

MINUTE ITEM

This Calendar Item No. C51 was approved as Minute Item No. 51 by the California State Lands Commission by a vote of 3 to 0 at its 02-09-06 meeting.

CALENDAR ITEM
C51

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02/09/06
W 12001
A. Reid
A. Hager

S 25, 27, 28

**CONSIDER CONSENT TO ASSIGNMENT OF INTEREST
IN THE LONG BEACH HARBOR TIDELANDS PARCEL AND
PARCEL "A" OIL CONTRACT TO OXY TIDELANDS, INC.
AND OXY WILMINGTON, LLC,
LONG BEACH TIDELANDS, WILMINGTON FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Attn.: Mr. Christopher Garner, Director
Long Beach Gas and Oil Department
211 East Ocean Blvd., Suite 500
Long Beach, CA 90802

BACKGROUND:

OXY Tidelands, Inc. and OXY Wilmington, LLC, wholly owned subsidiaries of Occidental Petroleum Corporation (Oxy), are acquiring 100 percent (100%) of the general partnership interest in Tidelands Oil Production Company (Tidelands), the Contractor under the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract (Contract). Occidental Oil and Gas Holding Corporation, another wholly owned subsidiary of Oxy, directly holds both OXY Tidelands, Inc. and OXY Wilmington, LLC. The acquisition is contingent upon the approvals of the City Manager of the City of Long Beach (City) and of the California State Lands Commission (Commission) required by Section 34 of the Contract. The approval of the City Manager has been given, and the approval of the Commission is now required.

The City entered into the Contract, effective March 1, 1989, with Neste Holding (U.S.A.), Inc., Chanse Energy Corporation and Tidelands Oil Production, which

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together constituted the Contractor. The Contract has been amended and assigned several times since its inception, all with the approval of the City and the Commission. As a result of earlier assignments, Tidelands, a general partnership of Neste Oil Services, Inc. (Neste) and Chanse Long Beach Production Corporation (Chanse), became the Contractor. In 2003, Paramount Petroleum Corporation (Paramount) acquired a 75 percent (75%) interest in the Tidelands general partnership and Chanse acquired the remaining 25 percent (25%) interest. Subject to City and Commission approval, OXY Tidelands, Inc. has acquired Paramount's 75 percent (75%) interest and OXY Wilmington, LLC has acquired Chanse's 25 percent (25%) interest in Tidelands. Tidelands, as an Oxy-owned entity, will be the Contractor. Occidental Oil and Gas Holding Corporation, which holds substantially all of Oxy's worldwide oil and gas assets, will guarantee the performance of the contractual obligations of Oxy Tidelands, Inc. and Oxy Wilmington, LLC.

Section 34 of the Contract provides that the Contractor or its successors or assigns may assign or otherwise dispose of all or any part of their rights, privileges or obligations under the Contract with the written consent of and subject to terms and conditions prescribed by the City and the Commission.

Oxy Long Beach, Inc. (OLBI), another subsidiary of Oxy is the holder of the Field Contractor and Non-operating Contractor interests in the Contractors' Agreement for Tract 1 of the Long Beach Unit and is sole owner of THUMS Long Beach Company, the agent for the Field Contractor. OLBI also owns the single Non-operating Contractor interest in the Tract No. 2 Agreement for the Long Beach Unit. Oxy is the guarantor of OLBI's obligations under both the Contractors' Agreement and the Tract No. 2 Agreement. With the acquisition of Tidelands, Oxy entities will own all net profits contractor interests in the oil operations in the Long Beach tidelands. Oxy plans to retain Tidelands as a separate entity and to operate Tidelands in much the same manner as it currently is being operated.

Oxy is a multi-billion dollar petroleum company headquartered in Los Angeles with operations worldwide. It has oil and gas producing operations in Latin America, the Middle East and North Africa and the United States. Its domestic operations are primarily in California, Texas, Oklahoma, Kansas and New Mexico. Oxy has the financial resources to carry out fully all of the Contractor's obligations under the Contract, and Oxy's operating record, particularly in the Long Beach tidelands and throughout the rest of California, has been excellent.

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STATUTORY AND OTHER REFERENCES:

Chapter 29, Statutes of 1956, 1st E.S., Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract, Section 34.

OTHER PERTINENT INFORMATION

1. At its meeting of January 24, 2006, the Long Beach City Council approved the assignment of interest in the Contract.

2. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code Section 21064 and Title 14, California Codes of Regulations, Sections 15060(c)(3) and 15378.

EXHIBIT:

- A. Letter from the City requesting consent to the assignment of ownership in the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract.

PERMIT STREAMLINING ACT DEADLINE:

N/A (not a "development project" subject to the Act)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(C)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

1. CONSENT TO THE ASSIGNMENT OF INTEREST IN THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A" OIL CONTRACT TO OXY TIDELANDS, INC. AND OXY WILMINGTON,

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LLC, SUBJECT TO OCCIDENTAL OIL AND GAS HOLDING CORPORATION'S FURNISHING OF A WRITTEN GUARANTEE OF THE CONTRACTUAL OBLIGATIONS OF OXY TIDELANDS, INC. AND OXY WILMINGTON, LLC, TO BE EFFECTIVE SO LONG AS THESE OXY ENTITIES ARE RESPONSIBLE FOR THESE CONTRACTUAL OBLIGATIONS.

2. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE DOCUMENTATION REQUIRED TO IMPLEMENT THE COMMISSION'S CONSENT.

EXHIBIT A

CITY OF LONG BEACH



CHRISTOPHER J. GARNER
DIRECTOR

211 EAST OCEAN BLVD., SUITE 500 · LONG BEACH, CA 90802
(562) 570-3900 · FAX (562) 570-3922

DEPARTMENT

OIL OPERATIONS · OIL PRODUCTION / SUBSIDENCE

January 25, 2006

Mr. Paul B. Mount II, P.E.
Chief, Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

Subject: Assignment of Tidelands Oil Production Company's Interest in the Oil Field Contractor Agreements to Occidental Petroleum Corporation

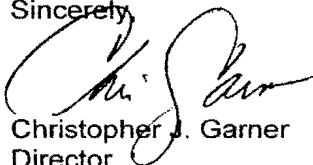
Dear Mr. Mount:

As you know, Occidental Petroleum Corporation has negotiated with the owners of Tidelands Oil Production Company to assume their interest in the three Wilmington Oil Field Contracts (Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract, Amended and Restated Field Contractor Agreement (Harbor Department – Segment II) and Amended and Restated Field Contractor Agreement.)

On Tuesday, January 24, 2006, the Long Beach City Council approved of the assignment and authorized the City Manager to execute the Assignment Consent Agreements. We request that the State Lands Commission consider the assignment at its next scheduled meeting on February 9, 2006.

If you have any questions or concerns, please contact me at (562) 570-2001 or Curtis Henderson at (562) 570-3937.

Sincerely,


Christopher J. Garner
Director

CJG:scs
FIN 312.006

cc: M. Voskanian
A. V. Hager
F. Komin
J. C. Parkin