MINUTE ITEM
This Calendar Item No. C11
was approved as Minute Item
No. 11 by the State Lands
Commission by a vote of 3
to 0 at its 9-19-00
meeting.

CALENDAR ITEM
C11

A 35

S 18

09/19/00
PRC 7180.1
B. Dugal
A. Nitsche

ASSIGNMENT OF LEASE

LESSEE/ASSIGNOR:

Chevron U.S.A., Inc.
1700 Calle Mariposa Reina
Goleta, California 93117

ASSIGNEE:

Arguello, Inc.
500 Dallas Street, Suite 700
Houston, Texas 77002

AREA, LAND TYPE, AND LOCATION:

Lease No. PRC 7180 involves sovereign lands located in the Pacific Ocean, located offshore Gaviota, Santa Barbara County.

AUTHORIZED USE:

A Water Injection Lease which authorizes water from consolidated oil and gas processing facilities at Gaviota, to be injected into certain depleted zones located in a portion of State mineral lease no. PRC 2199.1.

LEASE TERM:

30 years, beginning April 1, 1988.

CONSIDERATION:

For each quarter, the rent is based on meter readings of the amount of water injected into the reservior. On or before the 20th day of the month following each calendar quarter that the Lease continues in effect, Lessee submits injection fees purusant to the Lease terms.

BACKGROUND INFORMATION:

On April 12, 1988, the CSLC approved the issuance of a water injection lease (PRC 7180.1) to Chevron USA, Inc. Subject to the CSLC's engineering staff review, the lease authorizes Chevron the right to convert three existing oil and gas wells to water injection wells. The wells were previously drilled into State mineral Lease No. PRC 2199.1. Chevron injects water that has been produced through or processed by the consolidated oil and gas processing facilities at Gaviota into the three converted wells.

OTHER PERTINENT INFORMATION:

1. CSLC staff received information regarding a Purchase and Sale agreement between Chevron USA, Inc., and Plains Resources, Inc., (Plains) in which Chevron agreed to transfer to Arguello, Inc., all of its interest in Lease No. PRC 7180. Arguello, Inc., is a recently formed corporation and is wholly owned by Plains. Since Arguello is a recently formed corporation, CSLC staff requested Plains provide a corporate guarantee, which guarantees the faithful performance by its wholly owned subsidiary, Arguello, Inc., of all of the terms and conditions of the leases. Staff and Plains have reached agreement on the corporate guarantee language.

2. Pursuant to the lease terms, a bond is required for the lease in the amount of $500,000. In order to satisfy the lease requirement, Arguello has submitted a bond in the amount of $500,000.

3. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California code of Regulations, section 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 the CEQA and the State CEQA Guidelines.

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

EXHIBITS:

A. Location Map
B. Lease Description – PRC 7180

PERMIT STREAMLINING ACT DEADLINE:

N/A

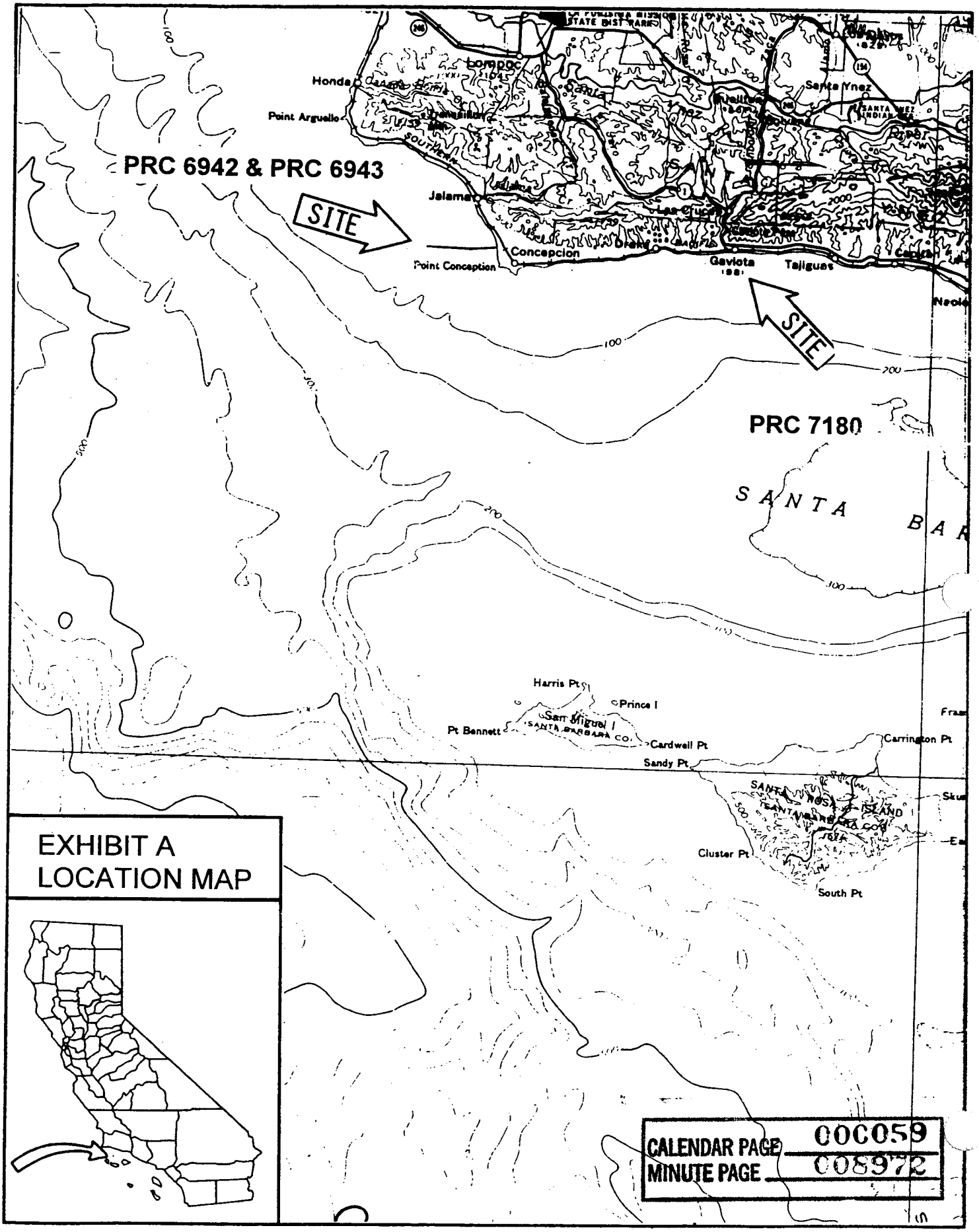
RECOMMENDED ACTION:
IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

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.

AUTHORIZATION:

AUTHORIZE THE ASSIGNMENT OF LEASE NO. PRC 7180, A WATER INJECTION LEASE, INVOLVING SOVEREIGN LANDS IN THE PACIFIC OCEAN NEAR GAVIOTA, AND AS DESCRIBED IN EXHIBIT B ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF; FROM CHEVRON U.S.A., INC., TO ARGUELLO, INC., EFFECTIVE JULY 1, 2000.



CALENDAR PAGE 000059
MINUTE PAGE 008972

EXHIBIT B

PRC 7180
LAND DESCRIPTION

A parcel of tide and submerged land in the Santa Barbara Channel, Santa Barbara County, California, described as follows:

That portion of the N 1/2 of State Lands Commission Lease PRC 2199.1 known as the Gaviota Offshore Field.

END OF DESCRIPTION

CALENDAR PAGE 000060
MINUTE PAGE 008973