

**CALIFORNIA STATE LANDS COMMISSION**

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*Established in 1938*

JENNIFER LUCCHESI, *Executive Officer*  
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April 17, 2017

File Ref: PRC 3120  
PRC 3242  
PRC 421

Michael D. Wracher  
Chief Operating Officer  
Venoco, LLC  
6267 Carpinteria Ave., Suite 100  
Carpinteria, CA 93013

**RE: Receipt of quitclaims and failure to perform material obligations under state oil and gas leases PRC 3120, PRC 3242, and PRC 421 by Venoco Inc.**

Dear Mr. Wracher:

The State Lands Commission (Commission) is in receipt of Venoco Inc.'s (Venoco) quitclaim for state oil and gas leases PRC 3120, PRC 3242, and PRC 421. This letter is notice that, based on Venoco's affirmative statements to the Commission, it cannot comply with its obligations under law to properly abandon and remove improvements on state land. With the receipt of Venoco's quitclaims, the Commission considers Venoco in material breach of its obligations under those leases.

Although Venoco's quitclaim is effective as of this date of filing, pursuant to title 2, section 2124, California Code of Regulations, Public Resources Code section 6804.1, and Paragraph 5 of leases PRC 3242 and PRC 3120, and Paragraph 5(a) and (b) of lease PRC 421, and the conditions of the prior assignments of those leases to Venoco, Venoco and its surety are subject to the continued obligations of the lease, including but not limited to abandonment and decommissioning of the wells, structures, fill, pipelines and all other manner of improvements associated with the operations of the lease prior to its quitclaim, with all costs borne by Venoco. Further, the lessee and its surety are responsible to maintain the lease in a safe and environmentally prudent state until such time as said abandonment and decommissioning work can be accomplished.

With this default, and in light of your April 12, 2017 communication to our Executive Officer, Jennifer Lucchesi, wherein you state, "*Venoco sees no economically viable future or market value for these assets, and the Company will soon be unable to continue meeting its obligations under the South Ellwood Field Leases,*" Commission

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staff have no choice but to call upon Venoco's surety, Aspen American Insurance Company, to commit the total amount of its performance bond to reimburse the state for as much of Venoco's continuing liability as it will cover. Commission staff intend to file a claim against Venoco for any costs beyond the bond amount which are improperly borne by the people of the State of California.

Sincerely,



Seth Blackmon  
Senior Staff Counsel

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cc: American Aspen Insurance Co.  
Exxon-Mobil Inc.