

MINUTE ITEM
This Calendar Item No. C60 was approved as
Minute Item No. 62 by the California State Lands
Commission by a vote of 3 to 2 at its
12-16-02 meeting.

**CALENDAR ITEM
C60**

A 58

12/16/02

S 37

PRC 186
M. LeClair

**CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST
IN OIL AND GAS LEASE NO. PRC 186,
BELMONT OFFSHORE FIELD,
ORANGE COUNTY**

ASSIGNORS:

ChevronTexaco
Attn.: Ms. Bridget Beard
4900 California Avenue
Bakersfield, CA 93309

ExxonMobil
Attn: Mr. Gerald E. Ladd
P.O. Box 4697
Houston, Texas 77210-4697

ASSIGNEE:

Oxy Long Beach, Inc.
Attn.: Mr. Frank Komin, President
P.O. Box 2900
Long Beach, CA 90801

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 186 was issued to Marine Exploration Company on September 24, 1945. It consists of approximately 1,225 acres of tide and submerged land located within the Belmont Offshore Field, Orange County.

BACKGROUND:

Through a series of assignments, Oil and Gas Lease No. PRC 186 was issued to Texaco, Inc., and Exxon Company, USA, each owning an undivided 50 percent in the lease. After corporate mergers and name changes, the lessees are ChevronTexaco and ExxonMobil Corporation. ExxonMobil Corporation is the operator for the lease.

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In 1948, Marine Exploration Company drilled the discovery well for the Belmont Field under a tide and submerged lands permit PRC 186 from the California State Lands Commission (Commission) from a site one-half mile inland from the coast. Marine Exploration realized that it would need to build an offshore drilling and production island to adequately develop the field. Monterey, the successor to Marine Exploration began construction of the island in 1952 on a site located about one and a half miles offshore from the city of Seal Beach. Monterey, with Texaco as its partner, completed Monterey Island (later renamed Belmont Island) in 1954.

The first well on the Island was started (spudded) in May 1954 and was completed in September of that year. During the 40-year life of the Island, 79 wells were drilled that produced approximately 28 million barrels of oil and 24 million cubic feet of natural gas, which it generated over \$40 million in revenue for the State. Production terminated in 1994, and the oil wells were plugged and abandoned in compliance with State regulatory requirements in 1996. The buried oil and gas pipelines to shore were purged and flushed to remove residual oil and gas.

In 2001, the Commission staff oversaw the decommissioning and removal of the island to ensure the work was done in accordance with all mitigation measures, the approved work and contingency plans, the lease terms, and all applicable rules and regulations of the Commission and other permit stipulations.

ChevronTexaco and ExxonMobil Corporation are now requesting that the California State Lands Commission approve assignment of each of their undivided 50 percent interests in this lease to Oxy Long Beach, Inc.

Oxy Long Beach, Inc has conducted a preliminary study to assess the potential redevelopment of the remaining oil reserves of PRC 186 using a nearby existing island and facilities from the Long Beach Unit, and determined that a two-phased approach is the best method to validate the remaining reserves and develop the field. Oxy initially proposes to drill two to three production wells from Island Chaffee (nearest Long Beach Unit Island) utilizing the existing water injection wells to provide waterflood support. The Long Beach Unit facilities would be used to process the production once an agreement between the city of Long Beach, Oxy, and the State can be negotiated.

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The second phase of the development would be implemented once adequate oil saturation is confirmed and waterflood potential has been assessed. Oxy's plan is to drill four producers and three to four injectors targeting the remaining reserve volume. A lower number of wells may be used if it is determined that horizontal well completions are possible. Oxy intends to complete its reservoir study and submit a development plan to the Commission by the second quarter of 2003 and begin drilling in late 2003.

STATUTORY AND OTHER REFERENCES:

- A. Section 4 of the Lease.
- B. Public Resources Code section: 6804

OTHER PERTINENT INFORMATION

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Location Map.
- B. Preliminary Development Plan Letter dated November 14, 2002 from Oxy Long Beach, Inc.

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

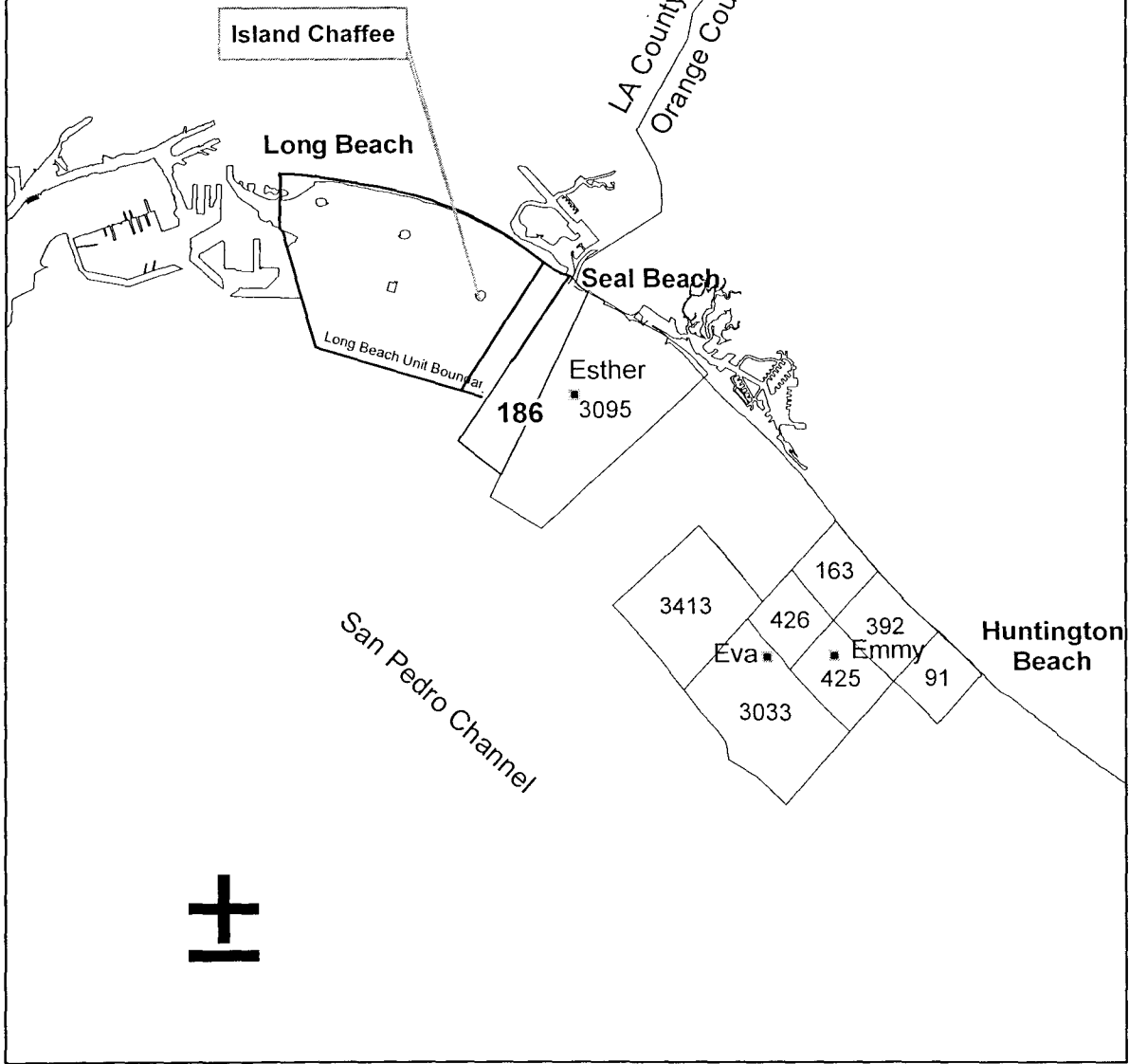
AUTHORIZATION:

1. APPROVE THE ASSIGNMENT OF UNDIVIDED 50 PERCENT INTERESTS IN OIL AND GAS LEASE PRC 186 FROM EACH OF CHEVRONTEXACO AND EXXONMOBIL TO OXY LONG BEACH, INC., COMMISSION APPROVAL OF THIS ASSIGNMENT IS GIVEN ON THE CONDITIONS THAT THE ASSIGNMENTS WILL NOT RELEASE THE ASSIGNORS FROM ANY OBLIGATIONS UNDER THE LEASE, ANY CONDITIONS IN ANY ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING AND THE ASSIGNEE WILL BE BOUND BY THE LEASE, INCLUDING ANY MODIFICATIONS AND COLLATERAL AGREEMENTS, TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN ANY ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING. PURSUANT TO STATUTE, THIS ASSIGNMENT WILL TAKE EFFECT THE FIRST DAY OF THE MONTH FOLLOWING COMMISSION APPROVAL.

2. OXY SHALL SUBMIT A DEVELOPMENT PLAN TO STAFF FOR COMMISSION CONSIDERATION WITHIN 18 MONTHS OF THE LEASE ASSIGNMENT AND BEGIN DRILLING WITHIN A THREE-YEAR PERIOD OF THE LEASE ASSIGNMENT.

3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENTS NECESSARY TO IMPLEMENT THE COMMISSION'S DECISION.

Exhibit "A"
Location Map
State Lands Commission
PRC 186
Orange County





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LONG BEACH, CALIFORNIA 90801-2900
TELEPHONE (562) 624-3400
FACSIMILE (562) 624-3299

November 14, 2002

Mr. Paul Mount II, P.E.
Chief, Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, California 90802-4331

Dear Mr. Mount:

Subject: State Lease PRC 186

Oxy Long Beach, Inc. ("OLBI") requests that the State Lands Commission ("SLC") consent to the assignment of State Lands Lease PRC 186 ("PRC 186") from ExxonMobil and Texaco to OLBI. OLBI acquired the interests earlier this year.

OLBI has obtained relevant documents relating to PRC 186 from ExxonMobil. OLBI is in the process of fully reviewing the information. Once the review is completed, OLBI will submit a Plan of Development to the SLC by the second quarter of 2003.

OLBI's preliminary view of development of PRC 186 would be to take a phased approach. First, the Ranger zone potential would be validated by drilling two or three production wells from Island Chaffee. It is anticipated that the first well would be drilled in late 2003. The existing Long Beach Unit lease line water injectors would provide sufficient waterflood support. If this phase were successful, the second phase would include the full development of seven producer wells and three to four down dip injectors placed at the base of the swept volume. Additionally, an evaluation would be done to determine if horizontal wells could be used to reduce well count. No new surface infrastructure will be required for development of PRC 186 since the Long Beach Unit facilities have adequate capacity to process the oil. The reservoir evaluations will be completed by the middle of 2003. Please see the attachment for more details.

Finally, an agreement would have to be reached with the City of Long Beach and the State prior to using any Long Beach Unit facilities for development of PRC 186. We expect a final agreement to be reached by the first quarter of 2003, at which time the full benefit to the State of California can be quantified.

Very truly yours,

Frank E. Komin
President

BAZ:mkm

Attachment

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