

REPORT OF GENERAL MANAGER

NO. 05-249

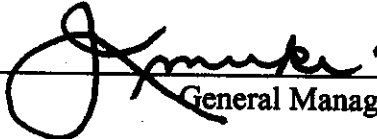
DATE September 21, 2005

C.D. 7

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: RITCHIE VALENS RECREATION CENTER AND DEVONWOOD PARK -
ASSIGNMENT OF OIL LEASES

J. Combs	_____	J. Kolb	_____
H. Fujita	_____	F. Mok	_____
S. Huntley	_____	K. Regan	_____
B. Jensen	_____	*M. Shull	<u>ms</u>



 General Manager

Approved _____ Disapproved _____ Withdrawn _____

RECOMMENDATION:

1. Approve the assignment of oil and gas leases No. 196 and 199 from Bentley-Simonson, Inc., to Plains Exploration & Production Company for the continued production of reserves that will also continue the royalties paid to the Department; and,
2. Authorize the Board Vice-President and Secretary to execute the "Consent to Assignment" forms on file in the Board Office.

SUMMARY:

In 1979 the City Council approved the formation of Urban Oil-Drilling District U-184, now known as the Pacoima Production Unit. In 1982-83, the City, acting by and through its Board of Recreation and Park Commissioners, executed Department leases No. 196 and No. 199 with Chevron, U. S. A., Inc., for a term of thirty-five years; the firm was entitled to engage in subsurface exploration, drilling and extraction of oil, gas and other hydrocarbon substances. The first lease involved subsurface rights to Paxton Park, renamed in 1994 the Ritchie Valens Recreation Center to honor the early rock-and-roll singer who lived in the area. Subsequently, the lease was recorded with Los Angeles County as document No. 82-1235879. Department Lease No. 199 pertains to nearby Devonwood Park, formerly termed the "Panorama City Area Park Site". This lease was also recorded with Los Angeles County as document No. 83-757675. The commercial activity does not affect the public's

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use of the Department sites. All drilling is required to be at least 500 feet underground. The drilling and extraction are also required to be performed on a slant basis from a City-authorized, non-park site, which is a three-acre, triangular median between the Pacoima Wash and Paxton Street just west of the intersection of the Golden State (5) and Ronald Reagan (118) Freeways.

Successively over time, four other firms have acquired the leaseholds, the last being Bentley-Simonson, Inc., located in Ventura, California. On March 1, 2005, their interests were acquired by Plains Exploration & Production Company (PXP); this is a publicly traded firm of over two billion dollars in assets based in Houston, Texas. They also have other commercial interests in southern and central California. In accordance with lease requirements, PXP has requested the Department's permission to assume assignment rights, that is, to assume the leasehold and payment of royalties. All other terms of the leases remain the same.

Staff has determined that the granting of assignment rights is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Section 1, Class 1 (14) of the City CEQA Guidelines. The proposed assignment concerns a Departmental administrative action in which the terms of the lease remain unchanged with negligible or no expansion of use.

The Assistant General Manager of Operations West, the acting Superintendent of Valley Operations and the Office of the Seventh Council District concur with staff's recommendations. The Citywide Petroleum Administrator, representing the City Administrative Officer (CAO), has reviewed this Report. The review is a standard protocol, and no further involvement by the CAO is needed.

FISCAL IMPACT STATEMENT:

There is no anticipated impact resulting from assigning rights to the successor firm, PXP. The Department has been receiving royalties in one combined payment ranging from \$1,495.13 in calendar year 2003 to \$2,745.16 in 2004. It is expected that revenue will decrease over time as the reserves are depleted. Under Bentley-Simonson, the City's owner-identification number was 494440; the new number under PXP is 154891. These numbers are assigned by the respective firms for tracking purposes when paying royalties.

Prepared by Joan Reitzel, Senior Management Analyst, Real Estate and Asset Management.