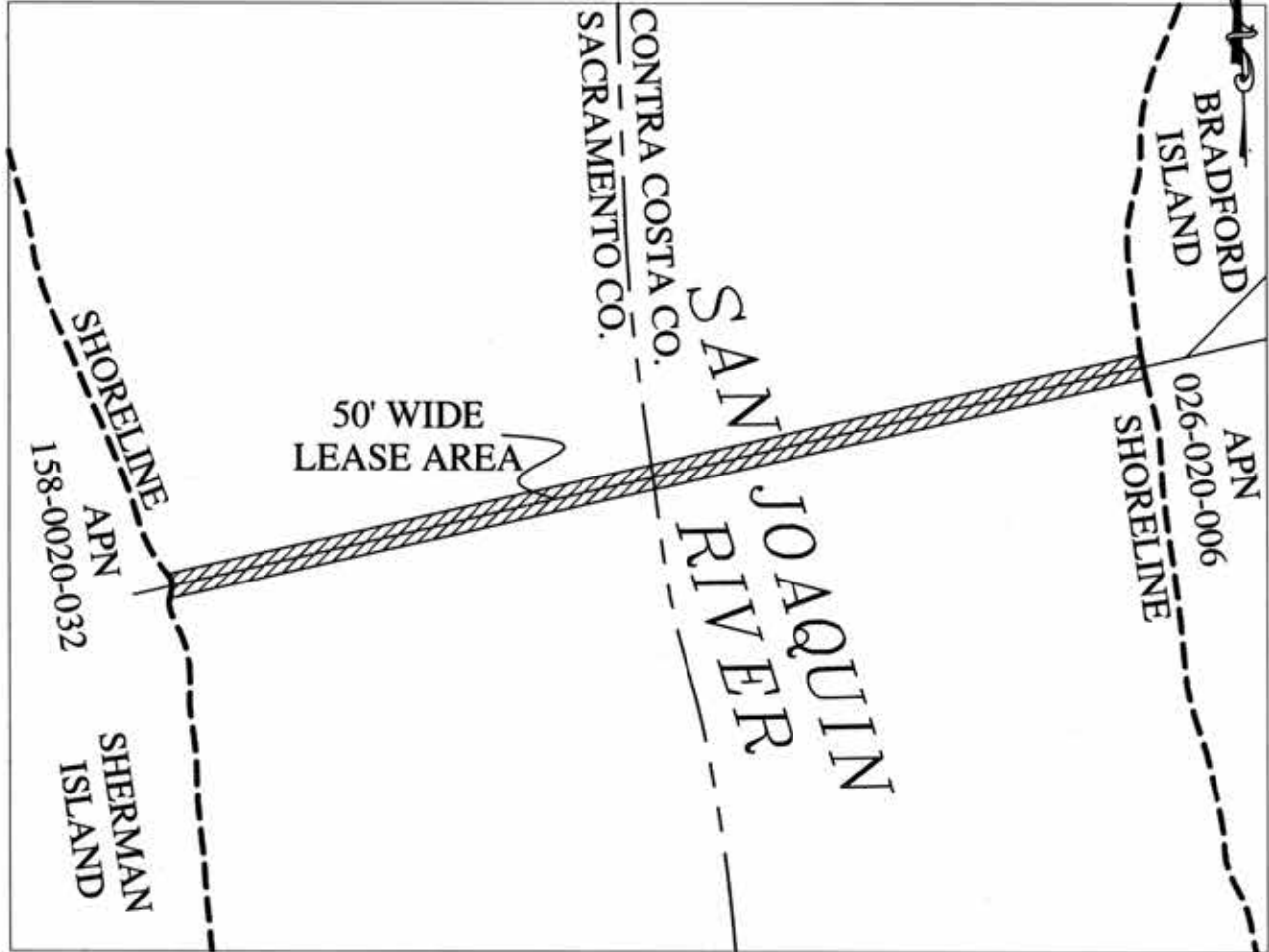
1. Authorize an amendment of Lease No. PRC 8796.1, to amend the parent guaranty from Occidental Oil and Gas Holding Corporation (OOGHC) to California Resource Corporation for full performance of obligations under the lease, effective upon the State's receipt of: (1) declaration of the United States Securities and Exchange Commission that CRC's Registration Statement on Form 10 is effective; (2) the most recent pro forma balance sheet included in CRC's Registration Statement on Form 10 and declared effective by the United States Securities and Exchange Commission that reflects the net worth (total assets less total liabilities) of CRC to be in excess of One Billion Dollars (US); and, (3) final approval of Oxy's spin-off by the OPC Board of Directors. Until such time, OOGHC will remain the parent guaranty.

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

2. Approve the revision of rent for Lease No. PRC 8796.1 from \$423 per year to \$1,072 per year, effective August 22, 2014.

NO SCALE

SITE



10" Natural Gas Pipeline
 San Joaquin River, between Sherman and Bradford Island

NO SCALE

LOCATION



MAP SOURCE: USGS QUAD

Exhibit A

PRC 8796.1
 VINTAGE PETROLEUM, LLC
 APN 158-0020-032 & APN 026-020-006
 GENERAL LEASE -
 RIGHT-OF-WAY USE
 SACRAMENTO &
 CONTRA COSTA COUNTY



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.