MINUTE ITEM
This Calendar Item No. C25 was approved as Minute Item No. 25 by the California State Lands Commission by a vote of 2 to 0 at its 5/9/96 meeting.

CALENDAR ITEM
C25

A 37, 58

S 33, 37

05/09/96
PRC 3033.1
PRC 3095.1
PRC 3413.1
PRC 3116.1
PRC 3394.1
Willard

CONSIDER APPROVAL OF THE ASSIGNMENT AND AMENDMENT OF STATE OIL AND GAS LEASE NOS. PRC 3O33.1, PRC 3095.1 AND PRC 3413.1, AND RIGHT-OF-WAY LEASE NOS. PRC 3116.1 AND PRC 3394.1, ORANGE COUNTY

ASSIGNOR:

Union Oil Company of California
Attention: Mr Jeffery S. Attebery
P. O. Box 6176
Ventura, CA 93006

ASSIGNEE:

Nuevo Energy Company
Attention: Ms Sue Ann Craddock
2323 Knoll Drive
Ventura, CA 93006

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease Nos. PRC 3033.1, PRC 3095.1 and PRC 3413.1 consist of 7,344 acres of tide and submerged lands located within the Huntington Beach and Belmont Offshore oil and gas fields in Orange County and Right-of-Way Lease Nos. PRC 3116 and PRC 3394 consist of approximately 19 acres of tide and submerged lands in San Pedro Bay, Orange County.

LAND USE:

Oil and gas development and production and the continued use and maintenance of existing submarine pipelines, water lines and power cables which serve Platform Eva and Platform Esther.

BACKGROUND:

Union Oil Company of California is the current lessee of the State Oil and Gas and the Right-of-Way Leases. Union proposes to assign all of its interest in the leases to Nuevo Energy Company. The assignments will be conditional and will require Union to remain liable for obligations under the leases including abandonment of all facilities authorized under the leases.

An amendment of the leases has been proposed to provide for certain modifications to the security requirements for faithful performance by the Lessee of the terms and conditions of the leases. A blanket bond in the amount of $5 million to guarantee performance by the Lessee of all the terms and conditions of the leases, and rules and regulations of the State, including the maintenance of all platforms and pipelines and their removal at the request of the State upon expiration or termination of these leases, will be provided by the effective date of the assignments. Within ninety days of the effective date of the assignments, the Lessee will provide an additional bond in the amount of $5 million. The total bond amount of $10 million is estimated to be the current cost of abandonment and removal of the existing platforms (Esther and Eva) and the various pipelines. The amount of the bonds will be subject review and modification every three years based on the change of Bureau of Labor Statistics Index Code No. 0561 Crude Petroleum (Domestic Production). Additionally the Lessee and the State may annually review the security requirements of the leases and, if appropriate, agree on modification and amendment of the leases.

On April 1, 1996, Nuevo Energy Company requested approval of the assignment of these leases from Union Oil Company of California to Nuevo. Nuevo has submitted corporate and financial data which were reviewed by Commission staff. Based on the results of the reviews, Commission staff has determined that Nuevo Energy Company possesses the financial resources to meet the requirements and obligations under the oil and gas leases and right-of-way leases. Therefore, Commission staff recommends approval of assignment of Union's interests in these leases to Nuevo Energy Company.

PREREQUISITE CONDITIONS, FEES AND EXPENSES:

Assignment forms have been executed by Union Oil Company of California and Nuevo Energy Company and are on file in office of the Commission; Nuevo Energy Company is qualified to hold State leases; and the filing fees and processing costs have been received.

STATUTORY AND OTHER REFERENCES:

A. Public Resources Code: Division 6, Parts 1 and 2; Division 13.

B. Cal. Code of Regulations: Title 2, Division 3; Title 14, Division 6.

AB 884:

N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

   Authority: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

2. This activity involves lands identified as possessing significant environmental values pursuant to Public Resources Code Sections 6370, et seq., but will not affect those significant lands.

EXHIBIT:

A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.

2. FIND THAT THIS ACTIVITY WILL INVOLVE LANDS IDENTIFIED AS POSSESSING SIGNIFICANT ENVIRONMENTAL VALUES PURSUANT PUBLIC RESOURCES CODE 6370 ET SEQ., BUT THAT SUCH ACTIVITY WILL HAVE NO DIRECT OR INDIRECT EFFECT ON SUCH LANDS.

3. APPROVE THE ASSIGNMENT FROM UNION OIL COMPANY OF CALIFORNIA (LESSEE/ASSIGNOR) TO NUEVO ENERGY COMPANY (ASSIGNEE) OF ALL OF UNION'S INTEREST IN STATE OIL AND GAS LEASE NOS. PRC 3033.1, PRC 3095.1 AND PRC 3413.1, RIGHT-OF-WAY LEASE NOS. PRC 3116.1 AND PRC 3394.1, HUNTINGTON BEACH AND BELMONT OFFSHORE FIELDS, ORANGE COUNTY.

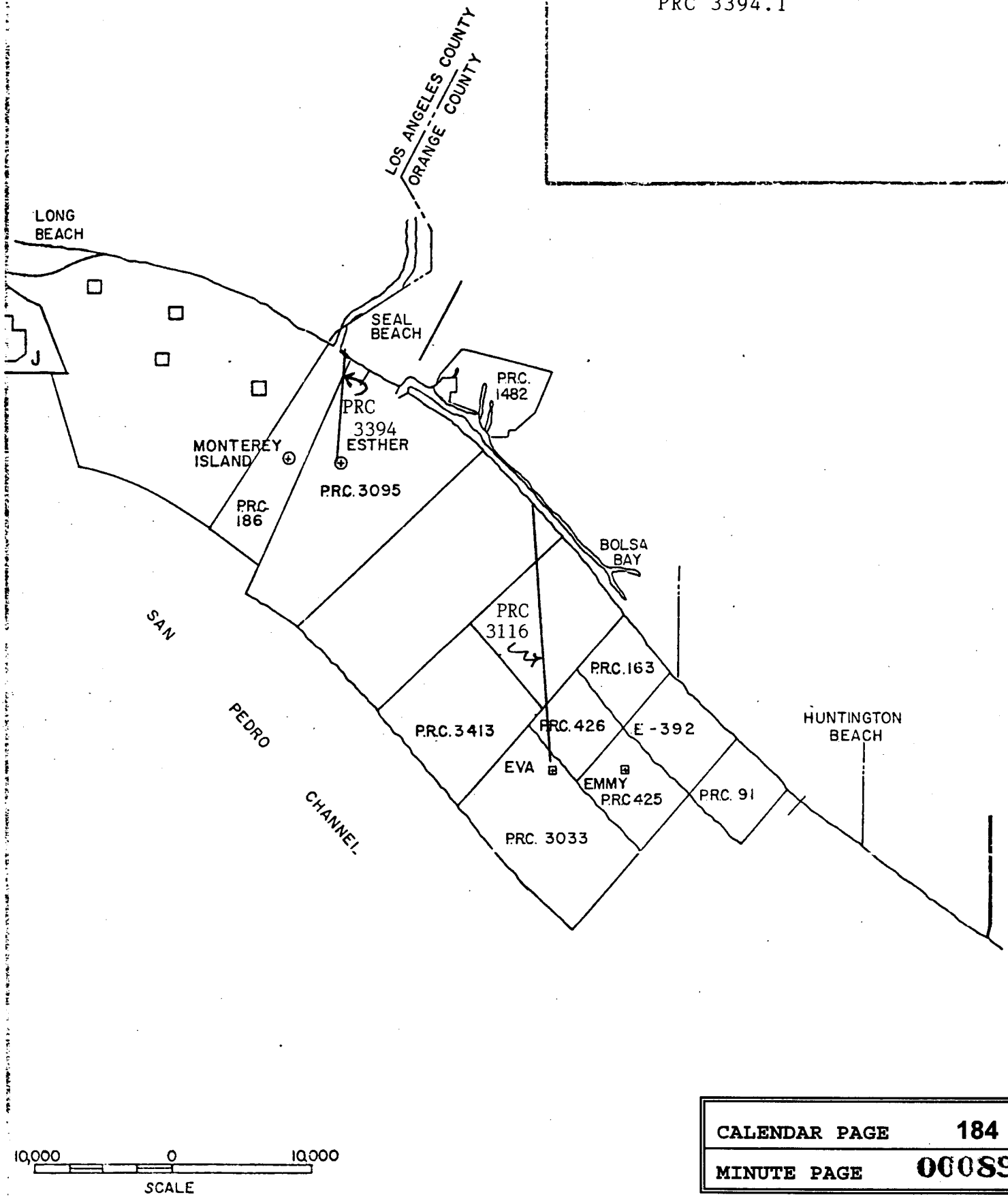
4. APPROVE THE AMENDMENT OF THE ABOVE LEASES REGARDING THE SECURITY REQUIREMENTS FOR FAITHFUL PERFORMANCE OF THE TERMS AND CONDITIONS OF THE LEASES, IN SUBSTANTIALLY THE FORM ON FILE IN THE OFFICE OF THE COMMISSION.

5. AUTHORIZE THE EXECUTIVE OFFICER, OR HIS DESIGNEE, TO EXECUTE SUCH DOCUMENTS AS NECESSARY TO EFFECT THESE ASSIGNMENTS AND AMENDMENTS.

6. THE ASSIGNMENTS SHALL TAKE EFFECT ON THE FIRST DAY OF THE MONTH FOLLOWING APPROVAL BY THE COMMISSION AND THE RECEIPT OF THE REQUIRED SECURITY, EXECUTED ASSIGNMENT DOCUMENTS AND AMENDMENTS TO THE LEASES. IF THESE DOCUMENTS ARE NOT RECEIVED PRIOR TO SEPTEMBER 1, 1996, THEN THIS APPROVAL IS NULL AND VOID.

EXHIBIT "A"

PRC 3033.1
PRC 3095.1
PRC 3413.1
PRC 3116.1
PRC 3394.1



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