Meeting Date: 10/21/26
Lease Number: 186
Staff: E. Tajer
J. Fabel

Staff Report 55

LESSEE/ASSIGNOR:

Oxy Long Beach, Inc.

ASSIGNEE:

California Resources Long Beach, Inc.

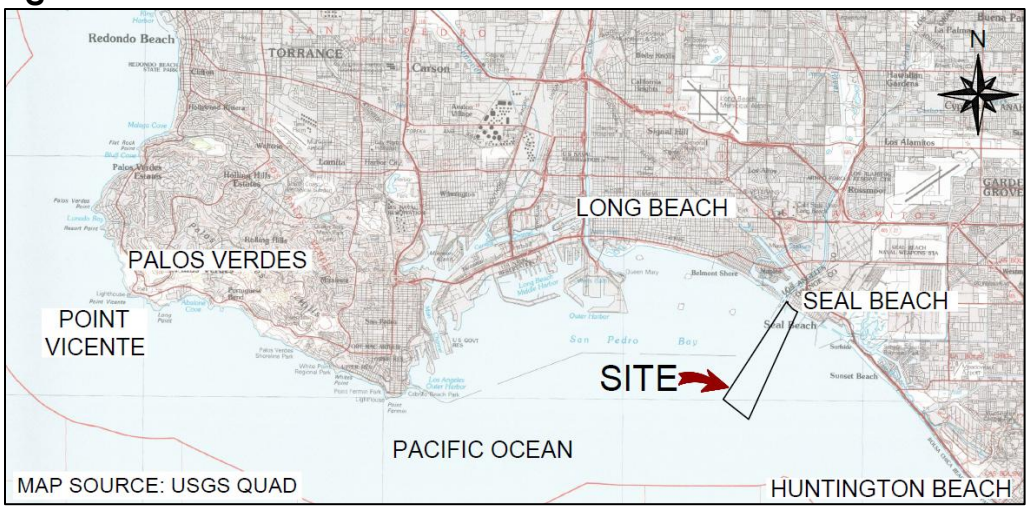
PROPOSED ACTION:

Acknowledge the assignment of oil and gas Lease 186 from Oxy Long Beach, Inc., to California Resources Long Beach, Inc., to address an inadvertent omission from the multiple lease assignment approvals associated with Occidental Petroleum Corporation's 2014 separation of its California oil and gas business.

AREA, LAND TYPE, AND LOCATION:

Approximately 1,255 acres of State-owned tide and submerged land, located within Belmont Offshore Field, Seal Beach, Orange County (as shown in Figure 1).

Figure 1. Location



AUTHORIZED USE:

Produce oil and gas offshore from wells directionally drilled from Island Chaffee, one of the THUMS islands within the Long Beach Unit (as shown in Figure 2).

Figure 2. Site Map



TERM:

20 years beginning September 24, 1945, and for so long thereafter as oil, gas, or other hydrocarbon substances are produced in paying quantities from the leased lands.

CONSIDERATION:

- Annual rent: $5,000
- Fixed royalty of 17.878 percent on oil.

- Fixed royalty of 20 percent on natural gas.
- Bond: $50,000 (amount at the time of the 2014 transactions). The Lessee is responsible for plugging and abandoning the wells on Island Chaffee that produce from Lease 186.
- Insurance: $1,000,000 per occurrence.

BACKGROUND:

State Oil and Gas Lease 186 was issued to Marine Exploration Company on September 24, 1945. The lease was developed from Belmont Island, a man-made offshore drilling and production island. Through a series of assignments and corporate changes, ExxonMobil Corporation and ChevronTexaco Corporation each acquired an undivided 50 percent interest in the lease.

On December 16, 2002, the Commission approved assignment of ExxonMobil's and ChevronTexaco's respective interests to Oxy Long Beach, Inc., an affiliate of Occidental Petroleum Corporation (Item 60). The authorization retained the assignors' obligations under the lease and required Oxy Long Beach, Inc. to be bound by the lease terms.

On December 9, 2004, the Commission approved Oxy Long Beach, Inc.'s request to redevelop Lease 186 using directionally drilled wells and existing facilities on Island Chaffee (Item 54). Lease 186 currently has 36 wells drilled from Island Chaffee. Although these wells use Long Beach Unit facilities, Lease 186 remains a separate State oil and gas lease outside the Long Beach Unit boundaries.

In 2014, Occidental Petroleum Corporation (OXY), separated its California oil and gas business into a new publicly traded corporation, California Resources Corporation (CRC). In anticipation of the separation, OXY and its subsidiaries submitted applications and transaction documents for the necessary Commission approvals. The affected interests included State leases and related agreements offshore Orange County, as well interests associated with the Long Beach Unit and West Wilmington operations on the Long Beach tidelands in Los Angeles County.

On June 19, 2014, the Commission approved two related actions. One of the items (Item 77) approved assignments of OXY USA Inc.'s interests in 29 Huntington Beach area leases and related agreements to SoCal Holding, LLC, which would become a CRC subsidiary upon completion of the separation. That action also addressed replacement of the parent guarantor. Another action (Item 79) provided

Commission consent and approval of the City of Long Beach's consent to specified assignments associated with the Long Beach tidelands operations, including related changes in ownership and guarantees. Lease 186 was intended to be included in the assignments associated with the separation but was inadvertently omitted from the matters submitted for Commission approval.

Since the 2014 transactions, Commission staff and Assignee have administered Lease 186 on the understanding that Assignee had succeeded to the lessee's interest. The Assignee pays rent and royalties, complies with inspection and reporting requirements for all 36 wells, and operates the facilities supporting Lease 186 on Island Chaffee.

In 2025, during a review of lease obligations, staff discovered that Lease 186 had been omitted from the 2014 assignment approvals. Staff now recommends approval of the assignment from Oxy Long Beach, Inc., to Assignee to address that omission.

STAFF ANALYSIS AND RECOMMENDATION:

AUTHORITY:

Public Resources Code sections 6801 and 6804; Section 4 of State Oil and Gas Lease 186.

ASSIGNMENT TO ADDRESS THE 2014 OMISSION:

This authorization corrects an omission in the record and reiterates the Commission's intention in 2014 that all OXY assets were to be assigned. The 2014 separation involved interests held by multiple OXY affiliates, operations in two counties, and several related Commission and City of Long Beach approvals. Based on a review of the records, staff believes two circumstances contributed to the omission. First, Lease 186 was held by Oxy Long Beach, Inc., rather than OXY USA Inc., the affiliate assigning the Huntington Beach area leases and agreements under Item 77. Second, Lease 186's operations are integrated with Island Chaffee, a Long Beach Unit facility, even though the lease lies outside the Unit boundaries. Its separate assignment was likely overlooked when the broader Long Beach tidelands authorizations were prepared under Item 79.

The evidence that Lease 186 was intended to be assigned by OXY to CRC following the separation was clear, but the specific authorization was overlooked. Assignee's

continued operation of the lease, payment of rent and royalties, and compliance with inspection and reporting requirements are consistent with the intended assignment. The integration of Lease 186's wells with Island Chaffee facilities also makes operation by a separate operator impractical. Since 2014, Assignee has been and remains a compliant and responsible operator of Lease 186. Its operating experience and demonstrated performance of these obligations support approval of the assignment.

Staff recommends that the Commission acknowledge the assignment to address the omission and accurately identify the entity responsible for the lease. The assignment will not change the existing operations or authorize additional development. Approval will also harmonize the Commission's lease records with the administration and operation of Lease 186 since 2014. Effective administration and enforcement of State oil and gas leases serve the Public Trust by holding lessees accountable for their operations, ensuring compliance with lease provisions and regulatory requirements, and protecting the environment.

OTHER PERTINENT INFORMATION:

1. On December 5, 2023, the Commission established a temporary moratorium on accepting and considering new offshore oil and gas pipeline lease applications and issuing new offshore oil and gas pipeline leases pending completion and consideration of the Analysis of Public Trust Resources and Values (APTR) (Item 59). The proposed assignment concerns an existing oil and gas production lease and does not involve issuance of a new pipeline lease. Accordingly, staff concludes that the proposed action falls outside the moratorium's scope.
2. Approval is also consistent with the moratorium's purpose. The action does not extend the lease term, expand the leased premises, or authorize additional development or changes to existing operations. Completing the assignment supports accountability under the existing lease without prejudging the APTR's findings or the Commission's subsequent consideration of offshore pipeline leasing.
3. Contemporaneous media reports described OXY's separation of its California oil and gas business from the newly established entity, CRC. That public description, alongside CRC's operation of Lease 186 over the past 12+ years, supports staff's conclusion that Lease 186's omission from the assignment approvals was inadvertent and that the lease was intended to be included in the separation.

4. In its January 20, 2022, report for SB 1147, CalGEM estimated the decommissioning costs associated with Lease 186 at $13.8MM. CalGEM currently holds securities for that obligation amounting to $14.4MM.

5. Acknowledgment of the assignment is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

   Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

1. Acknowledge the assignment of State Oil and Gas Lease 186 from Oxy Long Beach, Inc., to California Resources Long Beach Inc., to address its inadvertent omission from the lease assignment approvals associated with OXY's 2014 separation of its California oil and gas business.

2. Authorize the Executive Officer, or his designee, to execute the documents necessary to implement the assignment and update the Commission's lease records.