MINUTE ITEM
This Calendar Item No. C57 was approved as Minute Item No. 57 by the California State Lands Commission by a vote of 3 to 0 at its 8-8-05 meeting.

CALENDAR ITEM
C57

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08/08/05
PRC 8377.1
J. Smith

CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE NO. PRC 8377.1, GRIZZLY ISLAND WILDLIFE MANAGEMENT AREA, SOLANO COUNTY

ASSIGNOR:

OXY Resources of California LLC
Attn.: Mr. Vance Woolley
P.O. Box 1001
Tupman, CA 93276

ASSIGNEE:

Venoco, Inc.
Attn.: Mr. Patrick Moran
5464 Carpinteria Ave., Suite "J"
Carpinteria, CA 93013

AREA, LAND TYPE, AND LOCATION:

Negotiated limited surface use Oil and Gas Lease No. PRC 8377.1 currently contains 352.6 acres, more or less, of State sovereign lands and 4,165.5 acres, more or less, of Department of Fish and Game (DFG) lands in Solano County. The State's mineral interest in the sovereign lands is 100 percent (100%), and DFG's mineral interest in the 4,165.5 acres, more or less, is 50 percent (50%).

BACKGROUND:

The California State Lands Commission (Commission) issued a negotiated limited surface use Oil and Gas Lease No. PRC 8377.1 (Lease) to Occidental Resources of California, LLC (ORCA) on January 30, 2002. The Lease has been amended three times, on June 2, 2003, August 19, 2003, and again on June 20, 2005. The Lease originally contained approximately 9,273 gross (5,163.5 net) mineral acres in the Grizzly Island Wildlife Management Area, Solano County, California. On June 20, 2005, the Commission approved a quitclaim to the State all of ORCA's right, title and interest in approximately 4,755

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acres of the leased lands. Currently, the Lease contains 4,518 gross acres of land (2,435 net acres), of which 352.6 acres are State sovereign land and 4,165.5 acres are DFG land (see Location Map, Exhibit A, attached hereto). The State's mineral interests in the leased lands are of two types. One is a fifty percent (50%) mineral interest the State, acting through the DFG, acquired by condemnation of Grizzly and Hammond Islands in 1951. The other is a one hundred percent (100%) mineral interest in sovereign lands under the jurisdiction of the Commission underlying Montezuma Slough, Grizzly Slough, Howard Slough and Roaring River. The DFG administers all surface use of the Grizzly Island Wildlife Management Area.

Under the terms of the Lease, ORCA is required to pay an annual rental of $40.00 per net acre ($97,400.00 for 2,435 net acres) and to commence drilling operations on the leased lands within three years. The Commission authorized two wells prior to ORCA submitting a full development plan for the lease. One of those wells was drilled last year. The information from that well, as well as the seismic information, prompted ORCA to quitclaim those portions of the Lease that ORCA no longer considered for development because of the absence of commercial potential.

ORCA is proposing to assign all of its interest in the Lease to Venoco, Inc. (Venoco). Venoco possesses the statutory qualifications to hold a State oil and gas lease.

ORCA has drilled and completed the one well on the Lease within the time required by the Lease. The well has produced 49,254 MCFG from December 2004 through April 2005. The well was shut-in in May 2005, but flowed again in June and produced 453 MCFG. Presently, the well produces intermittently.

STATUTORY AND OTHER REFERENCES:

A. Section 4 of the Lease.
B. Public Resources Code section 6804

OTHER PERTINENT INFORMATION

1. 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.

2. Assignment forms have been filed and filing fees have been paid by Venoco, Inc.

3. ORCA has complied with all applicable laws and lease provisions and has paid all rentals and royalties due pursuant to the lease terms and no default exists on the Lease.

4. Venoco is a current lessee of State onshore and offshore properties. Staff has previously reviewed Venoco's financial status and has determined that Venoco possess the financial resources to meet the requirements and obligations under the terms of Oil and Gas Lease No. PRC 8377.1

EXHIBIT:

A. Location Map

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

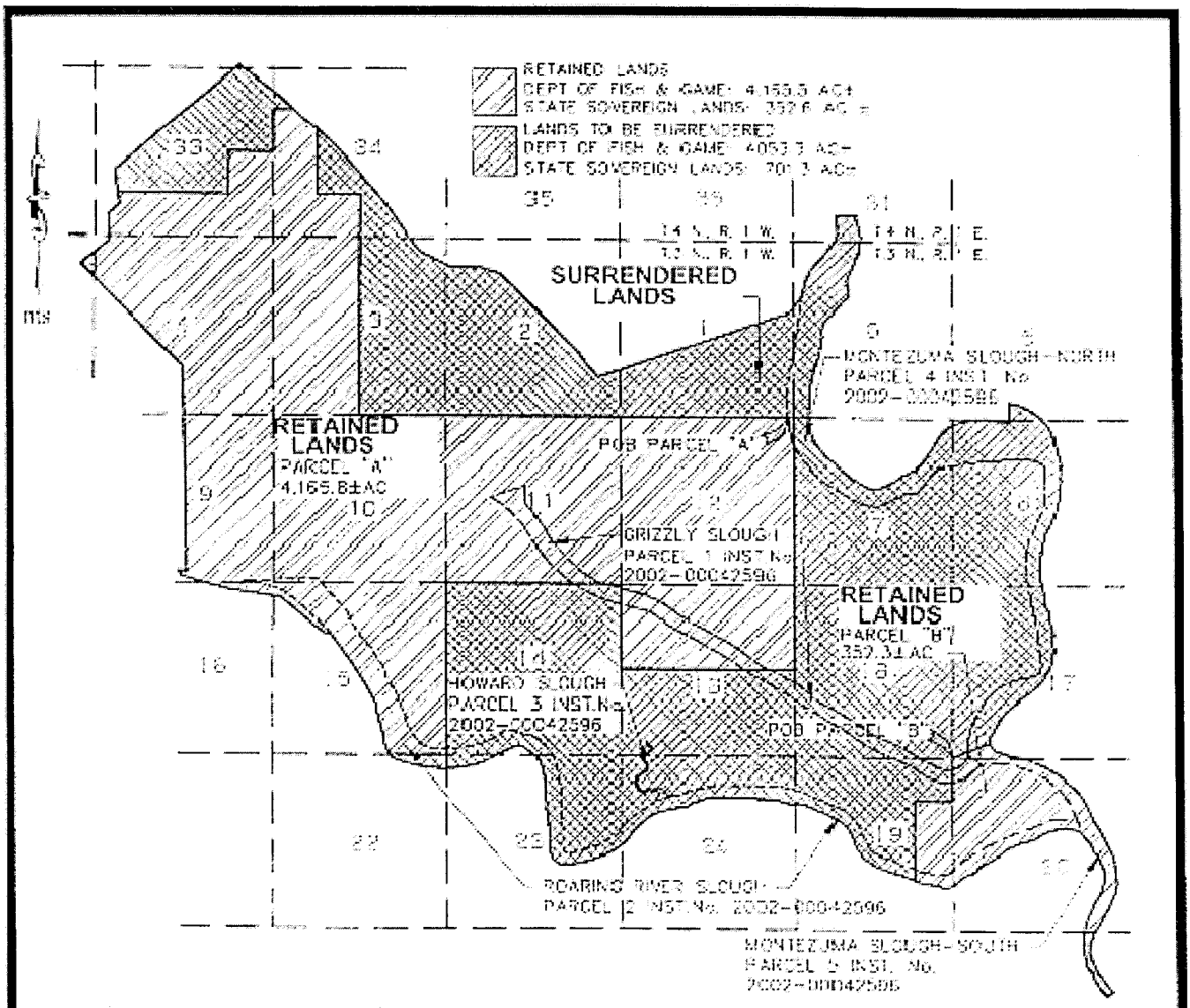
CEQA FINDING:

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:

CONSENT TO THE ASSIGNMENT OF OXY RESOURCES OF CALIFORNIA LLC'S ENTIRE INTEREST IN OIL AND GAS LEASE NO. PRC 8377.1 TO VENOCO, INC., WITH THE ASSIGNEE TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THE LEASE.

AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THIS ASSIGNMENT.



GRIZZLY ISLAND - HAMMOND ISLAND

Exhibit A

PARTIAL QUITCLAIM OIL AND GAS LEASE TO CSLC

LOCATION MAP

PRC 8377.1
OXY RESOURCES CALIFORNIA LLC

OIL & GAS LEASE IN HOWARD, MONTEZUMA & GRIZZLY & ROARING RIVER SLOUGHS AND FISH & GAME LANDS ON HAMMOND & GRIZZLY ISLAND

SOLANO COUNTY