

CALENDAR ITEM

**C77**

A 72, 74

06/19/14

PRC 91, PRC 163, PRC E392  
PRC E400, PRC E401  
PRC 425, PRC 426  
PRC 919, PRC 920  
PRC 977, PRC 980  
PRC 983, PRC 985  
PRC 986, PRC 989  
PRC 997, PRC 999  
PRC 1329, PRC 1331  
PRC 1332, PRC 1333  
PRC 1334, PRC 1336  
PRC 1337, PRC 1340  
PRC 1345, PRC 4736  
PRC 4887, PRC 5663

S 34, 37

M. Le Clair  
N. Saito

**CONSIDER:**

- 1) AN ASSIGNMENT OF 100 PERCENT OF OXY USA INC'S INTEREST IN OIL AND GAS LEASE NOS. PRC 91, PRC 163, PRC E-392, PRC 425, PRC 426 AND PRC 4736;**
- 2) AN ASSIGNMENT OF 100 PERCENT OF OXY USA INC'S INTEREST IN 21 OIL AND GAS LEASE EXTENSION AND RENEWAL AGREEMENT NOS. PRC E-400, PRC E-401, PRC 919, PRC 920, PRC 977, PRC 980, PRC 983, PRC 985, PRC 986, PRC 989, PRC 997, PRC 999, PRC 1329, PRC 1331, PRC 1332, PRC 1333, PRC 1334, PRC 1336, PRC 1337, PRC 1340, AND PRC 1345;**
- 3) AN ASSIGNMENT OF 100 PERCENT OF OXY USA INC'S INTEREST IN DRILL SITE AGREEMENT NO. PRC 4887;**
- 4) APPROVAL OF AN ASSIGNMENT OF OXY USA INC'S AGREEMENT FOR USE OF EASEMENT NO. PRC 5663 OF STATE OWNED LANDS AT BOLSA CHICA STATE BEACH; ALL TO SOCIAL HOLDING, LLC;**
- 5) CONSENT TO THE CHANGE OF THE PARENTAL GUARANTY, HUNTINGTON BEACH OIL FIELD, ORANGE COUNTY, CALIFORNIA**

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**ASSIGNOR:**

OXY USA Inc.  
Attn.: Ms. Cambria Henderson, Land Negotiator  
301 E. Ocean Blvd. Suite 300  
Long Beach, CA 90802

**ASSIGNEE:**

SoCal Holding, LLC  
Attn.: Ms. Cambria Henderson, Land Negotiator  
111 W. Ocean Blvd. Suite 800  
Long Beach, CA 90802

**AREA, LAND TYPE, AND LOCATION:**

Twenty-nine (29) leases and/or agreements comprise OXY USA Inc.'s. (OXY USA) interest in the Huntington Beach Oil Field in Orange County, consisting of: six (6) State Oil and Gas Leases which currently produce State resources in the offshore portion of the field, and are developed from wells both at onshore drilling sites as well as from offshore Platform Emmy; twenty-one (21) Oil and Gas Extension and Renewal Agreements, which are former "one-well easement" leases that have been unitized to provide for the cooperative waterflood development of the Main Zone portion of Oil and Gas Lease No. PRC 91; one (1) Drill Site Agreement (PRC 4887) that provides an onshore location for the purposes of drilling, exploring and prospecting for, producing, developing, extracting, and removing oil, gas, oil shale and other hydrocarbon substances in or underlying the offshore lands; and one (1) Agreement for Use of Easements (PRC 5663) that provides an area for a pipeline crossing under Bolsa Chica State Beach (Location Map, attached as Exhibit A).

**BACKGROUND:**

Oxy USA is the current operator and majority working interest owner in the 29 leases and/or agreements (Leases) as part of this offshore oil and gas operation. All of these Leases were issued between September 26, 1938, and January 25, 1973, and through a number of assignments and mesne conveyances, OXY USA is the current lessee of record for all of the Leases.

Oxy USA is requesting that the California State Lands Commission (Commission) approve an assignment of the of 100 percent (100%) of OXY USA's interest in the Leases to SoCal Holding, LLC, (SoCal), a Delaware Corporation that is a subsidiary of OXY USA, and of California Resources

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Corporation ("CRC") replacing Occidental Oil and Gas Holding Corporation (OOGHC) as the guarantor of SoCal's performance on the Leases.

Occidental Petroleum Corporation ("OPC"), 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, 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." Once Oxy's spin-off occurs, CRC will be the parent of SoCal Holding, LLC, the proposed assignee for the (Leases).

The Commission's approval of CRC replacing OOGHC as the guarantor of SoCal's performance on the Leases 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); and, (3) final approval of the 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 B, 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 the Leases and is therefore an appropriate entity to hold the parental guaranty.

SoCal Holding will be required to 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. New bonds covering the Leases issued under the assignee will be required within 30 days of the proposed assignment.

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**STATUTORY AND OTHER REFERENCES:**

- A. Section 4 of the leases PRC 91, PRC 163, PRC 425, and PRC 426.
- B. Section 2(n) of lease PRC E-392
- C. Article 3.4 and 11.8 of lease PRC 4736
- D. Public Resources Code section 6804.

**OTHER PERTINENT INFORMATION:**

- 1. Assignment forms have been provided and prerequisite filing fees have been paid by SoCal Holding, LLC.
  
- 2. SoCal Holding, LLC shall continue OXY USA Inc.'s practice of paying rent on behalf of the working interest owners for the following eleven (11) Oil and Gas Lease Extension and Renewal Agreement Nos.: PRC 988, PRC 991, PRC 992, PRC 993, PRC 1335, PRC 1338, PRC 1339, PRC 1346, PRC 2515, PRC 2516, and PRC 2517.
  
- 4. The surface of the upland area included in or in the vicinity of the 29 leases is owned and managed by the Commission and has been restored to marine and wetland habitat. This area is managed under leases to the California Department of Fish and Wildlife (PRC 4733, PRC 4734, and PRC 8704) as part of the Bolsa Chica Ecological Reserve.
  
- 5. When the Commission acquired its interest in the lands at the Bolsa Chica Ecological Reserve it took title subject to the existing North and South Bolsa oil and gas leases and related agreements. The assignment of the North and South Bolsa leases and the related agreements, with the exception of PRC 4887 and PRC 5663, from OXY USA to SoCal Holding does not require the Commission's consent.
  
- 6. The staff recommends that the Commission find that the subject approval of lease assignments 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.

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**EXHIBITS:**

- A. Site and Location Map
- B. Parental Guaranty of Leases

**RECOMMENDED ACTION:**

It is recommended that the Commission:

**CEQA FINDING:**

Find that the subject approval of lease assignments 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. Approve assignment to SoCal Holding, LLC of 100 percent of OXY USA Inc.'s interest in Oil and Gas Lease Nos. PRC 91, PRC 163, PRC E-392, PRC 425, PRC 426 and PRC 4736;
2. Approve assignment to SoCal Holding, LLC of 100 percent of OXY USA Inc.'s interest in 21 Oil and Gas Lease Extension and Renewal Agreements Nos. PRC E-400, PRC E-401, PRC 919, PRC 920, PRC 977, PRC 980, PRC 983, PRC 985, PRC 986, PRC 989, PRC 997, PRC 999, PRC 1329, PRC 1331, PRC 1332, PRC 1333, PRC 1334, PRC 1336, PRC 1337, PRC 1340, and PRC 1345;
3. Approve assignment to SoCal Holding, LLC of 100 percent of OXY USA Inc.'s interest in Drill Site Agreement No. PRC 4887;
4. Approve assignment to SoCal Holding, LLC of OXY USA Inc.'s agreement for use of Easement No. PRC 5663 of State owned lands at Bolsa Chica State Beach;
5. Consent to the change in parental guarantor, substantially in the form of Exhibit B, for the Leases 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)

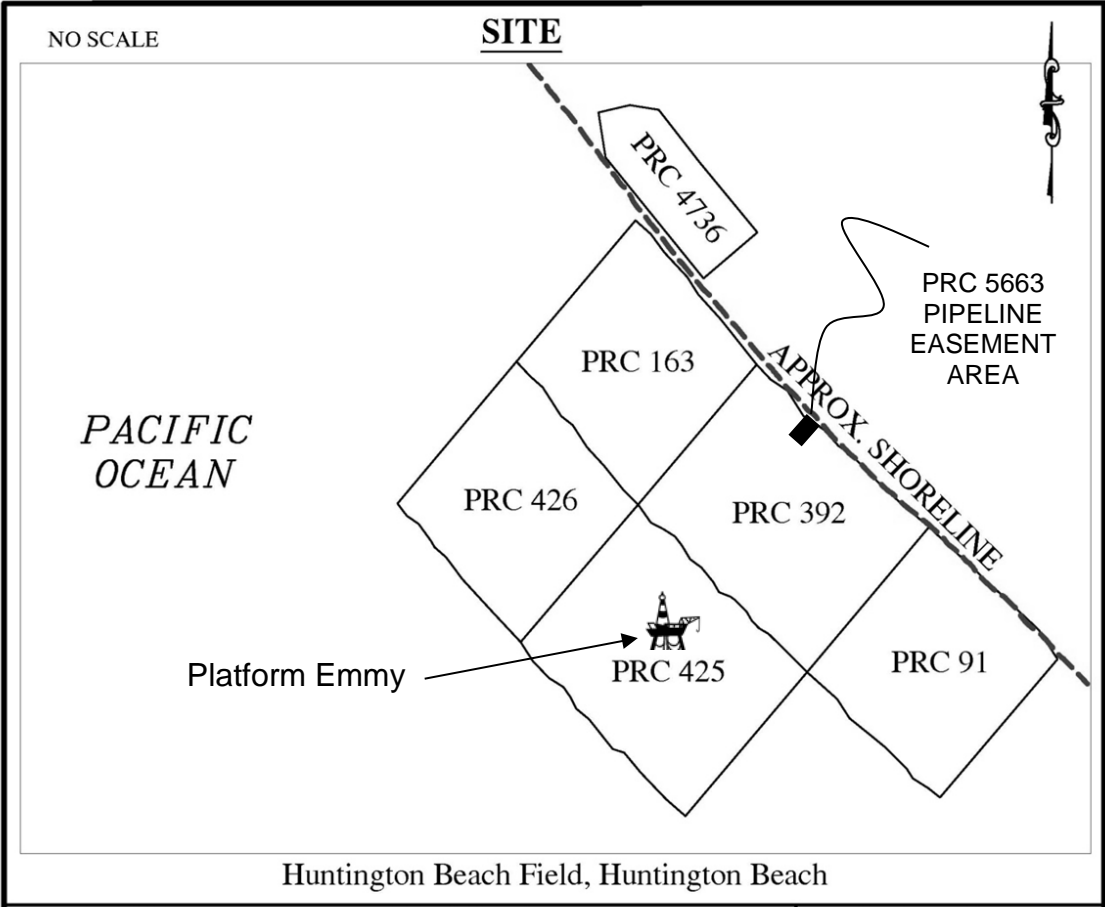
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declaration of the United States Securities and Exchange Commission that CRC's Registration Statement on Form 10 is effective; (2) the most recent pro forma balance sheet included in CRC's Registration Statement on Form 10 and declared effective by 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.

6. Authorize the Executive Officer or her designee to execute any documents necessary to implement this assignment and lease amendment.

**EXHIBIT A**

PRC 91, PRC 163, PRC E-392, PRC E-400, PRC E-401, PRC 425, PRC 426, PRC 919, PRC 920, PRC 977, PRC 980, PRC 983, PRC 985, PRC 986, PRC 989, PRC 997, PRC 999, PRC 1329, PRC 1331, PRC 1332, PRC 1333, PRC 1334, PRC 1336, PRC 1337, PRC 1340, PRC 1345, PRC 4736, PRC 4887, PRC 5663



**EXHIBIT A**  
 PRC 91, 163, 392, 425, 426, 4736  
 OXY USA, INC. TO  
 SoCal Holding, LLC  
 ASSIGNMENT OF LEASE  
 ORANGE COUNTY



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.

PRC 91.1, PRC 163.1, PRC E392.1  
PRC 425.1, PRC 426.1, PRC 4736.1  
PRC E400, PRC E401, PRC 919  
PRC 920, PRC 977, PRC 980  
PRC 983, PRC 985, PRC 986  
PRC 989, PRC 997, PRC 999  
PRC 1329, PRC 1331, PRC 1332  
PRC 1333, PRC 1334, PRC 1336  
PRC 1337, PRC 1340, PRC 1345  
PRC 4887, PRC 5663

## **EXHIBIT B**

### **GUARANTY**

1. **California Resources Corporation a Delaware corporation**, (“Guarantor”) owns **SoCal Holding, LLC, a Delaware corporation**. SoCal Holding, LLC is the lessee of 97.09808% interest in Oil and Gas Lease designated as PRC 91.1, the lessee of 96.21489% interest in Oil and Gas Lease designated as PRC 163.1, the lessee of 96.21489% interest in Oil and Gas Lease designated as PRC E-392.1, the lessee of 96.21489% interest in Oil and Gas Lease designated as PRC 425.1 the lessee of 96.21489% interest in Oil and Gas Lease designated as PRC 426.1, and the lessee of 100.00% interest in Oil and Gas Lease designated as PRC 4736.1, and the lessee of twenty-one (21) Oil and Gas Lease Extension and Renewal Agreement Nos. PRC E-400, PRC E-401, PRC 919, PRC 920, PRC 977, PRC 980, PRC 983, PRC 985, PRC 986, PRC 989, PRC 997, PRC 999, PRC 1329, PRC 1331, PRC 1332, PRC 1333, PRC 1334, PRC 1336, PRC 1337, PRC 1340, and PRC 1345, and lessee of Drill Site Agreement No. PRC 4887 and lessee of Agreement for Use of Easements No. PRC 5663 (“State Leases”) 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 to Lessor the performance by SoCal Holding, LLC of all the terms, covenants, conditions,



agreements, and obligations of the State Leases 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 SoCal Holding, LLC, except as specifically authorized by the Lessor. Modifications of or alterations or changes which may be made in the State Leases, 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, SoCal Holding, LLC fails to timely perform any obligation arising under the State Leases, 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 Leases, 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 SoCal Holding, LLC. Notwithstanding the preceding sentence, the obligations of the Guarantor hereunder are independent of the obligations of SoCal Holding, LLC, and a separate action or actions may be brought and prosecuted against the Guarantor whether an action is brought against SoCal Holding, LLC or whether SoCal Holding, LLC is joined in any such action or actions.

4. The Guarantor waives: (a) any right to require the Lessor to (i) proceed against SoCal Holding, 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. Nothing in this Guaranty shall constitute a waiver by Guarantor of, or shall prevent Guarantor from asserting, (i) any defense based on Lessor's default under, or Lessor's failure to have performed its obligations arising under, the State Leases, and (ii) any defense which SoCal Holding, LLC or the Guarantor may have or assert under the express terms of the State Leases or 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 SoCal Holding, 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 \_\_\_\_\_ 2014.

**California Resources Corporation.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**All Signatures must be acknowledged**