

APPROVED
OCT 19 2011

REPORT OF GENERAL MANAGER

NO. 11-294

DATE October 19, 2011

BOARD OF RECREATION
and PARK COMMISSIONERS

C.D. 15

BOARD OF RECREATION AND PARK COMMISSIONERS

SUBJECT: O'MELVENY PARK - ASSIGNMENT OF INTEREST IN OIL AND GAS LEASE
NO. 208

R. Adams	_____	K. Regan	_____
H. Fujita	_____	*M. Shull	_____
V. Israel	_____	M. Williams	_____

[Handwritten Signature]

 General Manager

Approved as amended _____ Disapproved _____ Withdrawn _____

RECOMMENDATIONS:

That the Board:

1. Approve the assignment of The Rudman Partnership's 18.75% interest in Oil and Gas Lease Agreement No. 208 to Cascade Resources LLC, subject to the approval of the Mayor, City Council, and the City Attorney as to form;
2. Direct the Board Secretary to transmit the proposed Consent to Assign Oil and Gas Lease No 208 to the Mayor in accordance with Executive Directive No. ³~~10~~ for review and recommendation, and concurrently to the City Attorney for approval as to form, and, upon obtaining their approvals, request that the assignment be forwarded to City Council for approval; and,
3. Authorize the Board President and Secretary to execute the Consent to Assign Oil and Gas Lease No 208 ~~to assign form~~, substantially in the form on file in the Board Office, upon receipt of the necessary approvals.

SUMMARY:

On November 8, 1985, the Board of Recreation and Park Commissioners (Board), through Board Report No. 144-85, approved a thirty-five (35) year subsurface oil and gas lease (Lease) at O'Melveny Park with MCOR Oil and Gas Corporation (MCOR). The Lease covers about 139 acres of the park. All drilling is sub-surface and there are no impingements to park operations above ground. In 1989, MCOR merged into UMC Petroleum Corporation (UMC) with the latter keeping

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its official name. On August 27, 1990, the Board approved Amendment No. 1, which extended the original five-year exploratory drilling period to ten years and acknowledged that the new lessee of the Lease would be UMC.

On November 19, 1990, the Board approved the assignment of a 37.5% interest in UMC's lease to two additional parties: The Rudman Partnership for an 18.75% interest and Southern Mineral Corporation for an 18.75% interest (Board Report No. 583-90). Subsequent to this action, the Board approved a series of assignments of the remaining balance to several entities as described below.

On February 7, 1996, the Board, through Board Report No. 72-96, approved the assignment of the Lease from UMC to a joint venture between Patriot Resources (Patriot) and Denver American Petroleum LLC (Denver). On September 4, 1996, the Board, through Board Report No. 406-96, approved the assignment of the Lease from the joint venture between Patriot and Denver to Patriot Resources LLC.

On March 4, 2004, the Board, through Board Report No. 04-61, approved the assignment of the Lease from Patriot Resources LLC to a joint venture between Cascade Resources LLC and Susana Resources LLC.

In August of this year, Department staff received correspondence from The Rudman Partnership indicating their desire to assign their 18.75% interest in the Lease to Cascade Resources. Department staff has reviewed the request and are recommending that the Board approve the request.

A Negative Declaration was filed when the lease was first authorized in 1985 and the Negative Declaration was re-filed again in 1989. Additional environmental action is not needed since the proposed assignment concerns an administrative action in which terms of the Lease remain unchanged and there are no different or additional impacts on the physical environment resulting from this action.

FISCAL IMPACT STATEMENT:

There is no fiscal impact to the Department's General Fund with the proposed assignment.

This report prepared by Cid Macaraeg, Sr. Management Analyst II; Real Estate and Asset Management Section; Planning, Maintenance and Construction Branch.