

**CALENDAR ITEM
C46**

A 31
S 16

03/25/08
WP 7493.1
D. Jones

**CONSIDER RATIFICATIONS OF ASSIGNMENTS, RESCISSIONS OF
AUTHORIZATIONS OF ASSIGNMENT, AND CONSIDER AUTHORIZATION OF
ASSIGNMENT AND AMENDMENT OF LEASE PRC 7493.1**

LESSEE/ASSIGNOR:

ConocoPhillips Company
1232 Park Street, Suite 300
Paso Robles, CA 93446

ASSIGNEE:

Venoco, Inc.
6267 Carpinteria Avenue, Suite 100
Carpinteria, California 93013

AREA, LAND TYPE, AND LOCATION:

Sovereign lands in Old River, at Union Island, Contra Costa and San Joaquin counties.

AUTHORIZED USE:

Continued use and maintenance of an existing 12-inch diameter steel natural gas pipeline.

LEASE TERM:

30 years, beginning February 7, 1991.

CONSIDERATION:

\$100 per year; with the State reserving the right to fix a different rent periodically during the lease term, as provided in the lease.

PROPOSED AMENDMENT:

Lease PRC 7493.1 will be amended to increase the surety bond from \$5,000 to \$10,000 and increase the liability insurance from \$100,000 to no less than \$1,000,000. All other terms and conditions of the lease shall remain in effect without amendment.

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OTHER PERTINENT INFORMATION:

1. Assignee has the right to use the uplands adjoining the lease premises.
2. On February 6, 1991, the Commission authorized a General Lease - Right of Way Use, Lease No. PRC 7493.1, for the construction use and maintenance of a 12-inch natural gas pipeline with Union Oil Company of California (Unocal). This pipeline connects an existing gas well on Union Island to the city of Richmond with a pipeline crossing Old River to serve the Unocal Refinery at Rodeo. The lease will expire on February 6, 2021.
3. On May 9, 1996, at the request of Unocal, the Commission approved the assignment and amendment of seven leases from Unocal to Torch Operating Company. Included in this group was PRC 7493.1. Torch Operating Company (hereinafter referred to as Torch) changed its name to Torch Energy Services, Inc., in 2001. Torch Energy Advisors Incorporated is the parent company of Torch Energy Services, Inc.
4. Relying on the 1996 Assignment to Torch, on November 21, 2006, with staff at Torch believing it owned the pipeline, the Commission authorized the assignment of PRC 7493.1 from Torch Energy Advisors Incorporated to ConocoPhillips Company. However, after a more thorough review of the records of Torch and ConocoPhillips, it was revealed that Torch never owned the pipeline and the Commission action taken on May 9, 1996, with respect to Lease PRC No. 7493.1 was incorrect.
5. Meanwhile, the pipeline under Lease No. 7493.1 was sold by Unocal to Tosco which was purchased by Phillips Petroleum Company, which merged with ConocoPhillips in 2002. Therefore, staff is recommending the rescission of Minute Item 24 approved by the Commission at its May 9, 1996, with respect to Lease No. PRC 7493.1 only, and recommends rescission of Minute Item 24 approved by the Commission at its November 21, 2006 meeting assigning Lease No. PRC 7493.1 from Torch Energy Advisors Incorporated to ConocoPhillips.
6. In 2005, Venoco, Inc., purchased the pipeline from ConocoPhillips Company.
7. In this recommendation, staff is proposing that the Commission 1) ratify the assignment from Union Oil Company of California to Tosco

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Corporation 2) ratify the assignment from Tosco to Phillips Petroleum Company which was merged with Conoco, Inc. to form ConocoPhillips; and 3) approve the assignment from ConocoPhillips to Venoco, Inc., effective March 25, 2008.

8. At the May 9, 1996, Commission meeting, which assigned Lease PRC 7493.1 to Torch along with six other leases, the Commission approved a blanket bond for all seven leases in the amount of \$350,000. Staff is now proposing that Lease PRC 7493.1 be amended to provide for a bond for Lease PRC 7493.1 in the amount of \$10,000 and to increase the liability insurance to no less than \$1,000,000.
9. This pipeline is under the jurisdiction of the U.S. Department of Transportation (DOT), Office of Pipeline Safety. It was last audited by DOT in April 2005. No deficiencies were reported.
10. 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 Map

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.

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AUTHORIZATION:

1. RESCIND CALENDAR ITEM NO. 24 APPROVED MAY 9, 1996, WITH RESPECT TO LEASE NO. PRC 7493.1 ONLY, AUTHORIZING THE ASSIGNMENT OF PRC 7493.1 FROM UNION OIL COMPANY OF CALIFORNIA TO TORCH OPERATING COMPANY.
2. RESCIND CALENDAR ITEM NO. 24 APPROVED NOVEMBER 21, 2006 AUTHORIZING THE ASSIGNMENT OF PRC 7493.1 BY TORCH ENERGY ADVISORS INCORPORATED TO CONOCOPHILLIPS COMPANY EFFECTIVE JANUARY 1, 2003.
3. RATIFY THE ASSIGNMENT FROM UNION OIL COMPANY OF CALIFORNIA TO TOSCO CORPORATION.
4. RATIFY THE ASSIGNMENT FROM TOSCO CORPORATION TO PHILLIPS PETROLEUM WHICH WAS RENAMED CONOCOPHILLIPS COMPANY.
5. AUTHORIZE THE ASSIGNMENT OF LEASE NO. PRC 7493.1, A GENERAL LEASE – RIGHT OF WAY USE OF SOVEREIGN LANDS IN OLD RIVER, AT UNION ISLAND, CONTRA COSTA AND SAN JOAQUIN COUNTIES AS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, FROM CONOCOPHILLIPS COMPANY TO VENOCO, INC., EFFECTIVE MARCH 25, 2008.
6. AUTHORIZE THE AMENDMENT OF LEASE NO. PRC 7493.1, A GENERAL LEASE – RIGHT OF WAY USE, OF LANDS SHOWN ON EXHIBIT A ATTACHED AND BY THIS REFERENCE MADE A PART HEREOF, EFFECTIVE MARCH 25, 2008, TO INCREASE THE SURETY BOND TO \$10,000 AND TO INCREASE THE LIABILITY INSURANCE TO NO LESS THAN \$1,000,000; ALL OTHER TERMS AND CONDITIONS OF THE LEASE WILL REMAIN IN EFFECT WITHOUT AMENDMENT.