

MINUTE ITEM

This Calendar Item No. C54 was approved as Minute Item No. 54 by the California State Lands Commission by a vote of 3 to 0 at its 12/9/04 meeting.

**CALENDAR ITEM
C54**

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S 29, 37

12/09/04
PRC 186.1
J. Planck

**CONSIDER REQUEST TO REDEVELOP STATE OIL AND GAS
LEASE NO. PRC 186.1, BELMONT OFFSHORE FIELD, ORANGE
COUNTY, BY DIRECTIONALLY DRILLING FROM LONG BEACH
UNIT ISLAND CHAFFEE, LOS ANGELES COUNTY**

LESSEE:

Oxy Long Beach, Inc.
Attn: Mr. Frank E. Komin, President & General Manager
111 W. Ocean Blvd., 8th Floor
Long Beach, CA 90801-2900

AREA, LAND TYPE, AND LOCATION:

State Oil & Gas Lease PRC 186.1 consists of approximately 1,225 acres of tide and submerged land located within the Belmont Offshore Field, Orange County, California.

BACKGROUND:

State Oil & Gas Lease PRC 186.1 was originally issued to Marine Exploration Company on September 24, 1945. Through a series of assignments and name changes, the State's lessee became Exxon Company USA and Texaco Inc., (each owning an undivided 50 percent interest). The lease was developed from "Belmont Island" (Island), a manmade island originally constructed between 1952 and 1954 about 1½ miles offshore of the city of Seal Beach. During the 40-year life of the Island, 79 wells were drilled that produced approximately 28 million barrels of oil and 24 billion cubic feet of natural gas, which generated over \$40 million in revenue to the State. Production terminated in 1994, and in 1996, the oil wells were plugged and abandoned in compliance with State regulatory requirements. The Island was removed by the lessees following the completion of a Mitigated Negative Declaration (ND 694, SCH 99031117), adopted by the Commission in 1999. The removal of the Island was completed in February of 2002. After removal of the Island, the lease was assigned from ExxonMobil and ChevronTexaco, to Oxy Long Beach, Inc. (Oxy). The Commission approved the assignment on December 16, 2002.

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At the time of assignment, Oxy had conducted a preliminary study to assess the potential redevelopment of the remaining oil reserves on the lease by drilling from existing facilities on Island Chaffee in the Long Beach Unit (Unit), which Oxy operates as contractor for the city of Long Beach. The Commission's approval of the assignment was contingent upon Oxy submitting a development plan and beginning drilling within a three-year period. Oxy submitted that plan and Commission staff has reviewed it.

The plan details a two-phase approach to the redevelopment and contemplates recovery of 1 to 2 million barrels of oil. Phase 1 involves drilling and testing up to four producing wells. If these wells prove that further development is economic, as many as 11 follow-up wells, both production and injection, will be drilled, for a maximum of 15 wells for the total project. The wells are to be directionally drilled and produced on and through the existing infrastructure on Island Chaffee in the Long Beach Unit, on lands granted to the city of Long Beach, Los Angeles County. Although State Oil & Gas Lease PRC 186.1 is not within the Unit boundaries and is located within an adjacent county (Orange), this development will occur in the same oil and gas field and geologic reservoirs as are currently under development in the Unit. According to the application, two of the main reservoirs in the Unit, the "Ranger" and the "UP Ford", are also the targets of this development.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section: Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulations section: Title 3, Division 3; Title 14, Division 6.

OTHER PERTINENT INFORMATION

- 1. Oxy anticipates that it will have a drilling opportunity from the Island in the 1st quarter of 2005. If this opportunity is not taken, the project may be delayed for a number of years, which could have an adverse impact on the economics of the project and place the lessee in non-compliance with its three-year drilling term required by the Commission as a condition of the assignment. Prior to initiating redevelopment activities, a Long Beach Unit facilities agreement will need to be executed with the city of Long Beach as Unit operator. The Unit facilities agreement will provide guidelines for integrating PRC 186.1 redevelopment activities with Unit operations and provide a fee structure to compensate the Unit stakeholders for use of the Unit facilities.

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2. The proposed development plan anticipates that activities conducted under the lease will conclude in conjunction with the shut down and abandonment of the Unit itself in or around 2018.
3. The lease carries a flat 17.878 percent (17.878%) royalty on oil (amended to flat rate from sliding scale upon initiation of waterflood), and a flat 20 percent (20%) royalty on natural gas.
4. The 1973 Environmental Impact Study (EIS) completed for the Long Beach Tidelands & Unit Oil & Gas Operations in the Wilmington and East Wilmington Oil Fields, Los Angeles County, California contemplated and analyzed the potential impacts of the development of up to 2,000 new wells in the Unit. The document identified potential subsidence as the major environmental impact associated with the contemplated expansion of ongoing development activities in the Wilmington and East Wilmington Oil Fields. The proposed new wells (a maximum of 15) into State Oil & Gas Lease PRC 186.1 will not exceed the total of additional wells contemplated by the 1973 EIS and the Unit has a successful, ongoing program to mitigate potential subsidence. Therefore, subsidence will not occur as a consequence of the new wells.

The conduct of drilling operations proposed by Oxy will not require or result in any modification of the existing facilities on Island Chaffee or related facilities on Pier J. All wells will be drilled with an existing electric-driven drill rig that receives its power from existing generating facilities, i.e., the Unit's gas-fired cogeneration plant with additional power as needed from Southern California Edison. Production components are also electrical and are supplied from the above named sources. Accordingly, no additional air quality impacts will result from the proposed development plan.

The THUMS Long Beach Company Oil Spill Contingency Plan (Control No F5-19-0190), as approved by the Department of Transportation, Research and Special Programs Administration on March 11, 2004, will also govern the proposed drilling and production activities.

Section 15300, the State CEQA Guidelines, provides, in part, "Section 21084 of the Public Resources Code requires these guidelines to include a list of classes of projects which have been determined not to have a

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significant effect on the environment and which shall, therefore, be exempt from the provisions of CEQA.”

Section 15301, the State CEQA Guidelines, Existing Facilities, is one such class. The section states, in part, “Class 1 consists of the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency’s determination.”

The City Planning Commission, functioning as the lead agency for the OXY Project under the provisions of the CEQA, determined that the project is a negligible expansion of an existing facility, and therefore found that it is exempt under the CEQA, Class 1, Existing Facilities (see Exhibit B, attached hereto).

5. Pursuant to the Commission’s delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), the staff has determined that this activity is exempt from the requirements of the CEQA under the general rule that the CEQA applies only to projects, which have the potential for causing a significant effect on the environment. The staff believes, based on the information available to it, that there is no possibility that this project may have a significant effect on the environment.

Authority: Title 14, California Code of Regulations, section 15061 (b) (3).

EXHIBITS:

- A. Location Map
- B. Long Beach City Planning Commission CEQA Determination

PERMIT STREAMLINING ACT DEADLINE:

April 25, 2005

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF

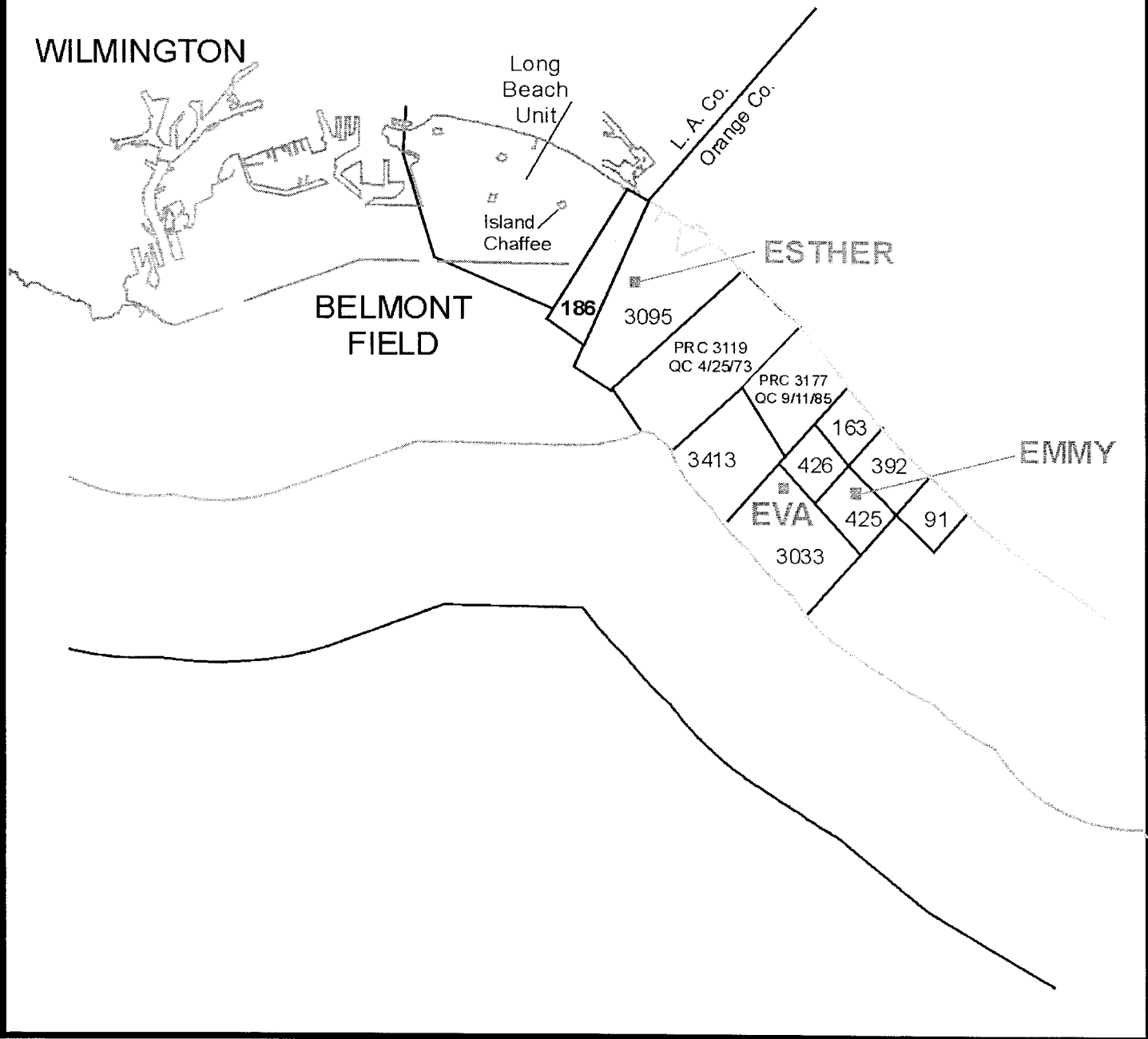
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REGULATIONS, SECTION 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT; TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 (b) (3).

AUTHORIZATION:

1. APPROVE THE PROJECT AS HEREIN DESCRIBED, SUBJECT TO THE FOLLOWING CONDITIONS:
 - a. APPLICANT MUST SUBMIT A WELL PROGRAM FOR EACH WELL, INCLUDING ALL INFORMATION REQUIRED BY THE COMMISSION'S RULES AND REGULATIONS AND BY THE LEASE, FOR ENGINEERING APPROVAL BY THE CHIEF OR ASSISTANT CHIEF OF THE MINERAL RESOURCES MANAGEMENT DIVISION OF THE COMMISSION, PRIOR TO INITIATION OF DRILLING; AND,
 - b. APPLICANT TO SUBMIT A DETAILED DESCRIPTION AND PLAN FOR ROYALTY ACCOUNTABILITY TO THE STATE WHICH MUST BE APPROVED BY STAFF PRIOR TO INITIATION OF PRODUCTION; AND,
 - c. APPLICANT TO ENTER INTO A REIMBURSIBLE AGREEMENT WITH THE COMMISSION TO REIMBURSE THE COMMISSION STAFF EXPENSES TO: INSPECT FACILITIES AND OPERATIONS, VERIFY ROYALTY, AND IMPLEMENT AND/OR ENFORCE THE PLAN.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THE COMMISSION'S ACTION.

Long Beach and Orange County





THUMS LONG BEACH COMPANY

111 W. Ocean Blvd., Suite 800, Long Beach, California 90802
CORRESPONDENCE P.O. Box 2900, Long Beach, California 90801-2900

562.624.3400 562.624.3295

A SUBSIDIARY OF OXY LONG BEACH, INC.

September 28, 2004

Mr. Paul Mount, Chief
Minerals Resource Division
California State Lands Commission
200 Oceangate 12th Floor
Long Beach, CA 90802

Subject: Information related to Development Plan for
Belmont Offshore Field State Lease 186.1

Dear Mr. Mount:

Enclosed is additional information associated with the Development Plan for Belmont Offshore
Field Lease 186.1.

If you have any questions regarding this matter, please contact me at (562) 624-3220.

Sincerely,

Michael S. Land
Business Development & Planning Manager

MSL:cmp
Enclosure

cc: Jeff Plank, SLC
Mark LeClair, SLC
Fred C. Boyle
Barbara Zimmermann
John Bolling
102.030

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CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (562) 570-3900 • FAX 570-3922

XC: FB, BZ, ML
DEK

September 21, 2004

Mr. Frank G. Komin
General Manager
Thums Long Beach Company
111 West Ocean Boulevard, Suite 800
Long Beach, CA 90802

Subject: Belmont Offshore

Dear Mr. Komin:

Enclosed for your files is a copy of the Notice of Exemption filed by the City of Long Beach with the Los Angeles County Clerk for the Belmont Offshore project. The Long Beach City Planning Commission found the project to be exempt from CEQA.

Sincerely,

Curtis P. Henderson
Manager of Oil Operations

CPH:slg

Enclosure

cc: Chris Garner, Director

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DEPT OF OIL PROPERTIES Categorical Exemption CEP-437-04

NOTICE OF EXEMPTION

To: Office of Planning & Research
1400 Tenth street, Room 121
Sacramento, CA 95814

From: Department of Planning & Building
333 W. Ocean Blvd., 5th Floor
Long Beach, CA 90802

X L. A. County Clerk
Environmental Filings
12400 E. Imperial Hwy. 2nd Floor, Rm. 2001
Norwalk, CA 90650

Project Title: BELMONT OFFSHORE

Project Location - Specific: Chaffee Island

Project - City: Long Beach Project Location - County: Los Angeles

Activity Description: New oil wells from an existing oil island operation

Name of Public Agency Approving Project: City of Long Beach

Name of Person or Agency Carrying Out Project: Curtis Henderson (Printed Name)

Operations Mgr. Oil Properties (Mailing Address)

(562) 570 3937 (Telephone)

(Signature)

LONG BEACH CITY PLANNING COMMISSION

The above project has been found to be exempt from CEQA in accordance with the State Guidelines Section 15301

Statement of Support for this finding: Nontoxic expansion of existing facility

Lead Agency: Nichelle R. Kelly Area Code/Telephone: (562) 570 6357

Signature: [Signature] Date: 8/31/04 Title: Environmental Officer

Signed by Lead Agency

Signed by Applicant

Charge Point: