

AGREEMENT FOR REIMBURSEMENT OF TEMPORARY SERVICES

I. PARTIES

This Agreement for Reimbursement of Temporary Services ("Agreement") is dated as of April 14, 2017, by and among Venoco, LLC, a Delaware limited liability company ("Venoco") and the California State Lands Commission ("the Commission," and together with Venoco, "the Parties").

II. RECITALS

WHEREAS, pursuant to a letter dated April 12, 2017, Venoco notified the Commission that it would soon no longer be capable of meeting the terms and obligations arising from Commission Oil and Gas Lease numbers PRC 421, PRC 3242 and PRC 3120 (collectively, the "Commission's Oil and Gas Leases") due to economic constraints and that it was anticipating further direction from its Board of Director's at their April 13, 2017, meeting; and

WHEREAS, pursuant to certain Quitclaim Deeds for the Commission's Oil and Gas Leases that Venoco intends to deliver on or after the date hereof (the "Quitclaim Deeds"), Venoco intends to surrender and convey to the Commission all of its rights, title, and interests to the Commission Oil and Gas Leases, covering an area generally known as the South Ellwood Field, described more fully in Exhibit A (collectively, the "Quitclaimed Assets"; and such conveyance being the "Quitclaim Conveyance"); and

WHEREAS, Venoco asserts that it has suspended performance of its oil-producing operations on the lands covered by the Commission's Oil and Gas Leases, placed the lands subject to the Commission's Oil and Gas Leases in condition for abandonment pursuant to the terms of the Commission's Oil and Gas Leases and in compliance with applicable Law; and

WHEREAS, Venoco asserts that, upon the Quitclaim Conveyance, any remaining obligations of Venoco under the Commission's Oil and Gas Leases will relate to the plugging and abandonment of the Quitclaimed Facilities (as defined below), and shortly after effectuating the Quitclaim Conveyance, Venoco expects to file a voluntary petition with the United States Bankruptcy Court for the District of Delaware for relief under chapter 11 of the Bankruptcy Code; and

WHEREAS, the Commission asserts that the Commission's Oil and Gas Leases provide that Venoco has ongoing responsibilities for securing, decommissioning and lawfully abandoning the facilities located on the Quitclaimed Assets (the "Quitclaimed Facilities"), subject to Public Resources Code Section 6804.1, which responsibilities survive and remain even if Venoco quitclaims its interests in the Commission's Oil and Gas Leases to the Commission; and

WHEREAS, the Commission asserts that it is in the interests of the people of the State of California to ensure that the Quitclaimed Facilities are secured, decommissioned and lawfully abandoned; and

WHEREAS, Venoco remains the owner and operator of certain onshore facilities that are located at 7979 Hollister Avenue, Goleta, CA 93117 in Goleta, California (the "Ellwood Onshore Facility") and the "Las Flores Pipeline (Line 96)"; together with the Quitclaimed Assets, collectively, the "Assets"; and the Ellwood Onshore Facility and the Las Flores Pipeline (Line 96) together with the Quitclaimed Facilities, collectively, the "Subject Facilities"), and are necessary for the continued operation and anticipated plugging and abandonment of the Quitclaimed Assets; and

WHEREAS, the Commission desires to ensure that the Subject Facilities are secured, are made safe and do not pose a risk to public health and safety and the environment; and

WHEREAS, Commission and Venoco seek to ensure continued operation of the Assets in a safe and responsible manner until the earlier of the termination of this Agreement or a transition to a third-party designated by the Commission (an "Approved Third Party"); and

WHEREAS, subject to the terms and provisions hereof, Commission desires to engage Venoco, and Venoco desires to be engaged by Commission, to provide certain services and support to the Commission, as described more particularly herein; and

WHEREAS, subject to the terms and provisions hereof, the Commission is willing to provide the funds necessary, on an interim basis, and Venoco is willing to carry out such responsibilities as are necessary, to secure and make safe the Subject Facilities and to protect public health and safety and the environment from harm that could result from activities with respect to the Subject Facilities, until the earlier of the termination of this Agreement or a transition to an Approved Third Party; and

WHEREAS, the Parties understand and acknowledge that by and through this Agreement the Commission takes no responsibility for the Subject Facilities and that Venoco's obligations to provide any and all Necessary Services (as defined below), consistent with past practice, persists until the earlier of the termination of this Agreement or a transition to an Approved Third Party; and

WHEREAS, this Agreement in no way waives the Commission's claims against Venoco for any costs incurred, in excess of the existing surety bonds, to fully abandon the Commission's Oil and Gas Leases; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

III. AGREEMENT

In consideration for the execution of this Agreement and the foregoing recitals, (which are incorporated by reference and which shall be deemed substantive provisions of the Agreement) terms, mutual promises, and covenants contained in this Agreement, the Parties agree as follows:

ARTICLE 1
DEFINITIONS; INTERPRETATION

1.1 **Definitions.** As used in this Agreement:

(a) "Affiliate" means, with respect to any Person, a Person that is controlled by, or is under common control with, such Person, with control in such context meaning the ability to direct the management or policies of a Person through ownership of voting shares or other securities, pursuant to a written agreement, or otherwise; provided, however, that, with respect to any Party, the term "Affiliate" shall not include any other Party.

(b) "Agreed Rate" means the lesser of (i) the "prime rate" as published from time to time in the Eastern Edition of the *Wall Street Journal* as the average prime lending rate for seventy percent (70%) of the United States' largest commercial banks; and (ii) the maximum rate allowed by applicable Law.

(c) "Business Day" means any day other than a Saturday, Sunday, or a day on which banks are closed for business in Los Angeles, California or Denver, Colorado.

(d) "Governmental Authority" means any national or state government and/or government of any political subdivision, and departments, courts, commissions, boards, bureaus, ministries, agencies, or other instrumentalities of any of them.

(e) "Laws" means all laws, statutes, rules, regulations, ordinances, orders, decrees, requirements, judgments and codes of Governmental Authorities.

(f) "Necessary Services" is defined as activities that are essential or required by Law to ensure that the Subject Facilities are safe and secure and are not the source of damage or injury to public health and safety or to the environment. Any activities that are not essential or required by Law to ensure that the Subject Facilities are safe and secure and are not the source of damage or injury to public health and safety or to the environment shall not be considered "Necessary Services."

(g) "Person" means any individual, corporation, partnership, Limited Liability Company, trust, estate, Governmental Authority, or any other entity.

(h) "Services" means activities performed by Venoco pursuant to this agreement, including the Necessary Services. "Services" is not to be construed as activities performed specifically on behalf of the State or the Commission.

(i) "Tax" means all taxes, including any foreign, federal, state, or local income tax, surtax, remittance tax, presumptive tax, net worth tax, special contribution, production tax, pipeline transportation tax, freehold mineral tax, value added tax, withholding tax, gross receipts tax, windfall profits tax, profits tax, severance tax, personal property tax, real property tax, sales tax, goods and services tax, service tax, transfer tax, use tax, excise tax, premium tax, stamp tax, motor vehicle tax, entertainment tax, insurance tax, capital stock tax, franchise tax, occupation tax, payroll tax, employment tax, unemployment tax, disability tax,

alternative or add-on minimum tax, and estimated tax, duties, fees, or other charges imposed by a Governmental Authority together with any interest, fine, penalty, or additional amount thereon.

1.2 **Interpretation.** In this Agreement, except as expressly set forth to the contrary, (a) references to any gender includes a reference to all other genders; (b) references to the singular includes the plural, and vice versa; (c) reference to any Article or Section means an Article or Section of this Agreement; (d) "hereunder", "hereof", "herein" and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement; (e) references to "\$" or "Dollars" means United States Dollars; (f) "include" and "including" mean include or including without limiting the generality of the description preceding such term; and (g) lists of references to Articles, Sections, or subsections are inclusive of the specific Articles, Sections, or subsections referenced.

ARTICLE 2 SERVICES & RESPONSIBILITIES

2.1 **Provision of Services.** Subject to applicable Law, Sections 2.2 through 2.4 and Section 5.1, Venoco agrees to perform any of its surviving obligations under the Commission's Oil and Gas Leases and provide all Services in the ordinary course, consistent with past practice, which such Services include the following:

(a) employment and assignment of such personnel essential to the operation of the Assets and activities thereon;

(b) establishing and maintaining books and records, including accounting, land, well, production, contract, governance, and other records and files necessary and appropriate for the proper operation of the Assets;

(c) land management, geological and geophysical services, and regulatory compliance, permitting, and filing, in each case, with respect to the Assets;

(d) capital deployment planning, banking, and monitoring the receipts, income, and expenditures with respect to the Assets;

(e) arranging for insurance related to the Assets;

(f) engaging, coordinating, and supervising the engagement of third Party engineers, attorneys, auditors, brokers, advisors, and other professionals and service providers required in connection with the delivery of the financial statements, Tax returns, and engineering reports required by applicable Law;

(g) negotiating, executing and delivering contracts, and other agreements or instruments consistent with Commission approval; and

(h) dealing and interfacing with Commission's vendors, contract counterparties, and other third Persons with respect to the Assets.

2.2 **Approval.** All Services shall be approved by Commission staff in advance where practicable; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Venoco may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property (the "**Emergency Services**") but Venoco, as promptly as possible, shall report the emergency to the Commission. When a Service other than an Emergency Service is supplied and not previously approved, the Commission may challenge the payment of such Service unless and until Venoco provides reasonably adequate evidence of the necessity of such Service. The approval may be in the form of a broad delegation, but the Commission reserves the right to require specific approval for specified Services.

2.3 **Power of Delegation.** In fulfillment of this Article, Venoco shall have the power to delegate, in whole or in part, its obligations hereunder to any Affiliate or third Person, subject to the consent of the Commission, which shall not be unreasonably withheld, conditioned or delayed.

2.4 **Changes; Termination of Services.** The Parties may, at any time, mutually agree in writing to add or reduce services or change the nature, extent or duration of performance of any or all Services contemplated hereunder. Notwithstanding anything contained in this Agreement to the contrary, if any additions or modifications to the Services are requested by CSLC that would cause the scope or scale of the Services (or Venoco's responsibility to perform the same) to be expanded or enlarged or contracted or decreased in any material respect, and Venoco agrees to provide or cause to be provided such expanded or enlarged or contracted or decreased Services, the Parties will negotiate in good faith appropriate adjustments to the cost reimbursement provisions hereof.

ARTICLE 3 PERFORMANCE OF SERVICES

3.1 **Provision of Services.** Subject to applicable Law, Venoco shall provide (a) sufficient personnel (including, as necessary or appropriate contractors, consultants, temporary employees, and agents) with the appropriate background and experience, and (b) equipment and facilities to perform the Services in a timely manner in accordance with the terms of this Agreement. There shall not be deemed or construed to be an express or implied contract of employment between the Commission and any such Persons. Subject to any requirements that may be imposed by the Commission to ensure that the Assets are operated in a safe and reasonably prudent manner in compliance with applicable Laws, Venoco shall have the sole discretion and responsibility to determine the specific manner and means by which the Services are to be performed and the authority to control, oversee, and direct the performance of the details of the Services.

3.2 **Service Support.** The Commission shall provide such information, and shall use reasonable efforts to provide such other support as may be reasonably necessary for Venoco to perform, or cause to be performed, the Services from time to time, at no cost to Venoco. Without limiting the foregoing, Venoco and its Affiliates, and its and their respective employees, contractors, and subcontractors shall (a) have the right, free of charge, to use such equipment owned or leased by or on behalf of the Commission and (b) have, free of charge, the right of

access to, and the right to be on, any property owned or leased by the Commission, in each case, as is reasonably necessary in connection with the performance of the Services in accordance with this Agreement.

3.3 **Standard of Performance.** Venoco shall provide, or cause to be provided all Necessary Services in compliance in all material respects with applicable Laws and in a good and workmanlike manner. Except as provided herein, Venoco, its Affiliates, and any respective partners, employees, contractors, subcontractors, or agents (the "SP Group"), shall be responsible for the operation of the Subject Facilities, consistent with past performance.

3.4 **Limitation on Services.**

(a) Venoco represents and warrants that it has no reason to believe that the staffing levels it anticipates maintaining, and the expenditures it anticipates incurring, in connection with the Services will be inconsistent, in any material respect, with the staffing levels maintained, and expenditures incurred, by Venoco to operate the Assets prior to the Effective Date. Notwithstanding any other provisions in this Agreement to the contrary, Venoco is not obligated to provide Services that Venoco did not perform for its own account prior to the date hereof or perform any such Services in a manner substantially different from the manner in which Venoco performed such Services for its own account prior to the date hereof. Venoco does not represent or warrant any particular outcome or result with respect to the Services.

(b) In no event shall Venoco be obligated to: (i) make modifications to its existing systems, equipment, records, or procedures; (ii) acquire or expand assets, equipment, rights, or properties (including, without limitation, computer equipment, software, furniture, fixtures, machinery, vehicles, tools, and other tangible personal property) beyond the level and location currently provided by Venoco as of the date hereof; or (iii) hire additional employees or contractors (other than replacements of existing employees or contractors used in connection with the provision of Services) unless reasonably requested by the Commission.

(c) If a Party is rendered unable, wholly or in part, by Force Majeure (as hereafter defined below) to timely carry out its obligations under this Agreement, other than obligations to make payments of money when due hereunder, such Party shall give the other Party prompt written notice of the Force Majeure with reasonably full particulars, and the obligations of the Party giving notice, so far as they are affected by Force Majeure, shall be suspended during, but no longer than, the continuance of the Force Majeure. The affected Party shall use all reasonable dispatch to remove the effects of the Force Majeure and shall resume performance as promptly as practicable following resolution of the Force Majeure event. The requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the Party involved, and the handling of such difficulties shall be entirely within the discretion of the Party concerned. The term "**Force Majeure**" for purposes of this Agreement means an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental action, governmental delay, restraint or inaction, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the Party that is unable, wholly or in part, to timely carry out any obligations under this Agreement.

ARTICLE 4
COST REIMBURSEMENT, ETC.

4.1 **Cost Reimbursement.** Venoco is not entitled to reimbursement from the Commission hereunder for Services provided on or prior to April 30, 2017. Without limiting Article 6 hereof, Venoco shall be entitled to reimbursement for the following costs (based on costs actually incurred) in respect of the provision of the Services from and after May 1, 2017:

(a) actual overhead, general and administrative, and similar indirect costs incurred by Venoco from time to time based on twenty-five percent (25%) of Venoco's total allocable overhead; provided, however, that the foregoing shall not exceed Two Hundred Fifty Thousand Dollars (\$250,000) in any one-calendar month period; and

(b) out-of-pocket costs and expenses incurred and paid by Venoco or its Affiliates in connection with the Services in accordance with Section 2.2, including:

(i) all costs attributable to (A) the acquisition, maintenance, renewal or relinquishment of any licenses, permits, approvals, or other rights acquired or held, or under applicable Law required to be acquired or held, by Venoco in respect of the Assets and (B) Venoco's compliance with any such licenses, permits, approvals, or rights or any other Law applicable to the Assets (whether or not on behalf of the Commission or in the Commission's name);

(ii) employee payments (whether calculated (at Venoco's discretion) on the basis of salary, wages, or applicable day rate amounts in respect of the nature of the work done, and including reasonable bonuses), and related costs including everything constituting an employee's total compensation, as well as the cost to Venoco of holiday, vacation, sickness, disability benefits, living and housing allowances, travel time, bonuses, and other customary allowances applicable to salaries and wages chargeable pursuant to this Section 4.1(b), as well as the costs to Venoco for employee benefits, including employee group life insurance, group medical insurance, hospitalization, retirement, severance payments required by applicable Laws with respect to employees and other Persons temporarily or permanently assigned to the Assets and directly engaged in the performance of the Services (whether or not located onsite or performing technical services), together with reasonable additional benefits and payments (including severance benefits) in excess of those required by applicable Laws, which are made in accordance with Venoco's benefit policies from time to time;

(iii) expenditures or contributions made pursuant to assessments imposed by a Governmental Authority for payments with respect to, or on account of, employees described in Section 4.1(b)(ii);

(iv) reasonable expenses (including related travel costs and mileage reimbursements) of those employees described in Section 4.1(b)(ii), and for which expenses the employees are reimbursed under the usual practice of Venoco, to the extent such expenses arise from, or relate to, the performance of the Services;

(v) cost of maintaining any offices, sub-offices, camps, warehouses, housing, and other facilities of Venoco or its Affiliates that directly relate to the performance of the Services;

(vi) cost, net of discounts taken by Venoco, of material purchased or furnished by Venoco, including transportation charges, loading and unloading fees, and license fees associated with the procurement of material and in-transit losses, if any, not covered by insurance;

(vii) charges for services provided by third Persons, including the Affiliates of Venoco, that are normally provided by third Persons; provided, however, that such charges for services by the Affiliates of Venoco shall not exceed those prevailing if performed by non-affiliated third Persons, considering quality and availability of services;

(viii) premiums paid for insurance required by Law or any agreement, to the extent such policies relate to the Assets;

(ix) all costs or expenses reasonably necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, less credits for settlements received from insurance and from others for such losses or damages, in each case, to the extent relating to the Services;

(x) all Taxes, duties, assessments and charges levied by a Governmental Authority of every kind and nature, assessed or levied upon or in connection with the performance of the Services;

(xi) all costs, fees and expenses incurred in connection with any bonds, letters of credit, guarantees or other financial assurances, if any, relating to the Assets, including any lease bonds, supplemental bonds, area-wide bonds or any other surety bonds required by Law; and

(xii) any other costs, losses, and expenses incurred by Venoco for the necessary and proper performance of the Services in accordance with this Agreement or as otherwise directed by the Commission and not otherwise covered in Section 4.1(a);

provided, however that nothing herein shall limit the terms of Section 3.3 or the obligations of the Commission pursuant to Article 6; provided further, that Venoco agrees to, upon request from the Commission, meet with representatives of the Commission from time to time to discuss expenditures that are expected to be incurred in connection with the provision of the Services such that as operational needs change the scope of the Services contemplated in this Agreement can be amended and modified by the mutual agreement of the Parties. The Commission reserves the right to determine that facilities entirely owned and operated by Venoco, including the Ellwood Onshore Facility and Line 96, are no longer necessary for the safe operation of the Commission's Oil and Gas Leases and to discontinue payment for these Services, subject to notice of not less than ten (10) days.

4.2 Payment.

(a) On the fifth (5th) day of each calendar month (or if such day is not a Business Day, the first Business Day immediately following such day), commencing May 5, 2017, the Commission shall pay Venoco an initial deposit for Services of One Million, One Hundred Twenty Thousand Dollars (\$1,120,000) (the "Cost Reimbursement Prepayment Amount") via a transfer of immediately available funds in accordance with wiring instructions provided by Venoco to the Commission. Such payment shall serve as the initial cost reimbursement for the Services to be performed during the calendar month.

(b) On or before the twentieth (20th) day of each calendar month, commencing May 2017, Venoco shall invoice the Commission for actual costs and expenses of the type described in Section 4.1 that were incurred in connection with Services performed during the prior calendar month (the "Invoiced Amount"). Each invoice shall be in writing and accompanied by such documentation relating the calculation of the Invoiced Amount contained in such invoice as may be reasonably necessary to substantiate its payment.

(c) If the Invoiced Amount for Services performed during a calendar month exceed the Cost Reimbursement Prepayment Amount the Commission shall, on or before the fifth (5th) day of the calendar month following the month during which the Commission received the invoice for such Invoiced Amount, pay to Venoco, in addition to the Cost Reimbursement Prepayment Amount due on such day in accordance with Section 4.2(a), an amount equal to the difference between the Invoiced Amount for such calendar month and the Cost Reimbursement Prepayment Amount via a transfer of immediately available funds in accordance with wiring instructions provided by Venoco to the Commission; provided, however, that the Commission may reduce payment otherwise due, to the extent that such reduction is due to the manifest error in any such invoice.

(d) If the Invoiced Amount for Services performed during a calendar month are less than the Cost Reimbursement Prepayment Amount (in each case, adjusted on a pro rata basis for April 2017), the Commission shall be permitted to set-off an amount equal to the difference between the Cost Reimbursement Prepayment Amount and the Invoiced Amount for such calendar month against future amounts owed by the Commission to Venoco under this Agreement. The Commission shall provide the Venoco with reasonable advance written notice of its intent to effectuate such set-off and such notice shall be accompanied by documentation setting forth in reasonable detail the aggregate amount the Commission is entitled to set-off in accordance with the terms hereof, before and after giving effect to such set-off.

(e) If the proceeds of any reimbursement payments made by the Commission to Venoco pursuant to the terms hereof have not been used or otherwise allocated for use when termination of this Agreement occurs pursuant to Section 5.2, then Venoco shall promptly pay such proceeds to the Commission via a transfer of immediately available funds in accordance with wiring instructions provided by the Commission to Venoco.

4.3 Commission Audit Procedures.

(a) Payment of any invoice or part thereof by the Commission shall not prejudice the right of the Commission to protest or question the correctness thereof; provided, however, that all invoices and statements rendered during any calendar year shall be presumed to be true and correct with respect only to such expenditures, after three (3) months following the end of such calendar year, unless, within such period, the Commission takes specific exception thereto making a claim for adjustment. Venoco shall provide a written response to all written exceptions, whether or not contained in an audit report within the time periods set forth in this Section 4.3. All exceptions and responses thereto shall be supported with reasonable documentation.

(b) The Commission, upon written notice to Venoco, shall have the right to audit Venoco's accounts and records relating to the Services within the three (3) month period following the end of the calendar year in which the applicable invoice was rendered; provided, however, that conducting an audit shall not extend the time for the taking of written exception to, and the adjustment of, accounts as provided in Section 4.3(a).

(c) Venoco shall provide a written response to all exceptions in an audit report within fifteen (15) days after Venoco receives such report. Disputed exceptions shall be accompanied by a substantive response and such reasonable documentation as may be required to substantiate such response.

4.4 Set-Off Rights. Venoco is authorized, to the fullest extent permitted by applicable Law, to set off and apply any and all amounts due and owing by Venoco to the Commission under this Agreement (including funds held for the benefit of the Commission pursuant to Section 3.3) against all amounts due and owing by the Commission to Venoco under this Agreement or otherwise. Such rights to set-off are in addition to any other rights which Venoco may have hereunder or under applicable Law.

4.5 Inability to Pay. If the Commission believes in good faith that it will not be able to timely make any payments required hereunder, then, at least five (5) days prior to the date that such payment is due hereunder, the Commission shall provide written notice to Venoco of such inability to pay.

ARTICLE 5 CONDITION TO EFFECTIVENESS; TERM; TERMINATION

5.1 Condition to Effectiveness. Notwithstanding anything herein to the contrary, this Agreement shall only become effective and enforceable against the Parties upon the Commission's receipt of the Quitclaim Deeds.

5.2 Term and Termination. This Agreement shall be effective as of the date hereof and shall terminate, in whole, and not in part, upon the earliest to occur of the following:

(a) June 30, 2017; provided, however, that the term hereof may be extended on a month-to-month basis if such extension is agreed to in writing by both Parties not less than ten (10) days prior to the then current termination date hereunder.

(b) the written agreement of the Parties to terminate this Agreement;

(c) a determination by the Commission that Venoco's Services are no longer required, after receipt by Venoco of written notice from the Commission of such Services being no longer required;

(d) the default by Venoco in the performance or observation of any material agreement, covenant, term, condition or obligation hereunder in any material respect, which has not been cured within thirty (30) days (or such longer period as may be required to cure such default if such default is not curable within such thirty (30) day period) after receipt by Venoco of written notice from the Commission of such default;

(e) the failure by the Commission to perform any covenant contained in Section 4.2(a) or Section 4.2(c), and such default has not been cured within three (3) days after the date on which such payment is due; or

(f) the default by the Commission in the performance or observation of any material agreement, covenant, term, condition or obligation hereunder in any material respect which, if such default is curable, and such default has not been cured within thirty (30) days (or such longer period as may be required to cure such default if such default is not curable within such thirty (30) day period) after receipt by the Commission of written notice from Venoco of such default;

provided, however, that the term hereof may be extended on a month-to-month basis if such extension is agreed to in writing by both Parties not less than (10) days prior to the then current termination date hereof.

5.3 **Effect of Termination.**

(a) Upon termination pursuant to Section 5.1, this Agreement shall become void and be of no further force and effect, except the provisions of Articles 1 and 7, and Sections 2.3, 3.2, 3.4, 4.2(c), 4.2(d), 4.2(e), 5.3 and 5.4 all of which shall continue in full force and effect.

(b) Venoco shall remain entitled to the compensation set forth in Sections 4.1 and 4.2 with respect to the month in which termination occurs.

5.4 **Transition Obligations.** Upon the termination of this Agreement pursuant to Section 5.1, Venoco shall take all actions reasonably necessary to effect the transition of the Services to a successor provider or providers of such Services designated by the Commission in an orderly and expeditious manner; provided, however, that Venoco shall not be responsible for any payments required to transfer any contracts entered into by Venoco in connection with the performance of their respective obligations hereunder. Venoco shall invoice the Commission for actual costs and expenses of the type described in Section 4.1 that were incurred in connection with such transfers, and, within fifteen (15) days of the Commission's receipt of any such invoice, the Commission shall reimburse Venoco for such invoiced amounts via a transfer of immediately available funds in accordance with wiring instructions provided by Venoco to the Commission. From and after termination of this Agreement, the Commission shall hire all

Persons used in connection with the provision of the Services and pay the reasonable costs of terminating any independent contractors or employees of Venoco that were directly involved with the provision of the Services.

ARTICLE 6 INDEMNIFICATION

The Parties hereby acknowledge and agree that the Commission shall not indemnify Venoco or the SP Group for undertaking the responsibilities necessary to manage the Assets consistent with Venoco's ongoing obligation to ensure that the Commission's Oil and Gas Leases remain positioned for abandonment in accordance with all applicable lease terms and Laws.

ARTICLE 7 MISCELLANEOUS

7.1 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

7.2 **Notices.** All notices that are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing, in English and delivered personally, by telecopy or by recognized courier service, to the address of the intended Party, as set forth on the signature page hereto. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

7.3 **Governing Law.** This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflicts of laws that would direct the application of the laws of another jurisdiction.

7.4 **Dispute Resolution.** Each Party consents to personal jurisdiction in any action brought in the United States federal courts located in the state of California with respect to any dispute, claim or controversy arising out of or in relation to or in connection with this Agreement, and each of the Parties agrees that any action instituted by it against the other with respect to any such dispute, controversy or claim will be instituted exclusively in the Western Division of the Central District of California. Each Party (a) irrevocably submits to the exclusive jurisdiction of such courts, (b) waives any objection to laying venue in any such action or proceeding in such courts, (c) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over it, and (d) agrees that service of process upon it may be effected by mailing a copy thereof by registered mail (or any substantially similar form of mail), postage prepaid, to it at its address specified in Section 7.2. The foregoing consents to jurisdiction and service of process shall not constitute general consents to service of process in the state of California for any purpose except as provided herein and shall not be deemed to confer any rights on any Person other than the Parties to this Agreement. The Parties hereby waive trial by jury in any action, proceeding or counterclaim brought by any Party against another in any matter whatsoever arising out of or in relation to or in connection with this Agreement.

7.5 **Captions.** The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

7.6 **Assignment.** Subject to Section 2.3, the rights and obligations of each Party under this Agreement shall be personal to such Party and may not be assigned, transferred, conveyed, pledged, disposed of, or otherwise alienated, in whole or in part, in any manner (whether by assignment, merger, change of control, sale of stock, assignment for the benefit of creditors, receivership, bankruptcy or otherwise) without the express written consent of each other Party, which consent may be withheld for any reason. Any purported transfer or other disposition in violation of this Section 7.6 shall be void *ab initio*.

7.7 **Waivers.** Any failure by any Party to comply with any of its obligations, agreements or conditions herein contained may be waived by the Party to whom such compliance is owed by an instrument signed by the Party to whom compliance is owed and expressly identified as a waiver, but not in any other manner. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

7.8 **Entire Agreement.** This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof. In entering into this Agreement, no Party has relied on any statement, representation, warranty, covenant, or agreement of the other Parties or its representatives other than those expressly contained in this Agreement.

7.9 **Amendment.** This Agreement may be amended or modified only by an agreement in writing signed by the Parties against whom such amendment or modification is sought to be enforced and expressly identified as an amendment or modification.

7.10 **No Third-Person Beneficiaries.** The provisions of this Agreement are enforceable solely by the Parties. Nothing in this Agreement shall entitle any Person other than the Parties any claim, cause of action, remedy or right of any kind, except the rights expressly provided to the Persons described in Article 6, which rights must be enforced and claims brought, if at all, by the applicable Party.

7.11 **Severability.** If any provision of this Agreement, or any application thereof, is held invalid, illegal or unenforceable in any respect under any Law, this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and, to the extent such provision cannot be so reformed, then such provision (or the invalid, illegal or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality and enforceability of the remaining provisions contained herein (and any other application of such provision) shall not in any way be affected or impaired thereby.

7.12 **Time of the Essence.** Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

7.13 **Limitation on Damages.** Notwithstanding anything to the contrary contained herein, no Party, nor any of their respective Affiliates shall be entitled to consequential, special, or punitive damages in connection with this Agreement and the transactions contemplated hereby (other than consequential, special, or punitive damages suffered by third Persons for which responsibility is allocated between or among the Parties) and each Party, for itself and on behalf of its Affiliates, hereby expressly waives any right to consequential, special, or punitive damages in connection with this Agreement and the transactions contemplated hereby (other than consequential, special, or punitive damages suffered by third Persons for which responsibility is allocated between or among the Parties).

7.14 **Relationship of the Parties.** It is not the intention of the Parties to create, nor shall this Agreement be construed as creating, a mining or other partnership, joint venture, agency relationship, or association, or to render the parties liable as partners, co-venturers, or principals.

7.15 **Further Assurances.** Each Party shall from time to time, and without additional consideration, take such further acts, and execute and deliver such further documents, as may be reasonably requested by another Party in order to fully perform and carry out the terms of this Agreement.

7.16 **Reservation of Rights.** Notwithstanding anything contained herein to the contrary, nothing herein shall limit, or otherwise have any impact on, any Party's claims, defenses, or other rights related to any matters or transactions not related to this Agreement and the matters contemplated thereby.

7.17 **Surety Bonds.** Venoco shall use commercially reasonable efforts to take any actions requested or required by the Commission to facilitate the Commission deriving the benefit of any existing surety bonds in connection with the Assets.

[Remainder of page intentionally left blank. Signature page to follow.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

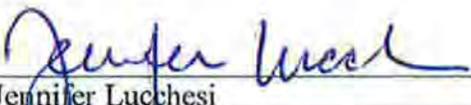
VENOCO, LLC

By: 
Name: Brian E. Donovan
Title: General Counsel and Secretary

Address: 370 17th Street, Suite 3900
Denver, CO 80202

Attn: _____
Phone: 303-626-8300

**CALIFORNIA STATE LANDS
COMMISSION**

By: 
Name: Jennifer Lucchesi
Title: Executive Officer

Address: 100 Howe Avenue, Suite 100-S
Sacramento, CA 95825

Attn: _____
Phone: 916-574-1800

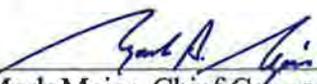
Approved as to form: 
Name/Title: Mark Meier, Chief Counsel

EXHIBIT A

PRC 421.1

That certain State Lands Commission State of California Oil and Gas Lease with PRC No. 421.1 dated as of October 22, 1949, granted by the State of California State Lands Commission to Blackline Oil Company, which covers for the following lands located in or adjacent to Santa Barbara County, California:

Beginning at a point on the ordinary high water mark of the Pacific Ocean, at the most easterly corner of the lands embraced in expired Lease No. 88 (303-1921), which point bears S. 54° 52' 30" E. 340.46 feet, S. 52° 28' 00" E. 1062.38 feet. S. 50° 34' 30" E. 258.19 feet and S. 50° 03' 30" E. 1.00 foot from Monument No. 8 as shown on a map entitled "State Leases and Permits, Ellwood Oil Field, " approved November 1, 1929, and filed in the office of the Division of State Lands: thence along said ordinary high water mark S. 50° 03' 30" E. 1092.33 feet to the most northerly point of the lands embraced in Lease No. 90 (303-1921); thence, leaving said ordinary high water mark and running along the westerly side boundary line of the lands embraced in Lease No. 90 (303-1921), S. 39° 56' 30" W. 2730.82 feet; thence N. 50° 03' 30" W. 1092.33 feet to the easterly side boundary line of the lands embraced in expired Lease No. 88 (303-1921); thence along the said easterly side boundary line of the lands embraced in said expired Lease No. 88 (303-1921), N. 39° 56' 30" E. 2730.82 feet to the point of beginning; and containing approximately 68.48 acres.

[EXHIBIT A CONTINUES ON THE FOLLOWING PAGE]

PRC 3120.1

That certain State Lands Commission State of California Oil and Gas Lease with PRC No. 3120.1 dated as of April 29, 1964, granted by the State of California State Lands Commission to Richfield Oil Corporation and Socony Mobil Oil Company, which covers for the following lands located in or adjacent to Santa Barbara County, California:

A PARCEL OF TIDE AND SUBMERGED LAND IN SANTA BARBARA CHANNEL, SANTA BARBARA COUNTY, IN THE VICINITY OF ELWOOD OIL FIELD, SAID PARCEL BEING DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE MEAN HIGH TIDE LINE OF SANTA BARBARA CHANNEL, SAID POINT BEING THE NORTHWEST CORNER OF STATE OIL AND GAS LEASE P.R.C. 129.1 AND ALSO THE NORTHEAST CORNER OF P.R.C. 208.1, WHICH POINT BEARS N. 77° 18' 58" W. 4,865 FEET MORE OR LESS FROM A 6 INCH IRON PIPE DESIGNATED AS MONUMENT NUMBER 4 ON SHEET 3 OF 6 OF A MAP OF A "SURVEY OF THE ORDINARY HIGH WATER MARK", DATED FEBRUARY 1954 AND RECORDED IN RECORD OF SURVEY MAP BOOK 35, PAGE 89, RECORDS OF SANTA BARBARA COUNTY, SAID MONUMENT HAVING ZONE 5 CALIFORNIA COORDINATES OF X = 1,420,819.40 Y = 345,145.75; THENCE FROM SAID POINT OF BEGINNING SOUTHEASTERLY ALONG THE MEAN HIGH TIDE LINE TO THE INTERSECTION WITH A CALIFORNIA COORDINATE SYSTEM ZONE 5 NORTH-SOUTH GRID LINE HAVING AN X VALUE OF 1,424,750, SAID POINT OF INTERSECTION ALSO HAVING A Y VALUE OF 342,436.83, AND BEING ON THE LANDWARD BOUNDARY OF STATE OIL AND GAS LEASE P.R.C. 421.1; THENCE SOUTH ALONG SAID GRID LINE 18,227.20 FEET TO A POINT IN THE SANTA BARBARA CHANNEL; THENCE NORTHWESTERLY PARALLEL TO THE MEAN HIGH TIDE LINE TO AN INTERSECTION WITH THE SOUTHERLY PROJECTION OF THE EAST BOUNDARY LINE OF STATE OIL AND GAS LEASE P.R.C. 208.1; THENCE NORTHERLY ALONG SAID BOUNDARY LINE TO THE POINT OF BEGINNING. EXCLUDING THEREFROM THE AREA CONTAINED IN STATE OIL AND GAS LEASES P.R.C. 129.1, P.R.C. 428.1 AND A PORTION OF P.R.C. 421.1, SAID PARCEL CONTAINING 3,324 ACRES MORE OR LESS.

THE BEARINGS AND DISTANCES USED IN THE ABOVE DESCRIPTION ARE BASED ON THE CALIFORNIA COORDINATE SYSTEM ZONE 5.

[EXHIBIT A CONTINUES ON THE FOLLOWING PAGE]

PRC 3242.1

That certain State Lands Commission State of California Oil and Gas Lease with PRC No. 3242.1 dated as of April 8, 1965, granted by the State of California State Lands Commission to Richfield Oil Corporation and Socony Mobil Oil Company, which covers for the following lands located in or adjacent to Santa Barbara County, California:

A PARCEL OF TIDE AND SUBMERGED LAND IN SANTA BARBARA CHANNEL, NEAR ELWOOD, IN SANTA BARBARA COUNTY, CALIFORNIA, BEING FURTHER DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE MEAN HIGH TIDE LINE OF ABOVE-MENTIONED SANTA BARBARA CHANNEL AT THE INTERSECTION WITH A NORTH-SOUTH GRID LINE HAVING A ZONE 5 CALIFORNIA "X" COORDINATE OF 1,424,750; THENCE EASTERLY ALONG SAID MEAN HIGH TIDE LINE TO ITS INTERSECTION WITH THE WESTERN BOUNDARY OF STATE OIL AND GAS LEASE P.R.C. 308.1; THENCE SOUTHERLY ALONG SAID WESTERN BOUNDARY OF OIL AND GAS LEASE P.R.C. 308.1 AND ITS SEAWARD PROLONGATION TO AN INTERSECTION WITH AN ENVELOPE LINE EVERY POINT OF WHICH IS AT A DISTANCE OF 3 GEOGRAPHICAL MILES FROM THE NEAREST POINT ON THE MEAN HIGH TIDE LINE OF SANTA BARBARA CHANNEL; THENCE WESTERLY ALONG SAID ENVELOPE LINE TO ITS INTERSECTION WITH ABOVE-MENTIONED NORTH-SOUTH GRID LINE HAVING A ZONE 5 CALIFORNIA "X" COORDINATE OF 1,424,750; THENCE NORTH ALONG SAID GRID LINE TO THE POINT OF BEGINNING.

EXCEPTING FROM THE ABOVE-DESCRIBED PARCEL, STATE OIL AND GAS LEASE P.R.C. 424.1 AND ANY PORTION OF STATE OIL AND GAS LEASE P.R.C. 421.1 LYING WITHIN SAID PARCEL.

SAID PARCEL CONTAINING APPROXIMATELY 4,290 ACRES EXCLUDING THE EXCEPTIONS.

COORDINATES AND BEARINGS CONFORM TO CALIFORNIA COORDINATE SYSTEM ZONE 5

The lease shall be subject to the provisions of pipeline easements P.R.C. 2739.1 and P.R.C. 3073.1.

[END OF EXHIBIT A]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

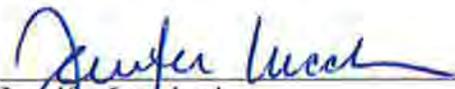
VENOCO, LLC

By: 
Name: Brian E. Donovan
Title: General Counsel and Secretary

Address: 370 17th Street, Suite 3900
Denver, CO 80202

Attn: _____
Phone: 303-626-8300

**CALIFORNIA STATE LANDS
COMMISSION**

By: 
Name: Jennifer Lucchesi
Title: Executive Officer

Address: 100 Howe Avenue, Suite 100-S
Sacramento, CA 95825

Attn: _____
Phone: 916-574-1800

Approved as to form: 
Name/Title: Mark Meier, Chief Counsel

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date set forth above.

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