

MINUTE ITEM

This Calendar Item No. C76
was approved as Minute Item
No. 76 by the State Lands
Commission by a vote of 2
to 0 at its 7/11/97
meeting.

**CALENDAR ITEM
C76**

A 35
S 18

07/11/97
PRC 421.1
PRC 3120.1
PRC 3242.1
PRC 3904.1
PRC 5515.1
J. Tanner

**CONSIDER APPROVAL OF THE ASSIGNMENT OF UNDIVIDED INTERESTS
IN OIL AND GAS LEASE NOS. PRC 421.1, PRC 3120.1
AND PRC 3242.1, AND INDUSTRIAL LEASES PRC 3904.1 AND PRC 5515.1,
SANTA BARBARA COUNTY**

BACKGROUND:

These three Oil and Gas Leases were issued between October 22, 1929, and April 8, 1965. The two Industrial Leases were issued between June 20, 1980, and March 1, 1983. Through a series of lease assignments and corporate name changes, the present lessee for these leases is Mobil Oil Corporation (Mobil). Mobil has requested Commission approval to assign these leases to Venoco, LLC (Venoco), an independent oil and gas company. Venoco has focused its growth in the acquisition of oil and gas properties in the coastal area of California and in particular producing basins which are no longer considered core areas by major oil companies. Its operating success has been demonstrated in the Whittier, Santa Clara Avenue and Beverly Hills fields.

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 \$7.5 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 structures, Platform Holly 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. Venoco has applied for a Certificate of Financial Responsibility from the Office of Oil Spill Prevention and Response in the Department of Fish and Game by providing liability insurance in the amount of \$250 million.

Venoco has submitted corporate and financial data which were reviewed by Commission staff. Based on the results of the reviews, Commission staff has determined that Venoco, LLC possesses the financial resources to meet the

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requirements and obligations under the oil and gas leases and industrial leases. Therefore, Commission staff recommends approval of assignment of Mobil's interests in these leases to Venoco, LLC.

Pursuant to Public Resources Code section 6804, the assignment will be effective the first of the month following submission of fully executed assignment and security documents and approval of the Commission.

STATUTORY AND OTHER REFERENCES:

- A. Section 4 of the Leases.
- B. Public Resources Code section: 6804

PERMIT STREAMLINING ACT DEADLINE:

N/A

OTHER PERTINENT INFORMATION

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

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

2. This assignment does not authorize Venoco to enlarge its facilities or engage in operations that have not been previously approved by the State Lands Commission or Santa Barbara County.
3. By approving this assignment the Commission will not be releasing Mobil from any obligations under the leases.
4. All filing fees and fully executed Assignment documents have been submitted by Mobil Oil Corporation, Atlantic Richfield Company and Venoco, LLC.

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EXHIBIT:

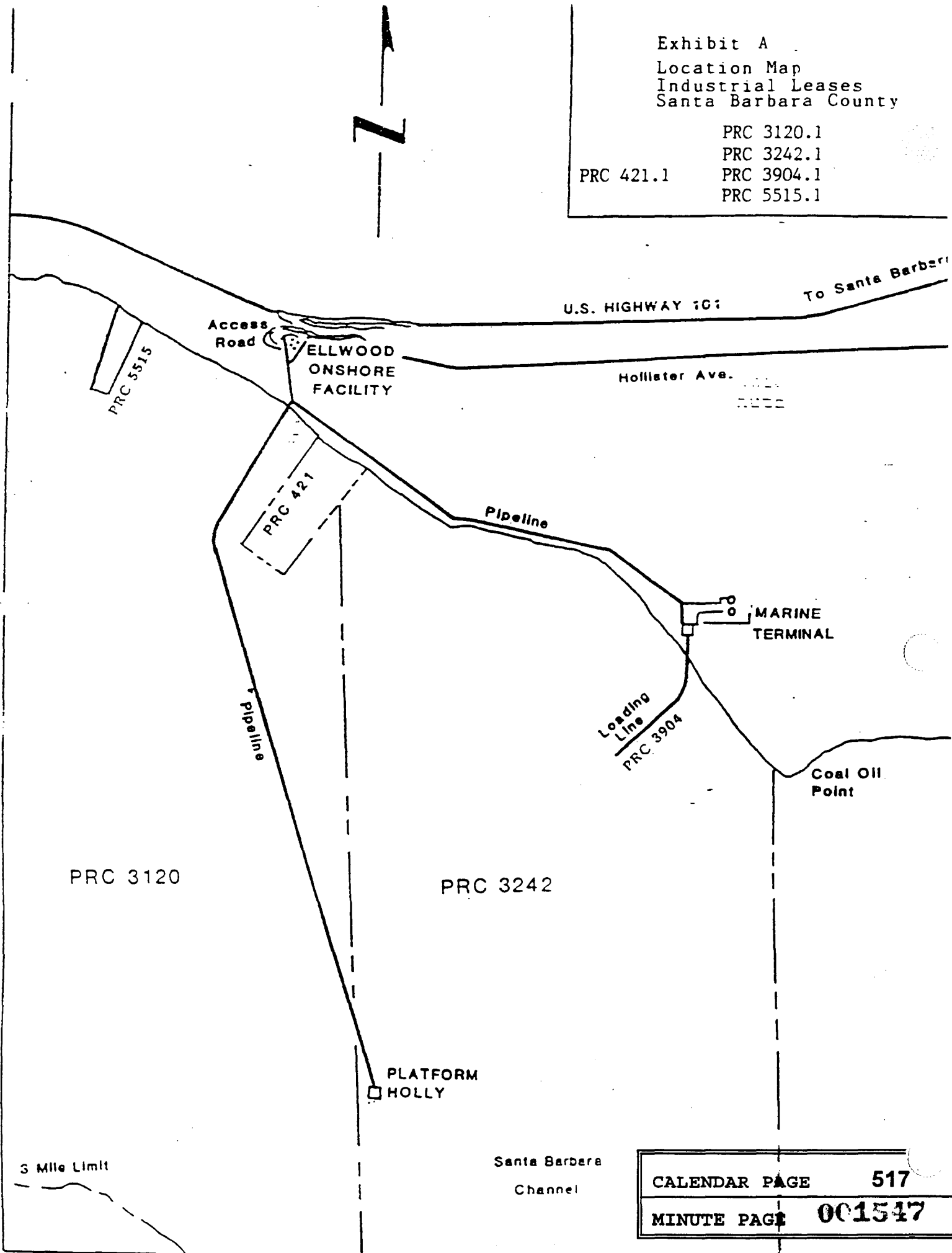
A. Location Map - Industrial Leases

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.
2. CONSENT TO THE ASSIGNMENT OF MOBIL OIL CORPORATION'S INTEREST IN OIL AND GAS LEASE NOS. PRC 421.1, PRC 3120.1 AND PRC 3242.1, AND INDUSTRIAL LEASES PRC 3904.1 AND PRC 5515.1, SANTA BARBARA COUNTY, TO VENOCO, LLC.
3. ASSIGNEE SHALL BE BOUND TO THE TERMS AND CONDITIONS OF THE LEASES TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN THE ASSIGNMENT AGREEMENTS TO THE CONTRARY NOT WITHSTANDING.
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. DELEGATE TO THE EXECUTIVE OFFICER OR HIS DESIGNEE, THE AUTHORITY TO EXECUTE ANY DOCUMENTS REQUIRED TO AFFECT THE ASSIGNMENT OF INTERESTS IN THESE LEASES.
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 NOVEMBER 1, 1997, THEN THIS APPROVAL IS NULL AND VOID.

Exhibit A
Location Map
Industrial Leases
Santa Barbara County

PRC 3120.1
PRC 3242.1
PRC 421.1
PRC 3904.1
PRC 5515.1



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