

8. MC FARLAND ENERGY INC. OIL AND GAS LEASE ASSIGNMENT AND CONVEYANCE TO VENOCO, INC.

City Manager Mauk recommended the City Council consider a request from McFarland Energy, Inc. to lease oil well equipment located on City land to Venoco, Inc. He advised that when the City originally leased the property and sold the oil equipment to McFarland, the lease retained the right for the City to repurchase the equipment when the lease was transferred or conveyed, an option staff did not recommend. He explained two courses of action available; lease to Venoco or require clarification in the lease that remediation of the site would be required upon termination of the lease. He reported that McFarland and Venoco had not accepted the proposed language which dealt with remediation.

Council Member Butler declared that he had a conflict of interest because the subject companies are customers of his business. He exited the Council Chambers at 8:46 p.m.

Council Member Henderson noted that the existing lease did not include an obligation to clean up the property and that the cost to cap a well was a disincentive to terminate oil production. He requested that staff investigate possible solutions including remediation of the subject property, even if they are not cost effective, noting that it might be possible to find funding to assist in the cost of cleanup.

City Manager Mauk suggested Council direct staff to meet further with the lessee regarding the cleanup and non-functioning facilities.

There being no objections, Mayor Henke referred the matter back to staff for further action.

Council Member Butler resumed his seat at the dais at 8:52 p.m.

9. WELL 14 REHABILITATION PROJECT

City Manager Mauk recommended that City Council approve plans and specifications and authorize staff to advertise for construction bids for rehabilitation of well 14.

Council Member Henderson determined from Director of Public Works Mochizuki the extent of the proposed repairs and that since only wells 8 and 14 can pump water from the Central Basin Water District, if well 14 were not repaired and contamination or equipment failure occurred in well 8, the City would not be able to pump water from the Basin.

Moved by Council Member Butler, seconded by Council Member Henderson and carried unanimously to approve staff's recommendation.

10. BUDDHIST MEMORIAL COMPLEX AT ROSE HILLS CEMETERY

City Manager Mauk recommended that City Council receive and file a report on the proposed construction of a Buddhist Memorial Complex at Rose Hills Cemetery and instruct staff to initiate an inquiry as to the permitting process with Los Angeles County Counsel. He advised that staff had received a letter from Los Angeles County Planning Department stating that proper procedures had been followed by Rose Hills. Further, he reported Rose Hills was surprised to learn concerns regarding its proposed construction were being raised and had expressed interest in discussing the matter with the City Council.

Mayor Pro Tem Nordbak said he did not support sending a letter to Los Angeles County Counsel at this time because he felt the City should pursue the matter with



AGENDA REPORT

Date: April 23, 1996
To: Thomas G. Mauk, City Manager
From: David T. Mochizuki, Director of Public Works
Subject: McFarland Energy, Inc., Oil and Gas Lease
Assignment and Conveyance to Venoco, Inc.

RECOMMENDATION

Staff recommends that the City Council:

- 1) Waive its right to purchase oil well equipment on the leased land; and
- 2) Approve transferring the Oil and Gas Lease from McFarland Energy Inc. to Venoco, Inc. subject to their acceptance of the added language of remediation to the Assignment and Conveyance document; and
- 3) Authorize the Mayor to sign and the City Clerk to record the Assignment and Conveyance document; and

BACKGROUND

On April 1, 1969, the City leased 37 acres in the Worsham Canyon area to McFarland Oil Corporation (McFarland) to produce oil and gas. As part of the lease, McFarland purchased existing oil well equipment located on the premises from the City. The lease gives the City preferential rights to purchase the equipment when the lease is transferred or conveyed. Staff recommends the City should not purchase the equipment before approving the lease transfer.

Venoco, Inc. is requesting that the City transfer the lease from McFarland to Venoco, Inc. Venoco, Inc. would like to continue to operate the existing oil and gas facilities on the property.

The document provides for the City to construct and maintain a future debris basin on the leased site as shown on Exhibit "A". Although the lease area encompasses a portion of the City's Landfill, the document specifically states that City operations will not be affected by this lease.


The City Attorney has reviewed the lease agreement and prepared the attached document of Assignment and Conveyance (Attachment "A") for the lease transfer. This document is acceptable to McFarland/Venoco.

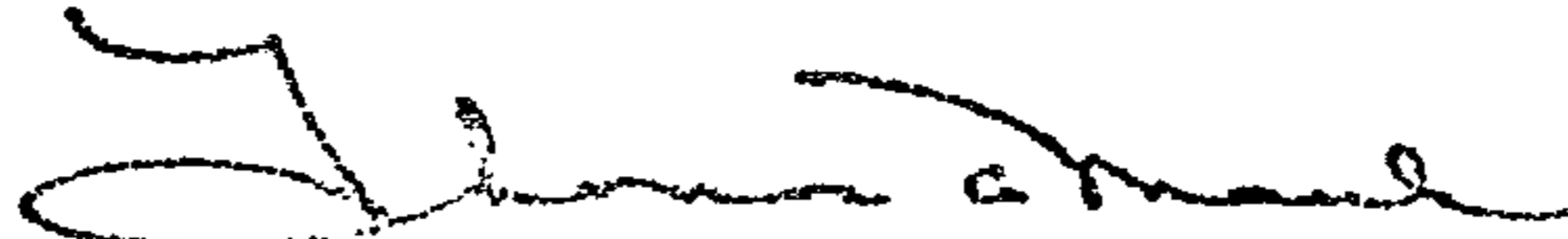
At the request of staff, the City Attorney also drafted language (Attachment "B") that would clarify the remediation of the site upon termination of the lease. McFarland/Venoco has not accepted this additional language but staff feels that it is necessary to include it as a condition of approval.

FISCAL IMPACT

The fee for processing this Assignment and Conveyance is \$1,000.00. The City collects oil production royalty from the lessee. The production royalty was \$6,551 in 1994-95, \$7,624 in 1993-94 and \$11,084 in 1992-93.

Recommend Approval


David T. Mochizuki
Director of Public Works


Thomas W. Gauk
City Manager

DTM:LY:da
(Venoco)
Attachments

37 ACRES LEASED SITE

0.7 ACRES
(RESERVED FOR FUTURE
DEBRIS BASIN)

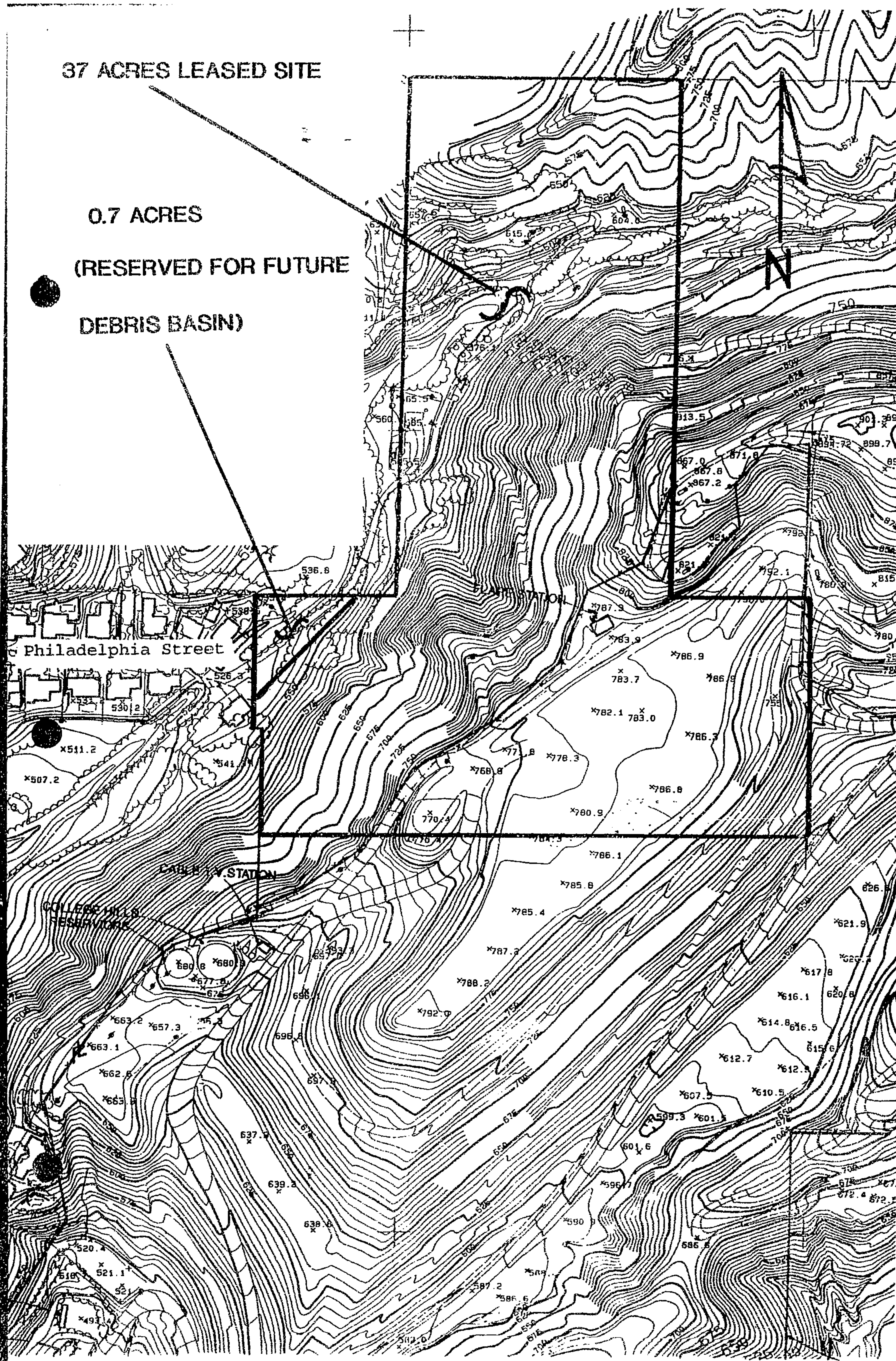


EXHIBIT "A"

RECORDING REQUESTED BY AND
WHEN RECORDED PLEASE RETURN TO:

Space above this Line for Recorder's Use

ASSIGNMENT AND CONVEYANCE

McFARLAND ENERGY, INC., a Delaware corporation, successor in interest to McFarland Oil Corporation, a California corporation, (hereinafter referred to as "ASSIGNOR"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant, transfer, convey and assign unto **VENOCO, INC.**, a California corporation (hereinafter referred to as "ASSIGNEE"), **ALL ASSIGNOR's** right, title and interest in and to the oil and gas lease described in Exhibit "A" attached hereto and made a part hereof (hereinafter referred to as the "Property").

The Property shall include all of **ASSIGNOR's** leasehold interest, royalty interest, overriding royalty interest, interest in production, net profits interest, and all other interest, contracts and agreements in or associated with said Property, however, this Assignment and Conveyance is not a grant, transfer, conveyance or assignment of all or any part of the surface fee estate and such estate is excluded from "Property."

It is agreed between **ASSIGNOR** and **ASSIGNEE** that this Assignment and Conveyance is made subject to the following:

1. The terms, conditions, representations, warranties, indemnifications, covenants and obligations contained in that certain unrecorded Purchase and Sale Agreement dated July 20, 1995, by and between **McFarland Energy, Inc.**, as Seller and **Venoco, Inc.**, as Buyer, the terms of which are incorporated herein by reference. In the event of a conflict between the terms of this Assignment and the terms, conditions, representations, warranties, indemnifications, covenants and obligations of said Purchase and Sale Agreement, said Purchase and Sale Agreement shall prevail.
2. The terms and conditions of the oil and gas leases, contracts and agreements included in the Property and **ASSIGNEE** hereby accepts and agrees to be bound by and to comply with all such terms and conditions.
3. Any and all valid and existing licensed, rights-of-way, easements, leases, grants, covenants, conditions, restrictions, exceptions and reservations affecting the Property.

4. Assignee agrees that the City of Whittier may construct and maintain a debris basin on the surface of the property overlaying the oil and gas lease described on Exhibit "A." The area occupied by the said debris basin is roughly depicted on Exhibit "B" (attached and made a part hereof) but the area identified for the debris basin on Exhibit "B" is not meant to limit the City of Whittier's use of the surface on the property for the purposed of a debris basin in any way.

5. Assignee shall pay the City of Whittier a One Thousand Dollar (\$1,000.00) processing fee.

6. By signing below the City of Whittier approves the assignment of the oil and gas lease described in Exhibit "A." The City's acceptance of Assignee as Lessee under said lease and the decision of the City of Whittier not to exercise its rights pursuant to paragraph 12 of said oil and gas lease shall not constitute a waiver of the City of Whittier of its rights under said paragraph 12 with respect to any future assignment.

THIS ASSIGNMENT shall be effective as of 7:00 a.m. PST Time, on March 1, 1995, and thereafter shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the undersigned parties have executed this Assignment and Conveyance as of the _____ day of _____, 1996.

ASSIGNOR:

McFARLAND ENERGY, INC.,
a Delaware corporation

By: _____

Title: _____

ASSIGNEE:

VENOCO, INC.,
a California corporation

By: _____

Title: _____

CONSENT TO ASSIGNMENT:

CITY OF WHITTIER

By: _____

Janet Henke

Title: Mayor

By: _____

Richard D. Jones

Title: City Attorney

State of _____)
) ss.
County of _____)

On _____, before me, _____, Notary Public,
personally appeared _____, personally known to me
or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of
which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

State of _____)
) ss.
County of _____)

On _____, before me, _____, Notary Public,
personally appeared _____, personally known to me
or proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized
capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of
which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Notary Public

EXHIBIT "A"

Attached to and made a part of that certain Assignment and Conveyance by and between McFarland Energy, Inc., and Venoco, Inc.

DESCRIPTION

Unrecorded Oil and Gas Lease dated April 1, 1969 by and between the City of Whittier, a Municipal corporation, as Lessor, and McFarland Oil Corporation, a California corporation, as Lessee.

RECORD LESSEE

A search of the Official Records of Los Angeles County conducted in early 1994 indicates that the original lease was never recorded. Further, McFarland's files indicate that there was an assignment of the lease by McFarland Oil Corporation, a California corporation, to Venezia Oil Corporation and a subsequent assignment by Venezia to McFarland Energy, Inc., although the whereabouts of such assignments are unknown.

DIVISION OF INTEREST

| Owner | Revenue | Working |
|------------------------|---------|---------|
| McFarland Energy, Inc. | 83.33% | 100% |
| City of Whittier | 16.67% | |
| Totals | 100.00% | 100% |

LEASE PROVISIONS

The City of Whittier (Lessor) retains a preferential right to purchase and assignment of the lease subject to the City's consent.

LAND DESCRIPTION UNDER CITY OF WHITTIER LEASE

PARCEL 1: The north one-half of the northwest one-quarter of the southeast quarter of Section 22, in Township 2 South, Range 11 West, San Bernardino meridian, in the County of Los Angeles, State of California, according to the official plat of said land filed in the district land offices February 25, 1868.

EXCEPT that portion of said land described as follows:

Beginning at the northeast corner of that certain parcel of land conveyed to City of Whittier, by deed recorded in Book 43150, Page 283, Official Records; thence North 89° 15' West along the northerly line of said parcel 207.58 feet, thence North 54° 05' 50" East 541.40 feet; thence South 32° 02' 35" East 384.47 feet more or less to the easterly prolongation of the northerly line of said parcel of land conveyed to City of Whittier heretofore mentioned distant thereon South 89° 15' East 435 feet from the point of beginning; thence North 89° 15' West along said prolongation 435.00 feet to the point of beginning.

PARCEL 2: The west 20 acres of the east 30 acres of the southwest quarter of the northeast quarter of Section 22, in Township 2 South, Range 11 West, San Bernardino meridian, in the County of Los Angeles, State of California, according to the official plat of said land filed in the district land office February 25, 1868.

