

EXHIBIT I

SLC LEASE AND LAND CONSERVATION AGREEMENT TRANQUILLON RIDGE PROJECT

A. **The Land Conservation Agreement has three main features.**

i) **Establishes End Dates for federal Pt. Pedernales Project, state Tranquillon Ridge Project, onshore Lompoc Oil Field Project, and federal Pt. Arguello Project.**

As sole owner and operator of all three Lompoc projects, PXP can accept a lease condition requiring PXP to cease operations and pursue abandonment at all three Lompoc projects by 12/31/2022.

PXP has partners in the Pt. Arguello Project and third parties are responsible for most of the project's heavy abandonment obligations, i.e. the three OCS platforms, pipelines and other facilities. It would be inappropriate to condition the cessation and abandonment of Pt. Arguello operations in the SLC lease for the T. Ridge Project. There is no nexus between the two projects and third parties are involved.

ii) **Provides for Green House Gas Mitigations.**

This mitigates T. Ridge Project impacts. These are appropriate and workable provisions to include in the lease.

iii) **Provides for Clean-up and Preservation of Lands in the Lompoc and Gaviota Coast Areas.**

The conveyance of fee title (or conservation easements) to these lands will occur in phases. While most of the lands are owned and controlled by PXP, some are owned by third-party partnerships. The ultimate conveyance of these lands is subject to a number of contingencies. These include the Environmental Parties' performance of their own obligations, commercial production of T. Ridge, title issues, and the

willingness of private and public grantees to accept title to the various parcels of land involved.

Some of these lands will not be conveyed for years after the SLC lease terminates, i.e. once facilities have been abandoned and any contamination has been cleaned-up. It may be that some of the lands are accepted by the grantees, while others are rejected due to such things as insurmountable title issues. In the final analysis, that decision will be made by the grantee(s), whether they are conservation organizations or public entities.

It would be inappropriate, unnecessary and probably infeasible for SLC to become a beneficiary of or a party to these land contracts. There is no nexus between the lease and the donation of these lands. The NGOs involved have strong “mission” reasons and financial incentives to see that these lands are cleaned-up and preserved in perpetuity. At the end of the day, there is plenty of structural assurance that the conveyances will actually take place.

B. Suggested Approach to Lease.

- i) Incorporate the Lompoc End Date provisions in the lease.
- ii) Incorporate the GHG mitigation provisions in the lease.
- iii) Provide that promptly after the Lompoc End Date, PXP shall commence and promptly pursue abandonment and restoration of the Lompoc Oil Field Project, the Pt. Pedernales Project (including the T. Ridge Project), Platform Irene, the LOGP and associated pipelines and facilities. Note, that decommissioning of the LOGP will preclude any further handling of production from Platform Irene, even if the platform were to stay for some reason. PXP owns the platform and the other facilities. The federal government would have to “federalize” Platform Irene, the pipelines and the LOGP, and would have to successfully attract another operator willing to take on all of the responsibilities of an operation that is by all reasonable estimates projected to have outlived its economic life by that time.

iv) The Staff Report can explain that PXP and the NGOs have entered into contracts which provide, subject to certain conditions, that Pt. Arguello Project operations will terminate within nine years, and that approximately 4,000 acres of Lompoc area and Gaviota coastal lands will be cleaned-up and preserved in perpetuity for open space preservation, management and restoration of the natural resources, passive recreation, education and research. While SLC has no authority over these matters, the operator and these well-respected NGOs have expressed their conviction that these additional public benefits will in all likelihood occur if the T. Ridge Project goes forward.

C. **PRC 6244 Finding (the lease is in the best interests of the state).**

Factual bases for the finding include the following:

- Economic benefits.
- Existing infrastructure used. This means immediate cash flow to the state and minimal new impacts.
- CEQA and Coastal Consistency findings which show that this project is consistent with the Coastal Act and involves few new impacts as compared to existing Pt. Pedernales operations (the baseline).
- T. Ridge production will end within the anticipated life of existing Pt. Pedernales operations.

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