

**CALENDAR ITEM
C85**

A 32

10/19/12
PRC 8884.1
M. Le Clair

S 18

**CONSIDER APPROVAL OF AN ASSIGNMENT OF
CIRQUE RESOURCES, LP'S 60 PERCENT INTEREST AND
ENERGY ONE, LLC'S 40 PERCENT INTEREST IN
OIL AND GAS LEASE NO. PRC 8884.1 TO
OCCIDENTAL OF ELK HILLS, INC.,
KERN COUNTY**

ASSIGNOR:

Cirque Resources, LP
Attn.: Mr. William E. Nicas
475 17th Street, Suite 1600
Denver, CO 80202

Energy One, LLC
Attn.: Mr. Mark Larsen
877, N. 8th Street
Riverton, WY 82501

ASSIGNEE:

Occidental of Elk Hills, Inc.
Attn.: Mr. Darren Mallick
10800 Stockdale Hwy
Bakersfield, CA 93311

AREA, LAND TYPE, AND LOCATION:

State Oil and Gas Lease No. PRC 8884.1 is a negotiated subsurface (no surface use) oil and gas lease consisting of 954+ acres. The surface use is administered by the Department of Parks and Recreation. The minerals are under the jurisdiction of the California State Lands Commission (Commission). The State-owned lands are known as 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 A, attached hereto).

CALENDAR ITEM NO. **C85** (CONT'D)

BACKGROUND:

Oil and Gas Lease No. PRC 8884.1 (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 and abandoned the Tupman 16X-13 well in December 2011, after testing several formations and finding hydrocarbon shows, but not the porosity or permeability to be deemed commercially productive. Cirque and Energy One are now requesting that the Commission approve assignment of their 60 percent (60%) and 40 percent (40%) interests, respectively, in the Lease to Occidental of Elk Hills, Inc.

Commission staff received an application on July 16, 2012, containing assignment forms for Commission consideration of the assignment of Cirque's and Energy One's interest in the Lease to Occidental of Elk Hills, Inc. As part of the assignment review process, staff performed a financial, environmental, and operational review of Occidental of Elk Hills, Inc. to ensure its performance of the terms of the Lease. Occidental of Elks Hills, Inc. is a wholly owned subsidiary of Occidental Oil and Gas Holding Corporation, which also owns OXY USA, Inc. (Lessee of Huntington Beach Field) and OXY Long Beach (Contractor/Operator Long Beach Unit and West Wilmington Oil Fields). Staff determined that Occidental of Elk Hills, Inc., which has the majority interest in the Elk Hills Field located in Kern County (the former U.S. National Strategic Petroleum Reserve) and has production of over one million barrels of oil per month, is a viable lessee.

Occidental of Elk Hills, Inc. has expressed to staff its interest in drilling an offset test well within the remaining primary term of the Lease. Occidental of Elk Hills, Inc. will also be named operator of the Lease and will be the responsible party for payments of all rentals and royalties associated with the Lease. The primary term of the Lease is for five (5) years. All rentals were prepaid in advance when the Lease was issued in 2010. Occidental of Elk Hills, Inc. will continue to maintain the bonding and insurance requirements in the Lease.

STATUTORY AND OTHER REFERENCES:

- A. Section 14 of the Lease.
- B. Public Resources Code section 6804.

OTHER PERTINENT INFORMATION

- 1. Assignment forms and prerequisite filing fees have been paid by Cirque Resources, LP.

CALENDAR ITEM NO. **C85** (CONT'D)

2. The staff recommends that the Commission find that the subject approval of an assignment 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.

EXHIBIT:

- A. Location Map.

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the subject approval of an assignment 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 as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

Consent to the assignment of Cirque Resources, LP's 60 percent (60%) interest and Energy One, LLC's 40 percent (40%) interest in Oil and Gas Lease No. PRC 8884.1 to Occidental of Elk Hills, Inc., with the assignee to be bound by all the terms and conditions of the Lease.

Authorize the Executive Officer or his designee to execute such documents as are necessary and appropriate to implement this assignment.

EXHIBIT A

PRC 8884.1

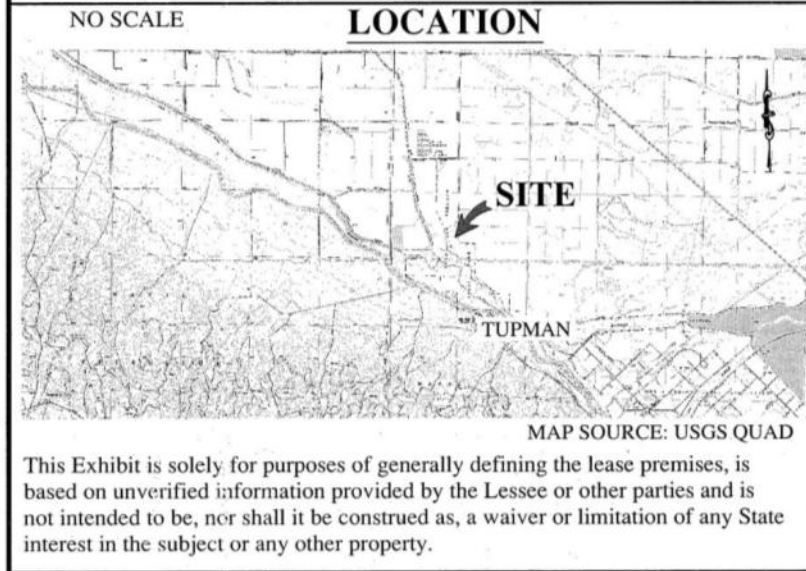
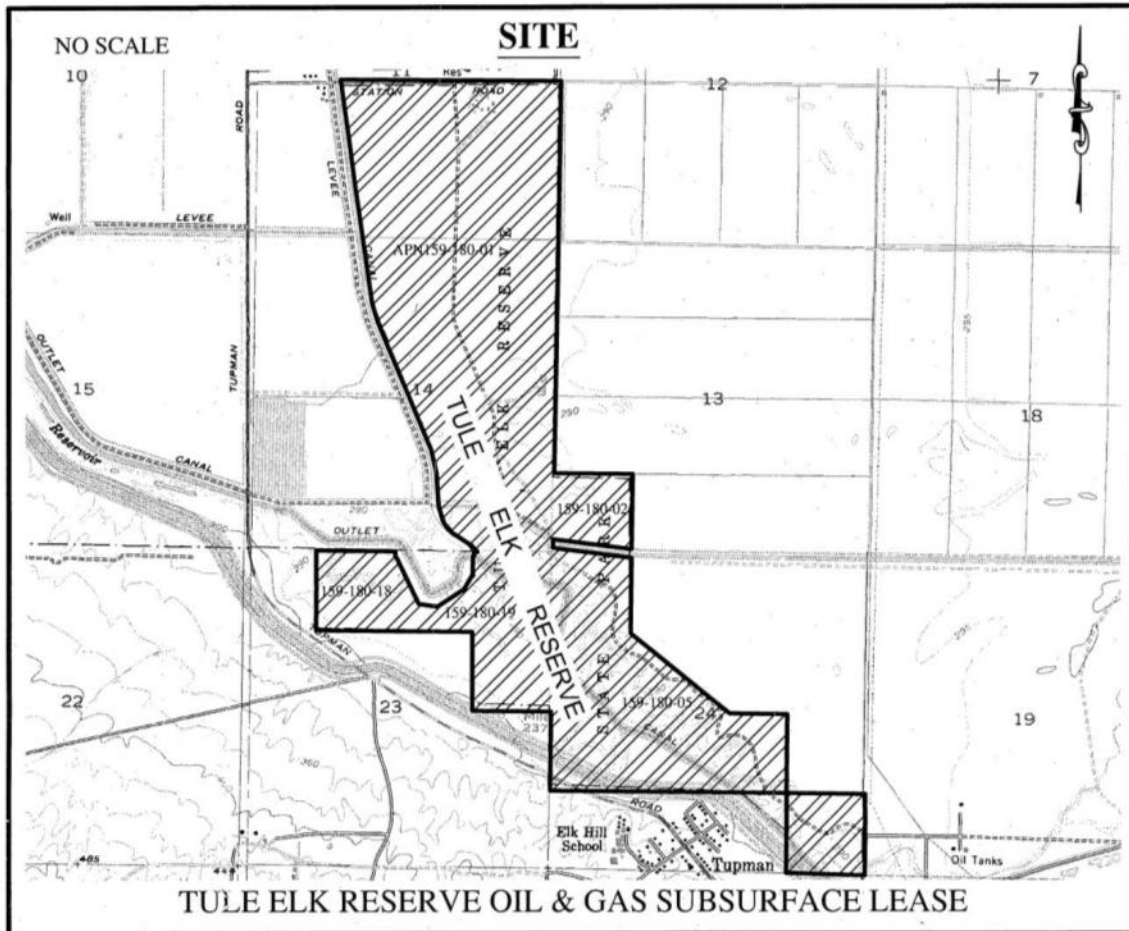


Exhibit A

PRC 8884.1

APN 159-180-01, 02,
05, 18, 19

OIL AND GAS LEASE
KERN COUNTY

SITE

JAK 02/10