

PRC 421.1
PRC 3120.1
PRC 3242.1
PRC 3904.1
PRC 5515.1

**AMENDMENT OF STATE OIL AND GAS LEASES
PRC 421.1, PRC 3120.1, and PRC 3242.1**

This Amendment is entered into by and between the State of California, acting by and through the State Lands Commission, referred to as "State," and Venoco, Inc., referred to as "Venoco."

Whereas the State did lease certain lands known as PRC 421.1 in Santa Barbara County to Bankline Oil Company on October 22, 1949, and through successive assignments to Venoco effective on August 1, 1997; and

Whereas the State did lease certain lands known as PRC 3120.1 in Santa Barbara County to Atlantic Richfield Company and Mobil Oil Corporation on April 29, 1964, and through successive assignments to Venoco effective on August 1, 1997; and

Whereas the State did lease certain lands known as PRC 3242.1 in Santa Barbara County to Atlantic Richfield Company and Mobil Oil Corporation on April 8, 1965, and through successive assignments to Venoco effective on August 1, 1997; and

Whereas, PRC 421.1, PRC 3120.1 and PRC 3242.1 will hereafter be referred to as the "Oil and Gas Leases"; and

Whereas the State did lease certain lands known as PRC 3904.1 in Santa Barbara County to Signal Oil and Gas Company on February 29, 1968, and through successive assignments to Venoco effective on August 1, 1997; and

Whereas the State did lease certain lands known as PRC 5515.1 in Santa Barbara County to Aminoil USA, Inc., Atlantic Richfield Company and Exxon Corporation on June 20, 1980, and through successive assignments to Exxon Corporation and Venoco effective on August 1, 1997; and

Whereas, PRC 3904.1, PRC 5515.1 and the "Oil and Gas Leases" will hereafter be referred to as the "Leases"; and

Whereas, through a series of assignments, Venoco is the lessee and operator of the Leases;

Whereas, the terms of the Leases require the lessee to furnish a bond in favor of the State of California in an amount acceptable to the State to guarantee the lessee's faithful performance of the terms, covenants and conditions of the Leases;

Whereas, pursuant to that certain amendment dated effective August 1, 1997 (the "August 1997 Amendment") Venoco and the State agreed that the amount of the bond Venoco would obtain to guarantee its performance under the Leases would be \$7,500,000, subject to adjustment from time to time;

Whereas, the State and Venoco agree that it is appropriate to amend the terms of the Oil and Gas Leases to increase Venoco's blanket bond to adequately guarantee its performance of all the terms, covenants and conditions of the Leases;

Whereas, the State has determined that it is in its best interest to modify the terms of the Oil and Gas Leases to include a Lease Management Fee to reimburse the State for the reasonable and necessary costs incurred for the administration and implementation of the terms and conditions of the Oil and Gas Leases;

Whereas, the State and Venoco agree that it is appropriate to revise Section 3 of PRC 3120.1 and PRC 3242.1 and Section 2 of PRC 421.1 to modify the notice period required for the SLC to take its royalty share of oil and/or gas production in kind (or in cash if it is not taking production in kind) to 30 (thirty) days; and

Whereas, the Leases may be amended by mutual consent of the parties to them;

NOW THEREFORE, Venoco and the State agree to amend the Leases as follows:

1. On or before September 1, 2013, Venoco, as lessee, will increase its current blanket bond from \$7.5 million to \$10 million, which will guarantee the faithful performance by the lessee of all of the terms, covenants and conditions of the Leases, the provisions of Division 6 of the California Public Resources Code and all rules and regulations now in effect, or promulgated hereafter, applicable to the operations under the Leases, including but not limited to the removal of Platform Holly and all associated facilities and pipelines.
2. On or before September 1, 2014, the bond will be increased by \$4 million and will be further increased by \$4 million, on or before September 1, each year thereafter until the total amount of the bond reaches \$30 million in September 2018
3. On January 1, 2025, and on each ten-year anniversary thereafter, the bond amount would be readjusted to reflect Venoco's and the State's best reasonable estimate of Venoco's obligation to fully cover removal costs of all improvements on the leased lands. The Parties further agree that the manner in which the federal government calculates expected abandonment costs of platforms in federal waters offers an appropriate and relevant illustration of how to recalculate the bond.

4. For so long as the bond is maintained and in effect, Venoco, as lessee, shall be in compliance with Section 14 of PRC 421.1, PRC 3120.1, PRC 3242.1, Section 2 paragraph 6 of PRC 3904.1 and Section 4 paragraph 9 of PRC 5515.1. Venoco's failure to maintain the bond as required by this Amendment shall be a violation of the aforementioned sections of the Leases.
5. Venoco, as lessee, shall execute a State Standard Reimbursement Agreement for the combined Oil and Gas Leases; subject to a one hundred thousand dollar (\$100,000) per annum cap to start on July 1, 2013, with automatic annual renewals increasing the cap five percent (5%) per year throughout the term of the lease. The lessee shall be billed for reimbursement of staff time incurred for the reasonable and necessary costs of the administration and implementation of the terms of the Oil and Gas Leases, including, but not limited to, engineering review, royalty verification and/or audit, reservoir and geologic review, annual lease reviews and any other staff time or expenditures to ensure lease operations conform to all the terms of the Leases and to the rules and regulations of the State currently in effect and those promulgated or amended after the effective date of this Amendment applicable to drilling and production operations in or on the Leases. Notwithstanding the foregoing, all costs incurred for environmental mitigation monitoring required to be performed pursuant to the terms of the Leases and costs and expenses of the State, that are reimbursable under or funded by the Lempert-Keene-Seastrand Oil Spill Prevention and Response Act (Pub. Resources Code § 87850 et seq), are excluded from the provisions of this paragraph.
6. If Venoco assigns a portion of the Oil and Gas Leases to Venoco Energy Partners Operating LLC ("VEPO"), it will continue to administer the payment of all royalties due the State under the Oil and Gas Leases on behalf of both itself and VEPO.
7. Upon the State's acceptance of the Termination Agreement for PRC 3904.1, the bond will apply to the remaining four (4) leases that Venoco holds, PRC 421.1, PRC 3120.1, PRC 3242.1 and PRC 5515.1.
8. The notice periods set forth in Section 3 of PRC 3120.1 and PRC 3242.1 allowing the SLC to take its royalty share of production in kind (or in cash if it is not taking production in kind) are hereby shortened from 180 days to 30 (thirty) days. Section 2 of 421.1 is hereby revised to include a notice period of 30 (thirty) days for SLC to take its royalty share of production in kind (or in cash if it is not taking production in kind)
9. It is further agreed that all other terms and conditions of Leases PRC 421.1, PRC 3120.1, PRC 3242.1, PRC 3904.1 and PRC 5515.1, including all prior

amendments, except as modified herein, remain unchanged and in full force and effect

10. The August 1997 Amendment is hereby superseded and of no further force or effect

11 The effective date of this Amendment shall be August 26, 2013.

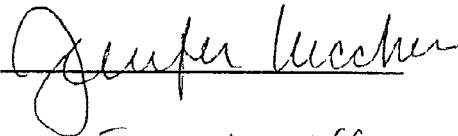
This Amendment will be binding on the State only after it is duly executed on behalf of the State Lands Commission of the State of California

IN WITNESS WHEREOF, the parties have executed this Amendment to State Oil and Gas Leases PRC 421 1, PRC 3120.1 and PRC 3242 1, with reference to the bonding provisions of Industrial Leases PRC 3904.1 and PRC 5515.1.

LESSEE
VENOCO INC

STATE OF CALIFORNIA
STATE LANDS COMMISSION

By 

By 

Title Chief Executive Officer

Title Executive Officer

Dated 8/26/13

Dated 8/22/2013

ACKNOWLEDGMENT

State of California
County of Santa Barbara

On August 26, 2013 before me, Melanie Morton Delgado
(insert name and title of the officer)

personally appeared Ed O'Donnell
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) 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 the entity upon behalf of which the person(s) acted, executed the instrument

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal



Signature Melanie Morton Delgado (Seal)