

**CALENDAR ITEM
C89**

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PRC 8884.1
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**CONSIDER ACCEPTANCE OF THE FULL QUITCLAIM DEED OF
NEGOTIATED SUBSURFACE (NO SURFACE USE)
OIL AND GAS LEASE NO. PRC 8884.1,
KERN COUNTY**

LESSEE:

California Resources Elk Hills, LLC
Attn.: Mr. Eric D. Miner, Attorney in Fact
9600 Ming Avenue
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

Oil and Gas Lease No. PRC 8884.1 (Lease) contains approximately 954 acres (Exhibit A, attached hereto). The surface use is administered by the Department of Parks and Recreation and the minerals are under the jurisdiction of the California State Lands Commission (Commission). The State-owned lands are within the boundary of the Tule Elk State Reserve and are located about 20 miles west of the City of Bakersfield, north of and adjacent to the east side of Elk Hills Oil Field in Kern County (Exhibit B, attached hereto).

BACKGROUND:

The Lease was issued to Cirque Resources, LP (Cirque) on June 28, 2010. The Commission approved a partial assignment of a 40 percent (40%) interest in the Lease to Energy One, LLC (Energy One), at its December 10, 2010 meeting. Cirque and Energy One drilled the Tupman 16X-13 well in December 2011. Several formations indicated hydrocarbon accumulation, but were deemed not commercially productive, and the well was plugged and abandoned. On October 19, 2012, the Commission approved an assignment of Cirque's 60 percent (60%) interest and Energy One's 40 percent (40%) interest in the Lease to Occidental of Elk Hills, Inc. (OEHI). OEHI was also named the operator of the Lease and is the responsible party for payment of all rentals and royalties associated with the Lease. OEHI was a wholly owned subsidiary of Occidental Petroleum Corporation (OXY).

In December 2014, OXY spun off its California assets into an independent and separately traded company. The new company is California Resources Corporation (CRC), which has operations solely in California. California

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Resources Elk Hills, LLC (formerly OEHI), is a wholly owned subsidiary of CRC.

On May 11, 2015, Commission staff received the document "Quitclaim Deed" for the Lease from California Resources Elk Hills, LLC. The document (Exhibit C, attached hereto) is dated May 8, 2015, and quitclaims to the State all of the Lessee's right, title and interest in the Lease.

Public Resources Code section 6804.1 and paragraph 29 of the Lease permit the Lessee to, at any time, quitclaim all rights under the Lease. The quitclaim is effective when it is filed with the State subject to the continued obligation of the Lessee, and its surety, to pay all accrued rentals and royalties and to abandon all wells drilled on or through the leased lands.

A review of the Commission's files reveals that no default exists on the Lease, and the Lessee has complied with all applicable laws and Lease provisions and has paid all rentals. No royalty is due as the leased lands were not developed.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6804.1
- B. Oil and Gas Lease No. PRC 8884.1, Lease paragraph 29.

OTHER PERTINENT INFORMATION:

The staff recommends that the Commission find that the acceptance of the Quitclaim Deed for the Lease 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. Land Description
- B. Location Map
- C. Quitclaim Deed

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the acceptance of the Quitclaim Deed is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the activity is not a project

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as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

1. Accept from California Resources Elk Hills, LLC, the full Quitclaim Deed for Oil and Gas Lease No. PRC 8884.1 dated May 8, 2015, wherein the lessee quitclaims back to the State all right, title and interest in the leased lands described in Exhibit A, attached hereto.
2. Release California Resources Elk Hills, LLC, from all obligations under Oil and Gas Lease No. PRC 8884.1 accruing after May 8, 2015, the filing date of the Quitclaim Deed.
3. Authorize the staff to release the existing bond(s) associated with Oil and Gas Lease No. PRC 8884.1.
4. Authorize the Executive Officer or her designee to execute any documents necessary to implement the Commission's action.

EXHIBIT A

PRC 8884.1

LAND DESCRIPTION

All those lands underlying that portion of the Tule Elk Reserve situate in portions of Sections 11, 13, 14, 23, and 24, Township 30 South, Range 24 East, MDM, as shown on Official GLO Plat approved June 21, 1895, County of Kern, State of California as described in Book 428, Page 284, Recorded March 15, 1932 and Book 458, Page 481, Recorded January 23, 1933 in Official Records of said County.

EXCEPTING THEREFROM Parcel 9 as described in said Book 428, Page 284.

END OF DESCRIPTION

Prepared February 17, 2010 by the California State Lands Commission Boundary Staff.



EXHIBIT B

PRC 8884.1



