

**CALENDAR ITEM
C33**

A 35, 37, 67

06/18/02
PRC 3997.1
PRC 4017.1
PRC 4324.1
PRC 5967.1
PRC 6417.1
PRC 6911.1
PRC 6923.1
J. Smith

S 18, 19, 35

ASSIGNMENT OF LEASES

LESSEE/ASSIGNOR:

Torch Operating Company
Attention: Ms. Sue Ann Craddock
2323 Knoll Drive
Ventura, California 93006

ASSIGNEE:

Nuevo Energy Company
Attention: Mr. Arthur R. Boehm, Jr.
1200 Discovery Drive, Suite 500
Bakersfield, California 93309

AREA, LAND TYPE, AND LOCATION:

Lease Nos. PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 6417.1, PRC 6911.1 and PRC 6923.1 are Right of Way Leases consisting of a total of approximately 195 acres of tide and submerged lands in Santa Barbara, Ventura and Orange counties. PRC 5967.1 is an Industrial Lease consisting of 24 acres of tide and submerged lands located in Ventura County.

AUTHORIZED USE:

Lease Nos. PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 5967.1, PRC 6911.1 and PRC 6923.1 are for the continued use and maintenance of existing submarine pipelines, water lines and electric lines which serve various Federal Outer Continental Shelf (OCS) oil and gas leases in the Pacific Ocean. PRC 6417.1 is for a submarine pipeline from OCS Platform Edith to State Platform Eva and power cables from State Platform Eva to shore.

CALENDAR ITEM NO. **C33** (CONT'D)

LEASE TERM:

- PRC 3997.1 - 49 years, beginning January 17, 1968.
- PRC 4017.1 - 49 years, beginning August 28, 1968.
- PRC 4324.1 - 49 years, beginning October 2, 1969.
- PRC 5967.1 - 25 years, beginning April 1, 1981.
- PRC 6417.1 - 25 years, beginning December 1, 1982.
- PRC 6911.1 - 25 years, beginning November 1, 1985.
- PRC 6923.1 - 25 years, beginning November 1, 1985.

OTHER PERTINENT INFORMATION:

1. Assignee owns or has a right to use the uplands adjoining the lease premises.

2. Torch Operating Company (Torch) is the current lessee of the Rights of Way and Industrial Leases. Torch operated these leases as a contract operator to the owner of the facilities, Nuevo Energy Company (Nuevo). Nuevo's management has made a decision to assume direct operation and maintenance for all of its facilities in California. The contract between Torch and Nuevo was terminated effective March 15, 2002. Staff is recommending that the seven leases be assigned from Torch to Nuevo effective June 1, 2002.

Nuevo currently maintains a \$10,000,000 bond for its existing operations in State waters. The assignment of these seven leases will require an additional bond amount of \$350,000. Nuevo will comply with that requirement either by issuing a separate blanket bond in the amount of \$350,000, or by increasing the amount of its existing bond. Each of the leases to be assigned requires liability insurance coverage in an amount no less than \$1,000,000. Nuevo currently maintains liability and excess liability insurance coverage in amounts more than sufficient to comply with the Commission's insurance requirement. Nuevo will provide evidence that these seven leases are covered by those insurance policies.

3. The oil and gas pipelines have been inspected pursuant to a Memorandum of Understanding between the Minerals Management Service and the Commission. Commission staff has reviewed the results of the inspections and all the pipelines have been approved for continued operation.

CALENDAR ITEM NO. C33 (CONT'D)

4. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060(c)(3) and 15378.

EXHIBIT:

- A. Location Maps

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) 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 FROM TORCH OPERATING COMPANY (ASSIGNOR) TO NUEVO ENERGY COMPANY (ASSIGNEE) OF ALL OF TORCH'S INTEREST IN STATE RIGHTS OF WAY LEASES NO. PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 6417.1, PRC 6911.1, PRC 6923.1, AND INDUSTRIAL LEASE NO. PRC 5967.1, EFFECTIVE JUNE 1, 2002; LIABILITY INSURANCE FOR EACH LEASE IN AN AMOUNT NO LESS THAN \$1,000,000; ADDITIONAL BLANKET SURETY BOND COVERING ALL LEASES IN THE AMOUNT OF \$350,000.