MINUTE ITEM
This Calendar Item No. C59 was approved as Minute Item No. 59 by the California State Lands Commission by a vote of 3 to 0 at its 8-17-04 meeting.

CALENDAR ITEM
C59

A 35,37,67

S 19,35

08/17/04
PRC 3997.1
PRC 4017.1
PRC 4324.1
PRC 5967.1
PRC 6911.1
PRC 6923.1
S. Young

CONSIDER APPROVAL OF AMENDMENT OF FIVE RIGHT-OF-WAY LEASES AND OF ASSIGNMENT AND AMENDMENT OF ONE INDUSTRIAL LEASE, SANTA BARBARA AND VENTURA COUNTIES

LESSEE/ASSIGNOR:

Nuevo Energy Company
5640 S. Fairfax Avenue
Los Angeles, CA 90056

ASSIGNEE:

Plains Exploration & Production Company
5640 S. Fairfax Avenue
Los Angeles, CA 90056

AREA, LAND TYPE, AND LOCATION:

Five Right-of-Way Leases and one Industrial Use Lease consisting of a total of approximately 220 acres of tide and submerged lands in Santa Barbara and Ventura Counties.

AUTHORIZED USES:

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 electrical lines which serve various federal Outer Continental Shelf (OCS) oil and gas leases in the Pacific Ocean.

LEASE TERMS:

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 6911.1 – 25 years, beginning November 1, 1985
PRC 6923.1 – 25 years, beginning November 1, 1985

ANNUAL RENT:

PRC 3997.1 - $ 1,266.46
PRC 4017.1 - $27,612.00
PRC 4324.1 - $20,812.00
PRC 5967.1 - $54,752.00
PRC 6911.1 - $ 8,200.00
PRC 6923.1 - $39,213.00

BACKGROUND:

The California State Lands Commission (CSLC) previously issued 12 leases that, through various assignments, came to be held by Nuevo Energy Company (Nuevo). Three of these leases are for offshore oil and gas operations in State waters and three are for the associated pipeline right-of-ways. The remaining six leases, which are the subject of this calendar item, include five right-of-way leases and one industrial lease covering various pipelines and power cables serving federal OCS operations.

In mid-May (2004), following a vote of the shareholders of Nuevo and Plains Exploration & Production Company (PXP), the Boards of Directors of each corporation approved the acquisition and merger plan of Nuevo into PXP. The plan called for the transfer of all of the stock of Nuevo in exchange for stock of PXP. At the close of the transaction, Nuevo became a wholly owned subsidiary of PXP. Subsequently, Nuevo has been "rolled up" into PXP, resulting in Nuevo being merged out of existence.

As a consequence of the merger, the three oil and gas leases and seven of the nine pipeline right-of-way and industrial use leases, which do not explicitly require Commission approval of mergers or transfer of controlling interest, have become assets of PXP. However, two leases, PRC 5967.1 (industrial use) and PRC 6417.1 (right of way), require Commission approval for this transfer to be effective. The assignment of PRC 5967.1 is the subject of this Calendar item. The assignment of PRC 6417.1, which serves an offshore oil and gas lease in State waters, is addressed in a separate Calendar item.

AMENDMENT OF ASSIGNMENT PROVISIONS:

Industrial Use Lease PRC 5967.1 provides that any dissolution, merger or transfer of a percentage of capital stock of the lessee, which results in a change of controlling persons, is deemed to be an assignment requiring Commission approval in order to be effective. The remaining leases do not contain the assignment language and staff recommends that Leases PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 6911.1, and PRC 6923.1 be amended to include a provision for Commission approval under this form of a corporate (or partnership) transaction.

AMENDMENT OF BONDING AND GENERAL LIABILITY INSURANCE PROVISIONS:

The current blanket bond for the leases is $350,000. Commission staff has reviewed the sufficiency of the bond and recommends that the bonding amount be amended to provide for a single blanket bond covering all six leases in the sum of $3,000,000. Additionally, staff recommends that the General Liability Insurance provision be amended to an amount no less than $2,000,000 for each lease.

OTHER PERTINENT INFORMATION:

1. The oil and gas pipelines (PRC 5967.1 and PRC 6923.1) that serve the OCS facilities 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 2003 inspections and all pertinent pipelines have been approved for continued operation.

2. PXP has submitted corporate and financial data, which were reviewed by Commission staff. Based on the results of the review, Commission staff has determined that PXP is a financially viable company and possesses the financial resources to meet the requirements and obligations under the six leases.

3. Pursuant to the Commission's delegation of authority and the State CEQA Guideline [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 I5378.

EXHIBITS:

A-1. Site and Location Map for PRC 5967.1
A-2. Site and Location Map for PRC 3997.1, PRC 4017.1, and PRC 4324.1
A-3. Site and Location Map for PRC 6911.1 and PRC 6923.1

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 OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

AUTHORIZE THE ASSIGNMENT FROM NUEVO ENERGY COMPANY (ASSIGNOR) TO PLAINS EXPLORATION & PRODUCTION COMPANY (ASSIGNEE) OF ALL OF NUEVO'S INTEREST IN STATE INDUSTRIAL LEASE PRC 5967.1, EFFECTIVE SEPTEMBER 1, 2004;

AUTHORIZE THE AMENDMENT OF RIGHT-OF-WAY LEASES PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 6911.1, AND PRC 6923.1 TO REQUIRE LIABILITY INSURANCE FOR EACH LEASE IN AN AMOUNT NO LESS THAN $2,000,000.

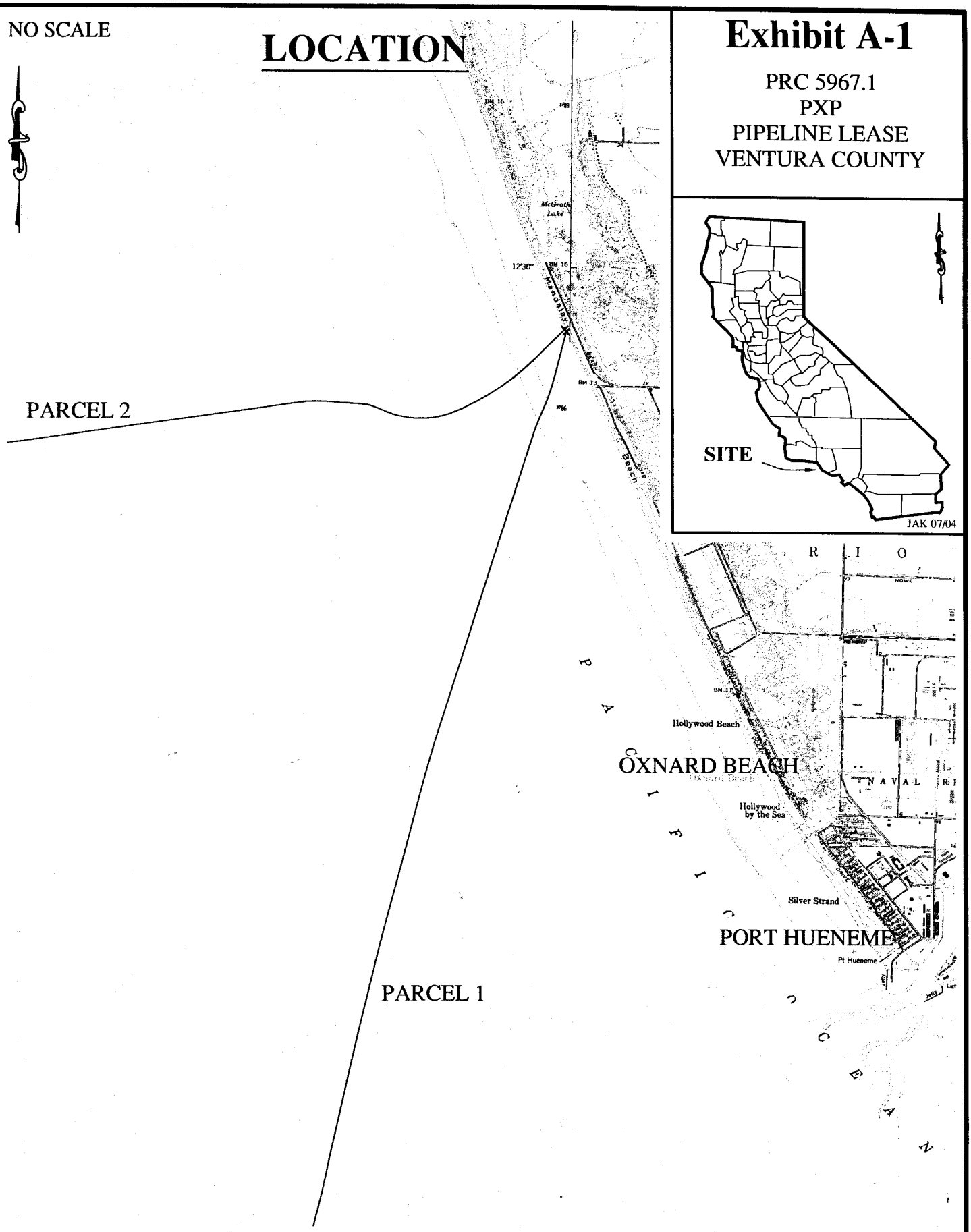
AUTHORIZE THE AMENDMENT OF RIGHT-OF-WAY LEASES PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 6911.1, PRC 6923.1 AND INDUSTRIAL LEASE PRC 5967.1 TO MODIFY THE BOND REQUIREMENT OF EACH LEASE TO PROVIDE FOR A SINGLE BLANKET SURETY BOND COVERING ALL SIX LEASES IN THE AMOUNT OF $3,000,000.

AUTHORIZE THE AMENDMENT OF LEASE NOS. PRC 3997.1, PRC 4017.1, PRC 4324.1, PRC 6911.1 AND PRC 6923.1, GENERAL LEASES – RIGHT-OF-WAY USE, TO ADD SPECIFIC LANGUAGE TO

PROVIDE THAT FUTURE TRANSFERS OF A "CONTROLLING INTEREST" IN THE LESSEE, INCLUDING MERGERS, CONSOLIDATIONS AND DISSOLUTIONS, ARE DEEMED TO BE AN ASSIGNMENT OF THE LEASE, REQUIRING THE APPROVAL OF THE COMMISSION; ALL OTHER TERMS AND CONDITIONS OF THE LEASES WILL REMAIN IN EFFECT WITHOUT AMENDMENT.

Exhibit A-1

PRC 5967.1
PXP
PIPELINE LEASE
VENTURA 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.

USGS OXNARD QUAD

CALENDAR PAGE

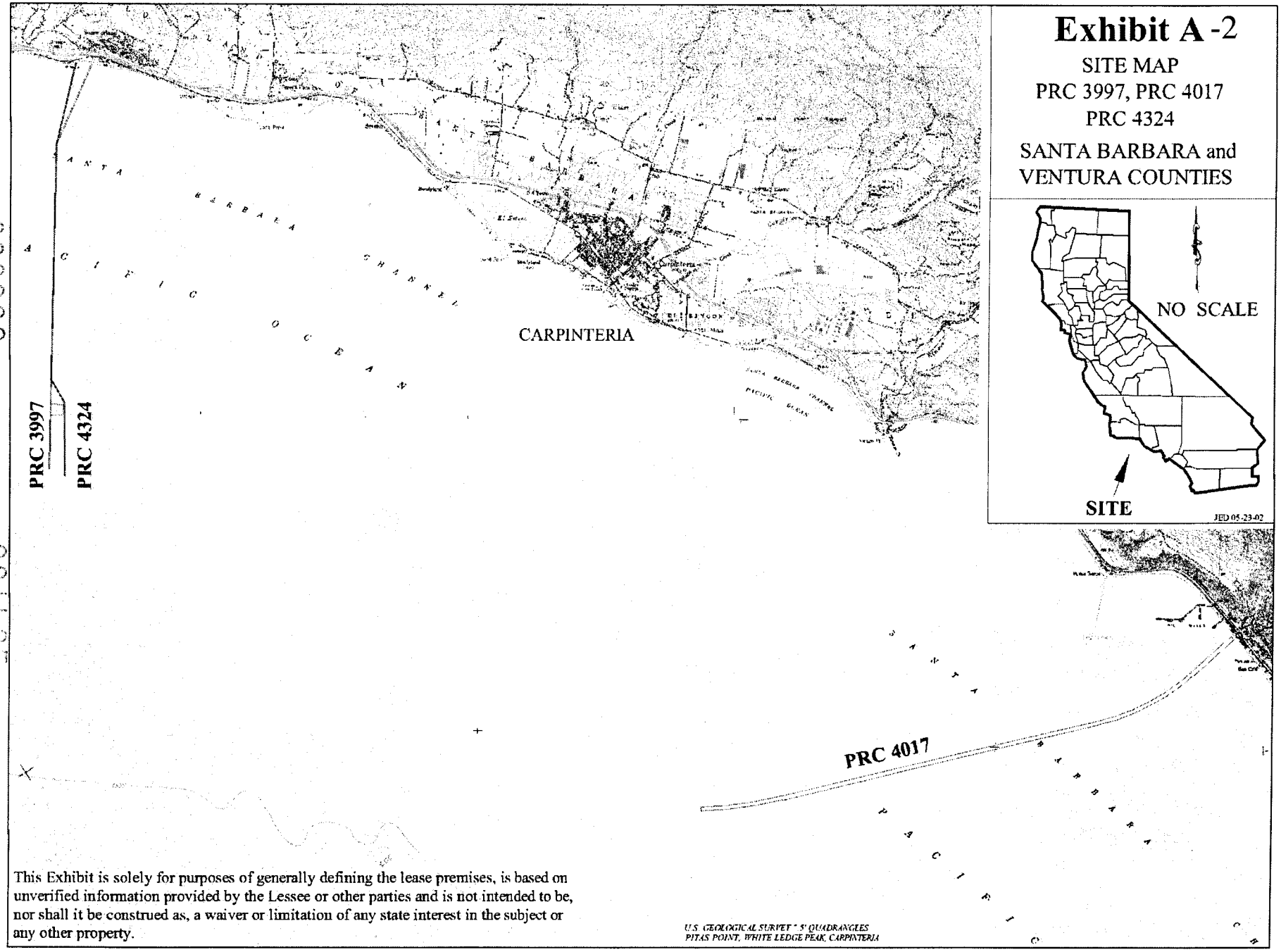
MINUTE PAGE

Exhibit A -2

SITE MAP
PRC 3997, PRC 4017
PRC 4324

SANTA BARBARA and
VENTURA COUNTIES

JED 05-23-02



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U.S. GEOLOGICAL SURVEY 7.5' QUADRANGLES
PITAS POINT, WHITE LEDGE PEAK, CARPINTERIA

CALENDAR PAGE 000309
MINUTE PAGE 001425

NO SCALE

SITE MAP

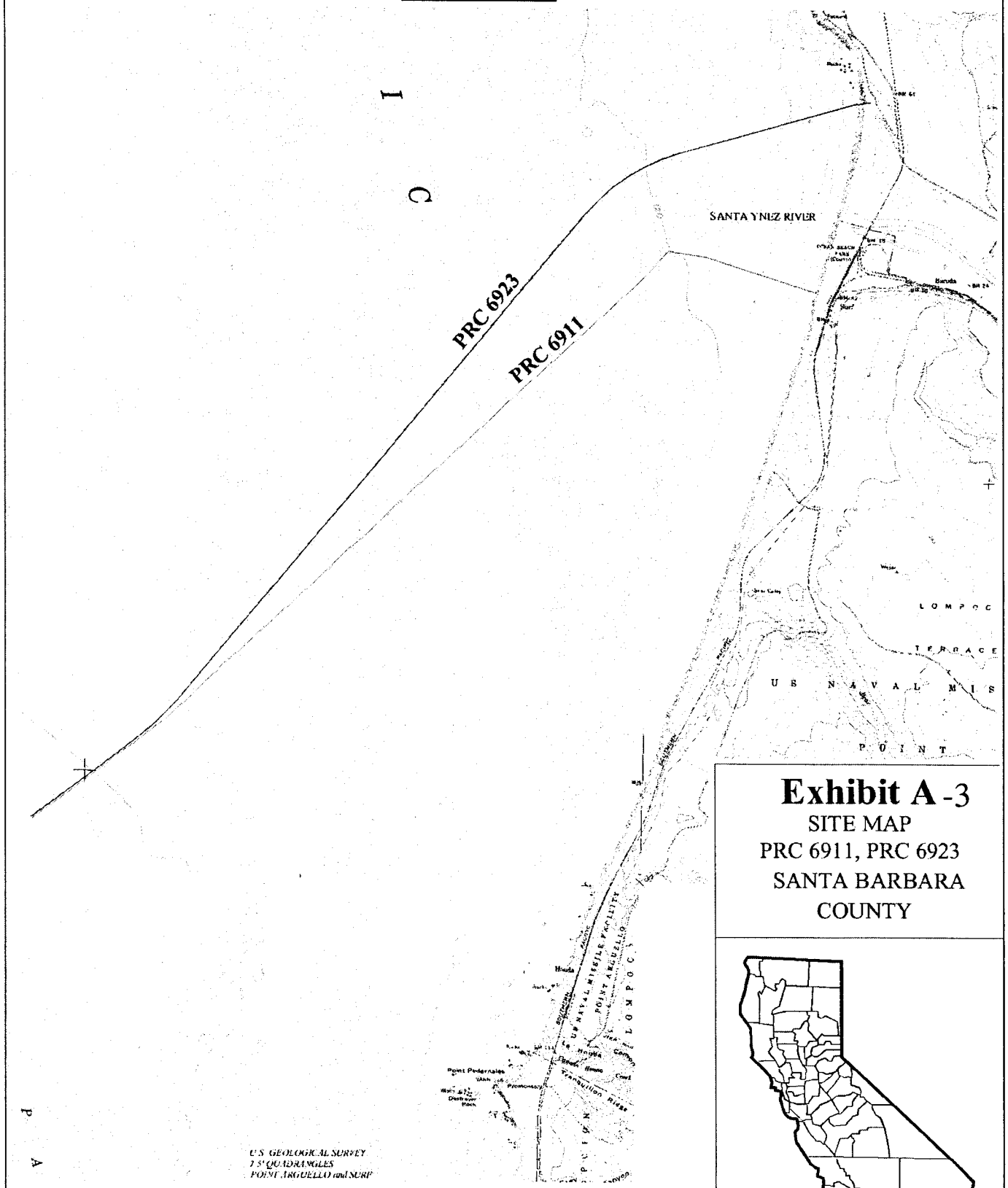

Exhibit A -3

SITE MAP
PRC 6911, PRC 6923
SANTA BARBARA
COUNTY

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JED 05-23-02