

**CALENDAR ITEM
C76**

A 11, 13

06/19/14
PRC 8377.1
PRC E-415.1
RA# 09411
N. Heda
M. LeClair

S 3, 5, 7

**CONSIDER A CONSENT TO THE CHANGE IN PARENTAL GUARANTEES FOR
OIL AND GAS LEASE NOS. PRC 8377.1 AND PRC E-415.1
TO THE NEWLY FORMED CALIFORNIA RESOURCES CORPORATION,
RIO VISTA GAS FIELD AND THE GRIZZLY ISLAND
WILDLIFE MANAGEMENT AREA,
CONTRA COSTA, SAN JOAQUIN, SACRAMENTO
AND SOLANO COUNTIES**

LESSEES:

Vintage Petroleum, LLC
Attn.: Mr. Shawn Kerns
9600 Ming Ave, Suite 300
Bakersfield, CA 93311

Vintage Production California, LLC
Attn.: Mr. Shawn Kerns
9600 Ming Ave, Suite 300
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Negotiated, limited surface use Oil and Gas Lease No. PRC 8377.1 contains 362.49 acres, more or less of State sovereign lands and 4,165.5 acres, more or less, of California Department of Fish and Wildlife (CDFW) lands in Solano County (Exhibit A, attached hereto).

Oil and Gas Lease No. PRC E-415.1 contains approximately 2, 827 acres, more or less, of State land that encompasses portions of the beds of the Sacramento, San Joaquin, Mokelumne, Old, False Rivers and other tide and submerged lands within the area designated by Agreement for Easement No. 415 dated June 3, 1940 (Exhibit B, attached hereto).

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BACKGROUND:

The California State Lands Commission (Commission) issued negotiated limited surface use Oil and Gas Lease No. PRC 8377.1 to Occidental Resources of California, LLC on January 30, 2002. Through a series of assignments approved by the Commission in June 23, 2011 and February 22, 2013, the current lessee is Vintage Production California, LLC (VPC), a Delaware limited liability corporation and subsidiary of Occidental Petroleum Corporation ("OPC").

Agreement for Easement No. 415 was issued to Standard Oil Company of California ("Standard," presently Chevron Corporation) on June 3, 1940. On December 20, 1963, the Commission approved Standard's request for a new lease designated as PRC E-415.1 in exchange for Agreement for Easement No. 415. Through a number of assignments and mesne conveyances, Vintage Petroleum, LLC (VPL) a subsidiary of OXY is the current lessee of record upon Commission approval at the June 23, 2011, meeting. Occidental Oil and Gas Holding Corporation (OOGHC) executed an irrevocable and unconditional guaranty of VPC and VPL's performance of the lease terms for both PRC 8377.1 and PRC E-415.1 upon their assignment.

OPC, which is the parent company of both Oxy USA Inc. and OOGHC, is currently in the process of separating its assets into an independent and separately traded company. On February 13, 2014, the Board of Directors of OPC authorized the separation of OPC's California business into a separate and independent publicly traded company. This new company, California Resources Corporation ("CRC"), will be separated from OPC following certain regulatory approvals, including the declaration of the United States Securities and Exchange Commission that CRC's Registration Statement on Form 10 is effective and final approval of OPC's Board of Directors. When separated, CRC will replace OPC as the ultimate parent company with respect to OPC business in California. For reference purposes, the separation described above is referred to as "Oxy's spin-off."

The Commission's approval of CRC replacing OOGHC as the guarantor of VPC's and VPL's performance on Leases PRC 8377.1 and PRC E-415.1 would be conditioned upon approval of: (1) the declaration of the United States Securities and Exchange Commission that CRC's Registration Statement on Form 10 is effective; (2) the most recent pro forma balance sheet included in CRC's Registration Statement on Form 10 and declared effective by the United States Securities and Exchange Commission that reflects the net worth (total assets less total liabilities) of CRC to be in excess of One Billion Dollars (US);

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and, (3) final approval of Oxy's spin-off by the OPC Board of Directors. Until such time, OOGHC will remain the parent guaranty. The guaranties will be in the form of Exhibits C and D, attached hereto.

CRC has submitted preliminary unaudited corporate and financial data which were reviewed by Commission staff. Based on the results of the reviews, Commission staff has provisionally determined that CRC possesses the financial resources to meet the requirements and obligations under Leases PRC 8377.1 and PRC E-415.1 and is therefore an appropriate entity to hold the parental guaranty.

VPC and VPL will continue to operate the leases and maintain the bonding and insurance required by the Leases; and will be the party responsible for the payment of all rental and royalties due under the Leases.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804

OTHER PERTINENT INFORMATION:

1. Assignment forms have been provided and prerequisite filing fees have been paid.
2. The staff recommends that the Commission find that the subject consent to the change in Parental Guarantor does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

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

EXHIBITS:

- A. Location Map PRC 8377.1
- B. Location Map PRC E-415.1
- C. Parental Guaranty of PRC 8377.1
- D. Parental Guaranty of PRC E-415.1

CALENDAR ITEM NO. **C76** (CONT'D)

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDINGS:

Find that the subject consent to the change in Parental Guarantor is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

1. Consent to the change in parental guarantor for Oil and Gas Lease Nos. PRC 8377.1 and PRC E-415.1 from Occidental Oil and Gas Holding Company to California Resources Corporation (OOGHC) to California Resource Corporation for full performance of obligations under the lease, effective upon the State's receipt of: (1) declaration of the United States Securities and Exchange Commission that CRC's Registration Statement on Form 10 is effective; (2) the most recent pro forma balance sheet included in CRC's Registration Statement on Form 10 and declared effective by the United States Securities and Exchange Commission that reflects the net worth (total assets less total liabilities) of CRC to be in excess of One Billion Dollars (US); and, (3) final approval of Oxy's spin-off by the OPC Board of Directors. Until such time, OOGHC will remain the parent guaranty.
2. Authorize the Executive Officer or her designee to execute any documents necessary to implement the Commission's consent to the change in Parental Guarantor.

Exhibit A

Location Map

PRC 8377.1

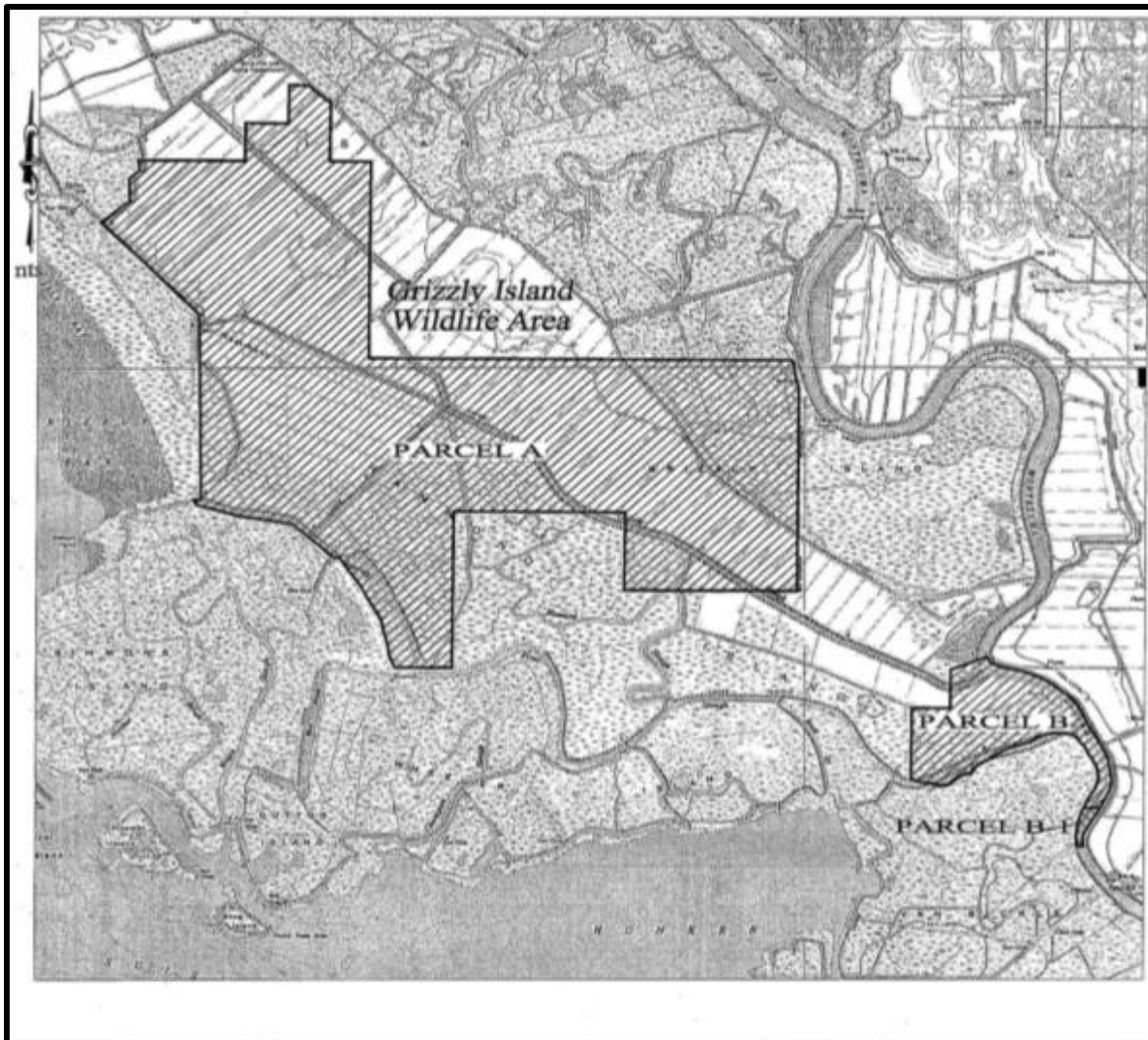


EXHIBIT A

OIL AND GAS LEASE

This Exhibit is solely for the purpose of generally defining the lease premises, and is not intended to be, nor shall it be construed as, a waiver or limitation of any state interest in the subject or any other property.

**PRC 8377.1
VINTAGE
PETROLEUM LLC**

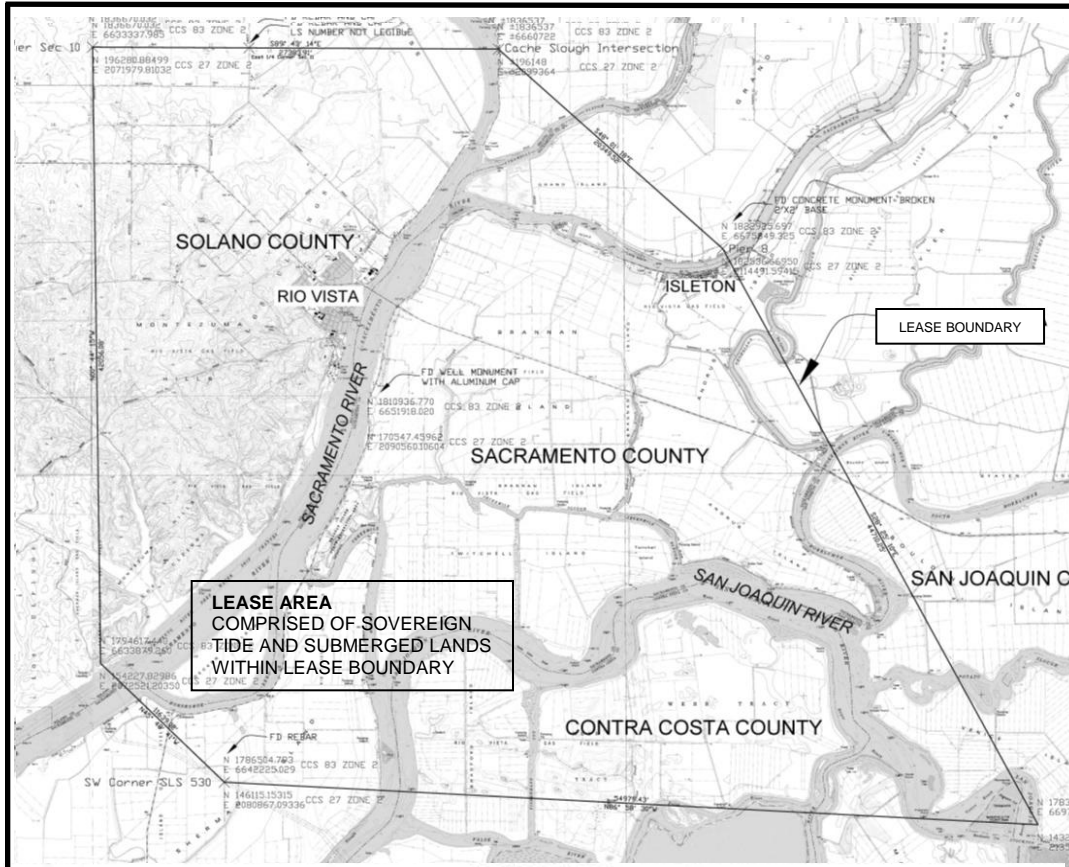
**OIL & GAS LEASE
HOWARD, MONTEZUMA &
GRIZZLY & ROARING RIVER
SLOUGH AND FISH & GAME
LANDS ON HAMMOND &
GRIZZLY ISLAND**

SOLANO COUNTY

EXHIBIT B

Location Map

PRC E-415.1



PRC E-415.1
CONTRA COSTA, SACRAMENTO, SAN JOAQUIN, & SOLANO COUNTIES

NO SCALE

LOCATION



Exhibit B
PRC E-415.1
VINTAGE
PETROLEUM LLC
OIL AND GAS LEASAE
RIO VISTA GAS FIELD



This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT C

PRC 8377.1

GUARANTY

1. **California Resources Corporation a California corporation**, (“Guarantor”) owns **Vintage Petroleum LLC, a Delaware limited liability company**. Vintage Petroleum LLC is the lessee of 100 % interest in the certain Oil and Gas Lease designated as PRC 8377.1 ("State Lease") granted by the State of California acting by and through the State Lands Commission (“Lessor”). For valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, Guarantor hereby unconditionally guarantees performance by Vintage Petroleum LLC of all the terms, covenants, conditions, agreements, and obligations of the State Lease in the same manner and to the same extent as though Guarantor were the lessee thereunder (the “Obligation”).
2. This is a continuing and absolute Guaranty relating to the Obligation, irrespective of any release of, or granting of time or any other forbearance or indulgence to Vintage Petroleum LLC, except as specifically authorized by the Lessor. Modifications of or alterations or changes which may be made in the State Lease, or in the terms, duties and obligations imposed thereunder shall not in any way release the Guarantor, either in whole or in part, from any liability arising under this Guaranty. Notice to the Guarantor of any such modifications, alterations, changes, extensions or forbearance is hereby waived.

3. If, during the term this Guaranty is in effect, Vintage Petroleum LLC fails to timely perform any obligation arising under the State Lease, including without limitation, the obligation to make any monetary payment provided for thereunder, and fails to cure any such failure in the manner and within the period of time provided within the State Lease, Guarantor will tender performance of such obligation directly for Lessor's benefit promptly upon Lessor's demand therefore, and without Lessor having to make prior demand upon Vintage Petroleum LLC. Notwithstanding the preceding sentence, the obligations of the Guarantor hereunder are independent of the obligations of Vintage Petroleum LLC, and a separate action or actions may be brought and prosecuted against the Guarantor whether an action is brought against Vintage Petroleum LLC or whether Vintage Petroleum LLC is joined in any such action or actions.

4. The Guarantor waives: (a) any right to require the Lessor to (i) proceed against Vintage Petroleum LLC; (ii) proceed against or exhaust any security or other guarantor; or (iii) pursue any other remedy in Lessor's power whatsoever; and (b) notice of acceptance of this Guaranty

5. The Guarantor represents and warrants to Lessor that (a) all authorizations, approvals, notices, filings and other action required by the internal documents governing the Guarantor and the regulatory authorities having jurisdiction over the Guarantor in connection with the due authorization, execution and delivery of this Guaranty has been duly obtained or made and are in full force and effect; and (b) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding

obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

6. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Guarantor, by its execution of this Guaranty, hereby submits to the non-exclusive jurisdiction of the courts of the State of California and of the United States of America in connection with any action or proceeding relating to this Guaranty and hereby consents to service of process or other summons in any such action or proceeding brought by Lessor against it in any such court by means of registered mail to the last known address of the Guarantor. Nothing herein, however, shall prevent service of process by any other means permitted by law or the bringing of any such action or proceeding in any other jurisdiction.
7. None of the terms or provisions hereof may be waived, altered, modified or amended except by a writing duly signed by the Lessor and by the undersigned. If any term hereof shall be held to be invalid, illegal or unenforceable in any jurisdiction, the validity of all other terms shall in no way be affected thereby in that jurisdiction, and the unenforceability in that jurisdiction shall in no way affect the validity or enforceability of that or any other terms hereof in any other jurisdiction.
8. This Guaranty shall be binding on the Guarantor and its successors and assigns and shall inure to the benefit of the Lessor. This Guaranty shall not be deemed to benefit any person except Vintage Petroleum LLC and Lessor.

In witness whereof, the Guarantor has caused this Guaranty to be executed on its behalf by its duly authorized representatives, as of this _____ day of _____ .

California Resources Corporation

By: _____

Name: _____

Title: _____

All Signatures must be acknowledge

EXHIBIT D

GUARANTY

PRC E-415.1

1. **California Resources Corporation a California corporation,** (“Guarantor”) owns **Vintage Petroleum LLC, a Delaware limited liability company.** Vintage Petroleum LLC is the lessee of 100.00% interest in a Gas Lease designated as PRC E-415.1 ("State Lease") granted by the State of California acting by and through the State Lands Commission (“Lessor”). For valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the undersigned, Guarantor hereby unconditionally guarantees performance by Vintage Petroleum LLC of all the terms, covenants, conditions, agreements, and obligations of the State Lease in the same manner and to the same extent as though Guarantor were the lessee thereunder (the “Obligation”).
2. This is a continuing and absolute Guaranty relating to the Obligation, irrespective of any release of, or granting of time or any other forbearance or indulgence to Vintage Petroleum LLC, except as specifically authorized by the Lessor. Modifications of or alterations or changes which may be made in the State Lease, or in the terms, duties and obligations imposed thereunder shall not in any way release the Guarantor, either in whole or in part, from any liability arising under this Guaranty. Notice to the Guarantor of any such modifications, alterations, changes, extensions or forbearance is hereby waived.

3. If, during the term this Guaranty is in effect, Vintage Petroleum LLC fails to timely perform any obligation arising under the State Lease, including without limitation, the obligation to make any monetary payment provided for thereunder, and fails to cure any such failure in the manner and within the period of time provided within the State Lease, Guarantor will tender performance of such obligation directly for Lessor's benefit promptly upon Lessor's demand therefore, and without Lessor having to make prior demand upon Vintage Petroleum LLC. Notwithstanding the preceding sentence, the obligations of the Guarantor hereunder are independent of the obligations of Vintage Petroleum LLC, and a separate action or actions may be brought and prosecuted against the Guarantor whether an action is brought against Vintage Petroleum LLC or whether Vintage Petroleum LLC is joined in any such action or actions.

4. The Guarantor waives: (a) any right to require the Lessor to (i) proceed against Vintage Petroleum LLC; (ii) proceed against or exhaust any security or other guarantor; or (iii) pursue any other remedy in Lessor's power whatsoever; and (b) notice of acceptance of this Guaranty

5. The Guarantor represents and warrants to Lessor that (a) all authorizations, approvals, notices, filings and other action required by the internal documents governing the Guarantor and the regulatory authorities having jurisdiction over the Guarantor in connection with the due authorization, execution and delivery of this Guaranty has been duly obtained or made and are in full force and effect; and (b) this Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding

obligation of the Guarantor enforceable against the Guarantor in accordance with its terms.

6. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS. The Guarantor, by its execution of this Guaranty, hereby submits to the non-exclusive jurisdiction of the courts of the State of California and of the United States of America in connection with any action or proceeding relating to this Guaranty and hereby consents to service of process or other summons in any such action or proceeding brought by Lessor against it in any such court by means of registered mail to the last known address of the Guarantor. Nothing herein, however, shall prevent service of process by any other means permitted by law or the bringing of any such action or proceeding in any other jurisdiction.
7. None of the terms or provisions hereof may be waived, altered, modified or amended except by a writing duly signed by the Lessor and by the undersigned. If any term hereof shall be held to be invalid, illegal or unenforceable in any jurisdiction, the validity of all other terms shall in no way be affected thereby in that jurisdiction, and the unenforceability in that jurisdiction shall in no way affect the validity or enforceability of that or any other terms hereof in any other jurisdiction.
8. This Guaranty shall be binding on the Guarantor and its successors and assigns and shall inure to the benefit of the Lessor. This Guaranty shall not be deemed to benefit any person except Vintage Petroleum LLC and Lessor.

In witness whereof, the Guarantor has caused this Guaranty to be executed on its behalf by its duly authorized representatives, as of this _____ day of _____.

California Resources Corporation

By: _____

Name: _____

Title: _____

All Signatures must be acknowledged