

**CALENDAR ITEM
C104**

A	72, 74	12/02/13 PRC 163.1 PRC E-392.1 PRC 425.1 PRC 426.1
S	34, 37	M. LeClair

**CONSENT TO THE POOLING OF
STATE OIL AND GAS LEASE NOS. PRC 163.1,
PRC E-392.1, PRC 425.1 AND PRC 426.1,
HUNTINGTON BEACH OIL FIELD,
OFFSHORE ORANGE COUNTY**

LESSEE/OPERATOR:

OXY USA Inc.
Attn.: Mr. James K. Eastlack, General Manager
301 East Ocean Blvd., Suite 300
Long Beach, CA 90801

AREA, LAND TYPE, AND LOCATION:

OXY USA Inc. (OXY) is the lessee/operator of four (4) State Oil and Gas Leases which currently produce State resources in the offshore portion of the Huntington Beach Oil Field in Orange County. These leases are developed by wells from onshore drill sites as well as from offshore Platform Emmy (Exhibit A, attached hereto). The leases are contiguous and comprise approximately 2,950 acres of tide and submerged lands. Lease No. PRC 163.1 contains approximately 640 acres, Lease No. PRC E-392.1 contains approximately 835 acres, Lease No. PRC 425.1 contains approximately 640 acres, and Lease No. PRC 426.1 contains approximately 835 acres.

BACKGROUND:

Lease No. PRC 163.1 was issued to Signal Oil and Gas Company on November 15, 1944; Lease No. PRC E-392.1 was issued to Southwest Exploration on September 26, 1938; Lease No. PRC 425.1 was issued to Southwest Exploration on February 10, 1950; and Lease No. PRC 426.1 was issued to Signal Oil and Gas Company on February 10, 1950. Through a series of assignments and mesne conveyances, OXY became the current lessee and operator of these four Leases on October 27, 2011.

CALENDAR ITEM NO. **C104** (CONT'D)

Commission staff received an application from OXY dated October 16, 2013, requesting consent to pool the Leases pursuant to the Agreement for Voluntary Pooling (Exhibit B, attached hereto), which provides for the unitary development and production of oil and natural gas resources from the Leases. Pursuant to Public Resources Code section 6829.2, OXY has requested the Commission's consent to the pooling of the Leases as provided in the Agreement for Voluntary Pooling. Commission staff has reviewed OXY's request and recommends that the Commission find that it is in the best interest of the State to develop the Leases from the proposed pool. Pooling will improve waterflood efficiency by allowing better well placement among Lease Nos. PRC 163.1, PRC E-392.1, PRC 425.1, and PRC 426.1, and will also improve project economics therefore increasing the ultimate recovery of the field. Pooling will also reduce the need for drilling additional wells to prevent drainage and, therefore, will lessen the environmental impact on the surface location.

The proposed pooling map is included as Exhibit A, attached hereto.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code section 6829.2.

OTHER PERTINENT INFORMATION:

1. The staff recommends that the Commission find that pooling Lease Nos. PRC 163.1, PRC E-392.1, PRC 425.1, and PRC 426.1 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.

2. All required forms have been provided and prerequisite filing fees have been paid.

EXHIBITS:

- A. Location Map of Oil and Gas Leases
- B. Agreement for Voluntary Pooling

CALENDAR ITEM NO. **C104** (CONT'D)

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDINGS:

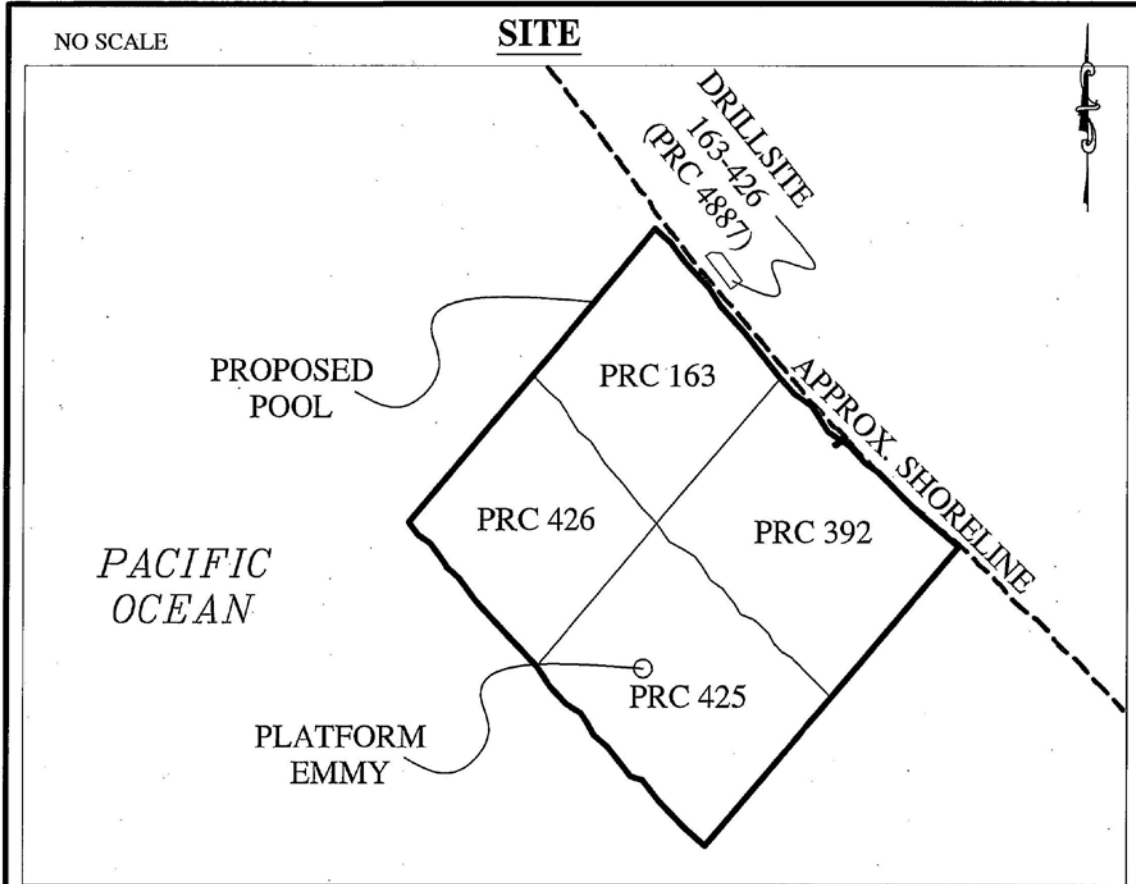
Find that the pooling of Lease Nos. PRC 163.1, PRC E-392.1, PRC 425.1, and PRC 426.1 is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

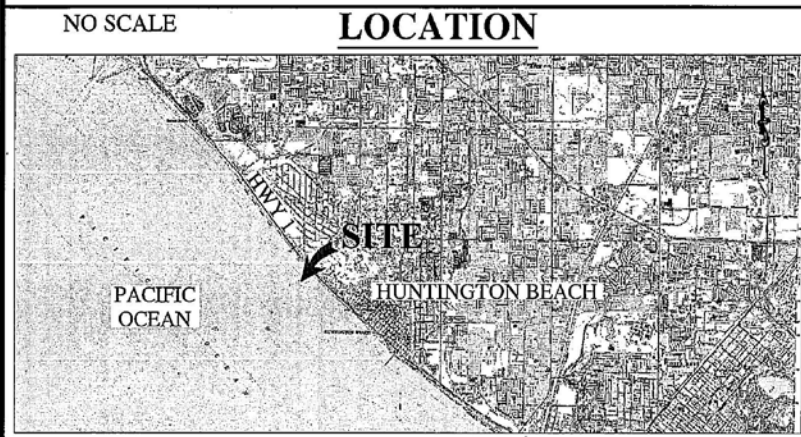
1. Consent to the pooling of Oil and Gas Lease Nos. PRC 163.1, PRC E-392.1, PRC 425.1, and PRC 426.1 (2,950 acres) pursuant to OXY USA Inc.'s Agreement for Voluntary Pooling in a form substantially similar to the document attached as Exhibit B. The pooled lands shall be subject to the royalty provisions of Oil and Gas Lease Nos. PRC 163.1, PRC E-392.1, PRC 425.1, and PRC 426.1, any conditions in the Agreement for Voluntary Pooling to the contrary notwithstanding.
2. Authorize the Executive Officer or her designee to execute any documents necessary to implement this consent.

EXHIBIT A

PRC 163.1
PRC E-392.1
PRC 425.1
PRC 426.1



Huntington Beach Field, Huntington Beach



MAP SOURCE: USGS QUAD

Exhibit A

PRC 163, 392, 425, 426
OXY USA INC
POOLING OF LEASES
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.

EXHIBIT B

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

NAME _____
MAILING ADDRESS _____
CITY, STATE, ZIP CODE _____

(THIS SPACE RESERVED FOR RECORDER'S USE)

**AGREEMENT FOR VOLUNTARY POOLING
PRC 163.1, PRC 425.1, PRC 426.1, and PRC 392.1**

This AGREEMENT FOR VOLUNTARY POOLING (“Agreement”) is made as of _____, 2013 by and between the State of California, acting by and through the State Lands Commission, (the “State”) and _____ (“OXY”).

RECITALS:

A. The State is the Lessor under those certain oil and gas leases identified on Schedule 1 attached hereto (the “Leases”), as they have been amended from time to time. The Leases cover certain State owned tide and submerged lands (collectively, the “Leased Land”) within the Huntington Beach Oil and Gas Field. OXY is the present Lessee under the Leases.

B. In order to facilitate the orderly development of the Leases and to promote the conservation of oil, gas, and other hydrocarbon substances, the State and OXY desire to combine and pool the Leases and Leased Land for the purposes and on the terms herein expressed.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which are hereby acknowledged, and in consideration of the terms and conditions hereof, the State and OXY hereby agree as follows:

1. The State and OXY hereby pool, consolidate, and combine, the Leases and the Leased Land, the leasehold rights in and to the Leased Land held by OXY, and the mineral and royalty interests of the State and OXY in and to the Leased Land, which are embraced within the pooled area described on Exhibit “A” and depicted on Exhibit “B” (collectively, the “Pooled Area”). The Pooled Area shall contain 2950 acres, more or less.

2. The State and OXY pool, consolidate, and combine, the Leases and the Leased Land into the Pooled Area for the purpose of creating a pool for the drilling for, development, and production of oil, gas, hydrocarbons and associated substances (collectively, the “Pooled Substances”) from any well located on lands within the Pooled Area (individually, a “Well”, and collectively, the “Wells”). The production of Pooled Substances from any Well shall constitute production of Pooled Substances from all of the Leases contained in the Pooled Area. In addition, drilling, reworking, or any other operations conducted on any Lease within the Pooled

Area shall constitute such operations on all the Leases and Leased Land within the Pooled Area. The effect on the Leases of any drilling, developing, producing, and any other operations within the Pooled Area, and the payment of royalties, shall be as provided for in each of the respective Leases pooled hereby.

3. All Pooled Substances produced from the Wells shall be allocated proportionately among all the Leases within the Pooled Area in the same proportionate shares as the surface area acreage for any Lease within the Pooled Area bears to the total surface area acreage for all of the Leases within the Pooled Area.

4. It is the intention of the State and OXY to include (and they do hereby include) in the Pooled Area all Leases and other mineral or royalty interests which the State or OXY now own covering the Leased Land within the Pooled Area, and any additional lease or leases or mineral or royalty interest which may be hereafter acquired by the State or OXY during the term of this Agreement covering all or any part of the Leased Land within the Pooled Area. This Agreement shall remain in effect for so long as all of the Leases shall remain in effect, unless earlier terminated by written agreement by the State and OXY.

5. This Agreement may be amended or modified only in writing executed by the State and OXY.

6. This Agreement and the rights hereunder granted to OXY shall not be assigned to any third party without the prior written consent of the State, which consent shall not be unreasonably withheld. Subject to such consent to assign requirement, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

7. The Agreement may be executed in any number of counterparts, each counterpart to be considered an original document for all purposes.

IN WITNESS WHEREOF, this Agreement is executed and effective as of the day and year first hereinabove written.

STATE OF CALIFORNIA

By: _____

Its: _____

OXY

By: _____

Its: _____

SCHEDULE 1

“Leases”

1. Easement 392.1 dated September 26, 1938 by and between the State of California, by and through the State Lands Commission, as grantor, and Southwest Exploration, as grantee, as subsequently amended by (1) Amendment of offset requirements of Easement No. 392.1 dated January 1, 1939; (2) Amendment related to amended Cal.Pub.Res.Code section 6873 of Easement No. 392.1 dated January 13, 1958; (3) Amendment related to amended Cal.Pub.Res.Code section 6873 of Easement No. 392.1 dated September 24, 1958; (4) Amendment by Oil and Gas Lease issued in exchange for Oil and Gas Lease Easement 392.1 dated September 25, 1958; (5) by Amendment and Modification of Exchange Oil and Gas Lease E 392.1 dated November 6, 1963; (6) by Amendment of bonding requirement of Exchange Oil and Gas Lease E 392.1 dated July 24, 1986; and, (7) by Amendment of royalty terms of Exchange Oil and Gas Lease E 392.1 June 1, 1995.
2. PRC 163.1 dated November 15, 1944 by and between the State of California, acting by and through the State Lands Commission, as lessor, and Signal Oil and Gas Company, as lessee, as subsequently amended by (1) Amendment related to amended Cal.Pub.Res.Code section 6873 of Oil and Gas Lease PRC 163.1 dated November 12, 1958; (2) Amendment of term of State Oil and Gas Lease PRC 163.1 dated August 18, 1964; (3) Amendment of bonding requirement of Oil and Gas Lease PRC 163.1 dated July 24, 1986; and, (4) Amendment of royalty terms of Oil and Gas Lease PRC 163.1 dated June 1, 1995.
3. PRC 425.1 dated February 10, 1950 by and between the State of California, by and through the State Lands Commission, as lessor, and Southwest Exploration, as lessee, as subsequently amended by (1) Amendment of assignment provisions of Oil and Gas Lease PRC 425.1 dated April 25, 1956; (2) Amendment related to amended Cal.Pub.Res.Code section 6873 of Oil and Gas Lease PRC 425.1 dated November 12, 1958; (3) Amendment and Modification of State Oil and Gas Lease PRC 425.1 dated July 2, 1965; (4) Amendment of bonding requirement of Oil and Gas Lease PRC 425.1 dated July 24, 1986; and, (5) Amendment of royalty terms of Oil and Gas Lease PRC 425.1 dated June 1, 1995.
4. PRC 426.1 dated February 10, 1950 by and between the State of California, by and through the State Lands Commission, as lessor, and Signal Oil and Gas Company, as lessee, as subsequently amended by (1) Amendment related to amended Cal.Pub.Res.Code section 6873 of Oil and Gas Lease PRC 426.1 dated November 12, 1958; (2) Amendment of term of Oil and Gas Lease PRC 426.1 dated August 18, 1964; (3) Amendment and Modification of State Oil and Gas Lease PRC 426.1 dated October 25, 1973; (4) Amendment of bonding requirement of Oil and Gas Lease PRC 426.1 dated July 24, 1986; and, (5) Amendment of royalty terms of Oil and Gas Lease PRC 426.1 dated June 1, 1995.

EXHIBIT "A"

Description of the "Pooled Area"

Approximately 2,950 acres described as follows:

PRC 426

Orange, State of California, and more particularly described as follows:

An area of tide and submerged land between a line which extends S. $40^{\circ} 36'$ W., from a 2" pipe monument at the northwest corner of Lot E as shown on a map entitled "Resurvey of Part of Section 34, T. 5 S., R. 11 W., and part of Sections 3, 4 and 10, of T. 6 S., R. 11 W., S.B.M., as per Stearns Ranchos Company's Sectionized Survey by Captain T. C. Healey, Surveyor", recorded in Book 5, Page 28, Record of Surveys, County Recorder's Office, Orange County, California, and a line parallel to and distant therefrom N. $38^{\circ} 06' 30''$ W., 5280 feet and between a line parallel to the ordinary high water mark of the Pacific Ocean 5280 feet seaward of said mark and a line parallel to and S. $40^{\circ} 36'$ W., 10,560 feet distant from said ordinary high water mark.

Containing approximately 640 acres

County of Orange, State of California, more particularly described as follows:

Beginning at a point on the extension southwesterly of the centerline of 23d Street in the City of Huntington Beach, 5280 feet seaward from the intersection of the ordinary high water mark of the Pacific Ocean and the extension southwesterly of said centerline of 23d Street; thence from the point of beginning northwesterly along a line parallel to the ordinary high water mark of the Pacific Ocean to a point which bears S. 40° 36' W. and ~~5280 feet distant~~ ^{AP} from a 2 inch pipe at the north end of ^{AP} the most westerly course of Lot E as shown on a map ³ entitled "Resurvey of part of Section 34, T. 5 S., R. 11 W., and part of Sections 3, 4 and 10 of T. 6 S., R. 11 W., S.B.M., as per Stearns Ranchos Company's Sectionized Survey by Captain T. C. Healey, Surveyor," filed at page 28 of Book 3 of Maps in the office of the Recorder of the County of Orange, thence S. 40° 36' W. a distance of 5280 feet, thence southeasterly along a line parallel to the ordinary high water mark of the Pacific Ocean and 10,560 feet seaward of said mark to the extension southwesterly of the centerline of 23d Street, thence northeasterly along said centerline extension to the point of beginning,

Containing approximately 835 acres.

PRC 163
County of Orange, State of California

particularly described as follows:

An area of land between a line which extends S. 40° 30' W. from a 2" pipe monument at the northwest corner of Lot E as shown on a map entitled "Resurvey of Part of Section 34, T. 5 S., R. 11 W., and Part of Sections 3, 4 and 10 of T. 6 S., R. 11 W., S.B.M., as per Stearns Ranchos Company's Sectionized Survey by Captain T. C. Healey, Surveyor", recorded in Book 3, Page 28, Record of Surveys, County Recorder's Office, Orange County, California, and a line parallel to and distant therefrom N. 33° 06' 30" W. 5280 feet and between the ordinary high water mark of the Pacific Ocean and a line parallel to and distant therefrom S. 40° 30' W. 5280 feet,

and containing approximately 640 acres.

County of Orange, State of California, and more particularly described as follows:

An area of land lying between the extension south-westerly of the center line of 23rd Street in the City of Huntington Beach as said center line is shown on a map entitled "Resurvey of part of Section 34, T. 5 S., R. 11 W., and part of Sections 3, 4, and 10 of T. 6 S., R. 11 W., S.B.M., as per Stearns Rancho Company's Sectionized Survey by Captain T. C. Healey, Surveyor, surveyed by L. G. B. McDowell, field work completed September 15, 1927," filed at page 28 of Book 3 of Maps in the office of the Recorder of the County of Orange and a line extending S. 40° 36' W. from a 2" pipe corner of survey set by V. J. Rowan at the north end of the most westerly course of Lot E as shown upon the above described map and between the ordinary high water mark of the Pacific Ocean and a line parallel to and distant one mile S. 40° 36' W. from the said ordinary high water mark containing 835 acres, more or less.

EXHIBIT "B"

Map of the "Pooled Area"



