

**CALENDAR ITEM
C129**

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06/23/11
PRC 8377.1
M. Le Clair

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**CONSIDER APPROVAL OF AN ASSIGNMENT OF A
56.25 PERCENT INTEREST IN A PORTION OF VENOCO, INC.'S
100 PERCENT INTEREST IN STATE OIL AND GAS
LEASE NO. PRC 8377.1 TO ROSETTA RESOURCES OPERATING LP,
AND APPROVAL OF A SUBSEQUENT ASSIGNMENT OF
THAT INTEREST TO VINTAGE PETROLEUM, LLC,
GRIZZLY ISLAND WILDLIFE MANAGEMENT AREA,
SOLANO COUNTY**

ASSIGNORS:

Venoco, Inc.
Attn.: Mr. Craig Blancett
370 17th St., Ste. 3900
Denver, CO 80202

Rosetta Resources Operating LP
Attn.: Mr. Michael J. Rosinski
717 Texas, Suite 2800
Houston, TX 77002

ASSIGNEES:

Rosetta Resources Operating LP
Attn.: Mr. Michael J. Rosinski
717 Texas, Suite 2800
Houston, TX 77002

Vintage Petroleum
Attn.: Mr. Michael D. Gooding
9600 Ming Ave., Suite 300
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Negotiated, limited surface use Oil and Gas Lease No. PRC 8377.1 contains 362.49 acres, more or less, of State sovereign lands and 4,165.5 acres, more or

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less, of Department of Fish and Game (DF&G) lands in Solano County, California (Exhibit A, attached hereto).

BACKGROUND:

The California State Lands Commission (Commission) issued negotiated limited surface use Oil and Gas Lease No. PRC 8377.1 to Occidental Resources of California, LLC (ORCA) on January 30, 2002. When issued, the Lease contained approximately 9,273 gross (5,163.5 net) mineral acres in the Grizzly Island Wildlife Management Area, Solano County. The State's mineral interests in the leased lands are of two types: first, a 50 percent (50%) mineral interest in those DF&G lands underlying Grizzly and Hammond Islands and second, a 100 percent (100%) mineral interest in State sovereign lands underlying Grizzly Slough, Howard Slough, Montezuma Slough, and the Roaring River. The DF&G administers all surface uses of the Grizzly Island Wildlife Management Area.

The Lease has been amended five times since its inception. The February 17, 2005 Lease amendment involved a partial quitclaim back to the State of all the Lessee's right, title and interest in approximately 4,755 acres. The lands retained under lease were 352.6 acres, more or less, of State sovereign lands, and 4,165.5 acres, more or less, of DF&G lands.

On August 8, 2005, the Commission approved an assignment of an undivided 100 percent (100%) interest in Oil and Gas Lease No. PRC 8377.1 from ORCA (Assignor) to Venoco, Inc. (Venoco) a Delaware corporation (Assignee), effective September 1, 2005. On February 9, 2006, the Commission consented to add 9.89 acres of State sovereign lands to the current lease. The Commission also approved the pooling of part of the current lands under lease and the new acreage with private lands held by the Lessee and others to form the "Roaring River 20-1" unit. The total amount of State sovereign lands is now 362.49 acres, more or less, and the DF&G lands remain unchanged at 4,165.5 acres, more or less.

Venoco informed staff that it had assigned a 56.25 percent (56.25%) interest in a portion of the State sovereign lands and DF&G lands of the Lease, known as Parcel B and Parcel B-2 (Exhibit B, attached hereto), to Rosetta Resources Operating LP (Rosetta), a Delaware limited partnership. This partial assignment involved approximately 117.32 acres, more or less, of State sovereign lands and 180.21 acres, more or less, of DF&G lands. Venoco did not apply to the Commission for approval of this assignment when it was made. The Commission, therefore, has not approved the assignment. Venoco has since

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filed an application requesting Commission approval of its assignment to Rosetta as part of this action. Staff has reviewed the application forms and found them to be complete.

On February 24, 2011, Rosetta entered into a Purchase and Sale Agreement with Vintage Petroleum, LLC (Vintage), a Delaware limited liability corporation, for all of its California assets, including its interest in State Oil and Gas Lease No. PRC 8377.1. In an application dated May 18, 2011, Rosetta requested that the Commission approve the assignment of its partial interest in the Lease (Exhibit C, attached hereto) to Vintage. As part of the assignment review process, Staff performed a financial review of Vintage's assets to ensure Vintage's performance of the terms of the lease. Staff determined that Vintage's parent, Occidental Oil and Gas Holding Corporation (OOGHC), a California corporation, should be required to sign a parental guarantee and take financial responsibility for the lease obligations. OOGHC has agreed to provide an unconditional guarantee (in a form substantially similar to that set forth in Exhibit D, attached hereto, of Vintage Petroleum LLC's faithful performance for all the terms, covenants, and obligations of that portion of State Oil and Gas Lease No. PRC 8377.1 being assigned will remain the lessee of record and operator of the lease, will continue to provide the bonding and insurance required by the lease, and will be the party responsible for payment of all rental and royalties due under the lease.

STATUTORY AND OTHER REFERENCES:

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

OTHER PERTINENT INFORMATION

1. Assignment forms have been provided by Venoco, Inc.
2. Assignment forms have been provided and prerequisite filing fees have been paid by Rosetta Resources Operating LP.
3. Occidental Oil and Gas Holding Corporation shall execute an irrevocable and unconditional guaranty of Vintage Petroleum LLC's performance of the terms of the Lease. Occidental Oil and Gas Holding Corporation has submitted corporate and financial data that were reviewed by Commission staff. Based on the results of the reviews and experience with Occidental Oil and Gas Holding Corporation's other entities with current State Oil and Gas leases, Commission staff has determined that Occidental Oil and Gas Holding Corporation possesses the financial resources to meet the

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requirements and obligations under the terms of the State Oil and Gas Lease No. PRC 8377.1.

Venoco will remain the lessee of record and operator of the lease, will continue to provide the bonding and insurance required by the lease, and will be the party responsible for payment of all rental and royalties due under the lease.

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 CEQA because it is not a "project" as defined by 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.

5. This activity involves lands that have NOT been identified as possessing significant environmental values pursuant to Public Resources Code sections 6370, et. seq. However, the Commission has declared that all lands are "significant" by nature of their public ownership (as opposed to "environmentally significant"). Since such declaration of significance is not based upon the requirements and criteria of Public Resources Code Sections 6370, et. seq., use classifications for such lands have not been designated. Therefore, the finding of the project's consistency with the use classification as required by Title 2, California Code of Regulations, section 2954 is not applicable.

EXHIBITS:

- A. Location Map PRC 8377.1
- B. Location Map of assigned area.
- C. Land Description of assigned area.
- D. Proposed "Parental" Guarantee of Occidental Oil and Gas Holding Corporation.

PERMIT STREAMLINING ACT DEADLINE:

N/A

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RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

1. Find that the activity is not subject to the requirements of 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:

1. Consent to the assignment of a 56.25 percent interest in that portion of Oil and Gas Lease No. PRC 8377.1 as described in Exhibit C from Venoco, Inc. to Rosetta Resources Operating LP, with the assignee to be bound by all the terms and conditions of the Lease.
2. Consent to the assignment of that same 56.25 percent interest in that portion of Oil and Gas Lease No. PRC 8377.1 as described in Exhibit C from Rosetta Resources Operating LP to Vintage Petroleum LLC, with the assignee to be bound by all the terms and conditions of the Lease.
3. Authorize the Executive Officer or his designee to execute any documents necessary to implement these assignments.

EXHIBIT A

PRC 8377.1

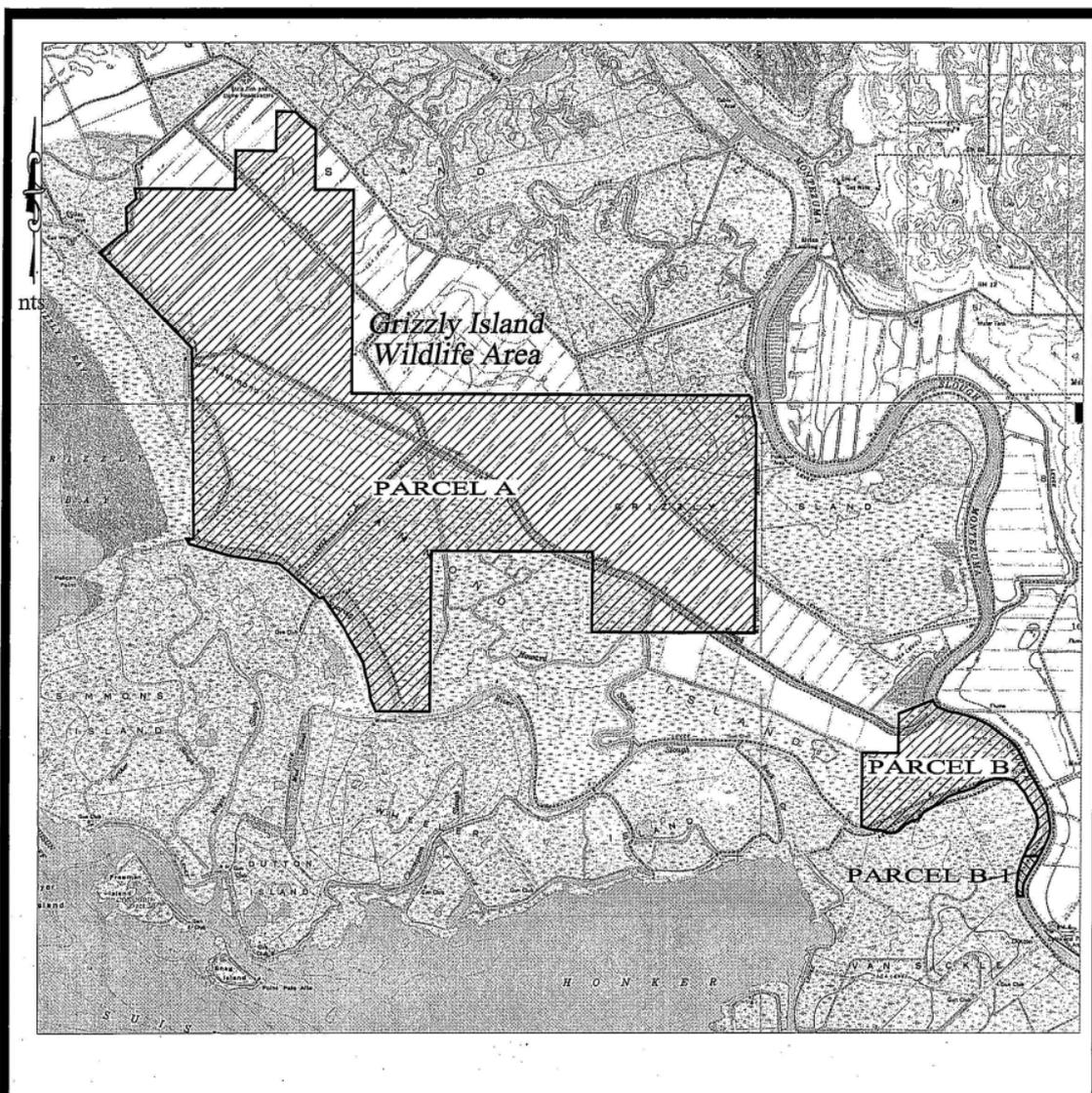


EXHIBIT A

OIL AND GAS LEASE

This Exhibit is solely for purposes of generally defining the lease premises, and is not intended to be, nor shall it nor shall it be construed as, a waiver or limitation of any state interest in the subject or any other property.

LOCATION MAP
PRC 8377

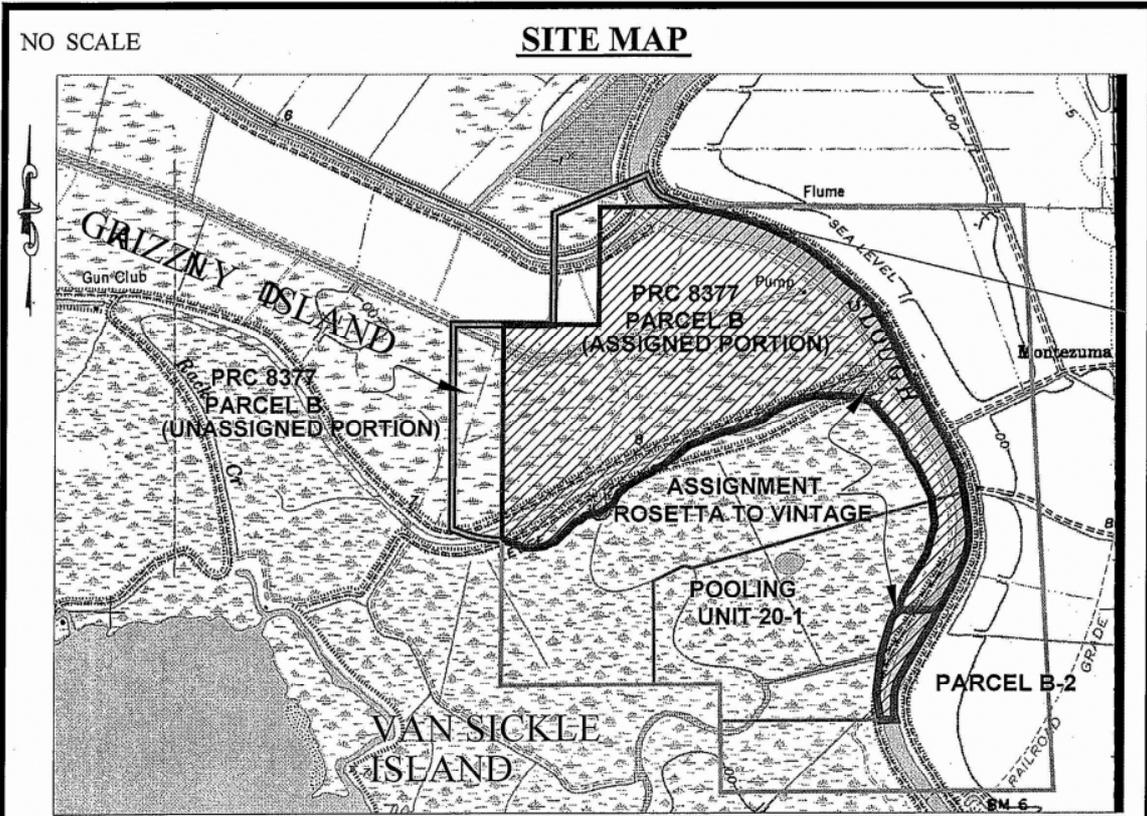
VENOCO INC.

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

SOLANO COUNTY

EXHIBIT B

PRC 8377.1



**PRC 8377 ASSIGNMENT
ROSETTA RESOURCES TO VINTAGE PETROLEUM**



**EXHIBIT B
PRC 8377
OIL AND GAS LEASE
PARTIAL ASSIGNMENT
GRIZZLY ISLAND &
VAN SICKLE ISLAND
SOLANO COUNTY**



This Exhibit is solely for purposes of generally defining the lease premises, 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

EXHIBIT C

PRC 8377.1

LAND DESCRIPTION

Parcel 1 (portion of Lease Parcel B)

All that certain parcel of land situate within the protracted Sections 17, 19 and 20, Township 3 North, Range 1 East, M.D.M., County of Solano, State of California being a portion of Parcel 3 as conveyed to the State of California by the Final Order and Decree of Condemnation recorded March 30, 1950 in Book 527, Page 43 Official Records Solano County and portions of Parcels 1, 2 and 5 as described in Exhibit A-2 as recorded April 3, 2002 in Instrument Number 2002-00042596 Official Records Solano County, the northerly and westerly boundary of which is more particularly described as follows:

BEGINNING at a point on the easterly Oil and Gas Lease line described in said Parcel 5 Montezuma Slough-South Portion having a California Coordinate System 1927 Zone 2 coordinates of X = 2030945.231 feet and Y = 156613.773 feet from which the NGS Control Station CATTLE bears South 76° 05' 10" East 10,437.64 feet, thence leaving said Lease line the following four (4) courses:

- 1) South 89° 47' 13" West, 1,087.67 feet;
- 2) South 00° 11' 39" West, 1,421.81 feet;
- 3) North 89° 43' 06" West, 1,148.75 feet;
- 4) South 00° 09' 28" West, 2,588.71 feet to the southerly Oil and Gas Lease line as said line is described in said Parcel 2 Roaring River Slough in said Exhibit A2.

Parcel 2 (Lease Parcel B-2)

A Parcel of sovereign land situate on Van Sickle Island and in the bed of Montezuma Slough, Solano County, California, lying in protracted Section 29, Township 3 North, Range 1 East, being a portion of Parcel 5 as described in Exhibit A-2, recorded April 3, 2002 in instrument Number 2002-00042596 Official Records Solano County, more particularly described as follows:

BEGINNING at a point on the Agreed Ordinary High Water Mark of the easterly bank of Montezuma Slough as shown on that certain map filed in Book 21 of Records of Survey at Pages 3 to 10, Solano County

Records, having coordinates X= 2,033,415.838 feet Y=150448.117 feet, CCS 27 Zone 2, said point bears North 16°41'21" West, 137.40 feet from the southerly terminus of Course T144 "North 16°41'21" West, 216.94 feet" shown on said map; thence along said Agreed Ordinary High Water Mark the following seventeen (17) courses:

- 1) North 16°41'21" West, 79.54 feet;
- 2) North 00°31'35" East, 206.81 feet;
- 3) North 04°24'51" East, 57.17 feet;
- 4) North 15°22'45" East, 137.63 feet;
- 5) North 29°30'43" East, 354.04 feet;
- 6) North 32°15'18" East, 132.80 feet;
- 7) North 28°18'21" East, 76.55 feet;
- 8) North 31°26'59" East, 271.01 feet;
- 9) North 19°10'08" East, 120.90 feet;
- 10) North 41°47'52" East, 16.84 feet to the northerly line of said section 29 also being the southerly line of Parcel B as described in PRC 8377 Exhibit C (Retained Lands); thence along said Parcel B and leaving said Agreed Ordinary High Water Mark
- 11) South 89°25'56" West, 489.72 feet to a point on the westerly Oil and Gas lease line of said Parcel 5; thence along said lease line
- 12) South 27°54'02" West, 134.88 feet;
- 13) South 16°30'59" West, 430.88 feet;
- 14) South 06°24'37" West, 474.97 feet;
- 15) South 09°51'26" East, 207.36 feet;
- 16) South 08°57'39" East, 107.12 feet; thence leaving said westerly bank
- 17) North 89°44'24" East, 182.30 feet to said Agreed Ordinary High Water Mark and the POINT OF BEGINNING.

EXCEPTING THEREFROM any portion of said Parcel 1 lying easterly of the ordinary high water of the east bank of Montezuma Slough and lying southerly of the ordinary high water of the south bank of Roaring River Slough.

ALSO EXCEPTING THEREFROM any portion of said Parcel 2 lying easterly and landward of said Agreed Ordinary High Water Mark of the easterly bank of Montezuma Slough and lying above the ordinary high water mark of Montezuma slough.

The Basis of Bearings for in this description is the California Coordinate System 1927, Zone 2, and calculated using NGS Control

Station CATTLE, Coordinates X=2,041,076.61 feet Y=154,103.88 feet, and NGS Control Station KIRBY, Coordinates X=2,023,097.83 feet Y=182,444.10 feet. All distances are grid and in feet.

END OF DESCRIPTION

Containing 117.315 acres of State Sovereign Lands, more or less and containing 180.211 acres of Department of Fish and Game Lands, more or less.



Exhibit D

PRC 8377.1

GUARANTY

1. **Occidental Oil and Gas Holding Corporation a California corporation,** (“Guarantor”) owns **Vintage Petroleum LLC, a Delaware limited liability company.** Vintage Petroleum LLC is the lessee of 56.25% interest in a portion of the certain Oil and Gas Lease designated as PRC 8377.1 ("State Lease") granted by the State of California acting by and through the State Lands Commission (“Lessor”). For valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, Guarantor hereby unconditionally guarantees performance by Vintage Petroleum LLC of all the terms, covenants, conditions, agreements, and obligations of the State Lease in the same manner and to the same extent as though Guarantor were the lessee thereunder (the “Obligation”).
2. This is a continuing and absolute Guaranty relating to the Obligation, irrespective of any release of, or granting of time or any other forbearance or indulgence to Vintage Petroleum LLC, except as specifically authorized by the Lessor. Modifications of or alterations or changes which may be made in the State Lease, or in the terms, duties and obligations imposed thereunder shall not in any way release the Guarantor, either in whole or in part, from any liability arising under this Guaranty. Notice to the Guarantor of any such modifications, alterations, changes, extensions or forbearance is hereby waived.

3. If, during the term this Guaranty is in effect, Vintage Petroleum LLC fails to timely perform any obligation arising under the State Lease, including without limitation, the obligation to make any monetary payment provided for thereunder, and fails to cure any such failure in the manner and within the period of time provided within the State Lease, Guarantor will tender performance of such obligation directly for Lessor's benefit promptly upon Lessor's demand therefore, and without Lessor having to make prior demand upon Vintage Petroleum LLC. Notwithstanding the preceding sentence, the obligations of the Guarantor hereunder are independent of the obligations of Vintage Petroleum LLC, and a separate action or actions may be brought and prosecuted against the Guarantor whether an action is brought against Vintage Petroleum LLC or whether Vintage Petroleum LLC is joined in any such action or actions.

4. The Guarantor waives: (a) any right to require the Lessor to (i) proceed against Vintage Petroleum LLC; (ii) proceed against or exhaust any security or other guarantor; or (iii) pursue any other remedy in Lessor's power whatsoever; and (b) notice of acceptance of this Guaranty

5. The Guarantor represents and warrants to Lessor that (a) all authorizations, approvals, notices, filings and other action required by the internal documents governing the Guarantor and the regulatory authorities having jurisdiction over the Guarantor in connection with the due authorization, execution and delivery of this Guaranty has been duly obtained or made and are in full force and effect; and (b) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and

binding obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

6. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Guarantor, by its execution of this Guaranty, hereby submits to the non-exclusive jurisdiction of the courts of the State of California and of the United States of America in connection with any action or proceeding relating to this Guaranty and hereby consents to service of process or other summons in any such action or proceeding brought by Lessor against it in any such court by means of registered mail to the last known address of the Guarantor. Nothing herein, however, shall prevent service of process by any other means permitted by law or the bringing of any such action or proceeding in any other jurisdiction.
7. None of the terms or provisions hereof may be waived, altered, modified or amended except by a writing duly signed by the Lessor and by the undersigned. If any term hereof shall be held to be invalid, illegal or unenforceable in any jurisdiction, the validity of all other terms shall in no way be affected thereby in that jurisdiction, and the unenforceability in that jurisdiction shall in no way affect the validity or enforceability of that or any other terms hereof in any other jurisdiction.
8. This Guaranty shall be binding on the Guarantor and its successors and assigns and shall inure to the benefit of the Lessor. This Guaranty shall not be deemed to benefit any person except Vintage Petroleum LLC and Lessor.

In witness whereof, the Guarantor has caused this Guaranty to be executed on its behalf by its duly authorized representatives, as of this 23th day of June 2011.

Occidental Oil and Gas Holding Corporation.

By:  _____

Name: TODD STEVENS

Title: VICE PRESIDENT