

PXP

Plains Exploration & Production Company

October 30, 2005

The Honorable Dick DeWees
Mayor of the City of Lompoc
c/o Mr. Gary Keefe
City Administrator
City of Lompoc
Post Office Box 804
Lompoc, California 93438

Subject: Pre-application Request for Expansion of Sphere of
Influence and General Plan Urban Limit Line for
Approximately 804-Acre Site: Purisima Hills

Dear Mayor DeWees,

Plains Exploration & Production Company (PXP) owns an approximately 804-acre site located approximately three miles north of the City of Lompoc adjacent to Harris Grade Road. This site is part of an overall ownership of approximately 3,700 acres. The site has historically been used for oil production; however PXP is in the process of phasing out the primary use of the site for oil production and is preparing plans for reuse of the site for residential uses, open space, parks, and public uses. Oil production activities will remain as the primary use on the balance of the property.

The 804-acre site is located approximately three miles north of the existing City Sphere of Influence and General Plan Urban Limit Line. PXP is interested in exploring the potential for a future annexation of the entire 804-acre site into the City of Lompoc. This letter is to request that the City Council conceptually discuss the City's potential support of an expansion of its existing Sphere of Influence (SOI) and General Plan Urban Limit Line to include the 804-acre site, known as Purisima Hills, within the City's SOI and Urban Limit Line and that the City request the Local Agency Formation Commission (LAFCO) to conduct a similar discussion in anticipation of a future annexation of the site into the City of Lompoc.

The conceptual land use plan prepared for Purisima Hills is based on sound planning principles resulting in a project that will be an asset to the City of Lompoc and enhance the overall community identity unique to Lompoc. The conceptual plan proposes a residential community predominantly located in lower elevations of the site, providing for the preservation of ridgelines, hillsides,

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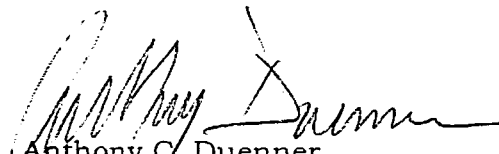
natural drainage courses, and stands of oaks creating an open space setting for the project.

Incorporating Purisima Hills into the City of Lompoc will provide for development of new public parks, trails, and access to open space within the project while insuring the future environmental stewardship of ridgelines, hills and natural areas serving as the backdrop to the City of Lompoc. The trails and open space system planned for Purisima Hills will provide for ultimate connections to the Burton Mesa Ecological Reserve in the event this area is made available for public access. In addition to the public parks, trails and open space provided within the project, the development will also contribute park fees toward the upgrading of existing parks and sports fields located closer to the downtown.

The development of Purisima Hills will offer a variety of new housing types including work force housing, executive housing, first-time, and move-up housing for residents of Lompoc. Public improvements and infrastructure including roadways, sewer and water facilities required for Purisima Hills will be paid for by the development. The project will provide a site for an elementary school and a site for a fire station to serve the development. In addition, the project will contribute fees to assist in the implementation of the City's existing capital improvement programs, as well as fees to the Lompoc Unified School District for the improvement of its existing facilities. The project will also generate increased tax revenues to the City through new property taxes and sales tax income.

PXP has authorized the firms of Odle and Associates and Ullom Associates to work on our behalf with the City of Lompoc and LAFCO on our request to expand the SOI and Urban Limit Line with the ultimate goal of annexing the Purisima Hills project site into the City of Lompoc. The enclosed materials will further describe the project site, the proposed project and the benefits to the City of Lompoc resulting from the project. A discussion of the LAFCO SOI policies as they relate to the proposal is also included in the enclosed materials. Thank you for your consideration of this request.

Very truly yours,



Anthony C. Duenner
Assistant General Counsel

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Enclosures