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November 14, 2002

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

Dear Mr. Mount:

Subject: State Lease PRC 186

Oxy Long Beach, Inc. ("OLBI") requests that the State Lands Commission ("SLC") consent to the assignment of State Lands Lease PRC 186 ("PRC 186") from ExxonMobil and Texaco to OLBI. OLBI acquired the interests earlier this year.

OLBI has obtained relevant documents relating to PRC 186 from ExxonMobil. OLBI is in the process of fully reviewing the information. Once the review is completed, OLBI will submit a Plan of Development to the SLC by the second quarter of 2003.

OLBI's preliminary view of development of PRC 186 would be to take a phased approach. First, the Ranger zone potential would be validated by drilling two or three production wells from Island Chaffee. It is anticipated that the first well would be drilled in late 2003. The existing Long Beach Unit leaseline water injectors would provide sufficient waterflood support. If this phase were successful, the second phase would include the full development of seven producer wells and three to four downdip injectors placed at the base of the swept volume. Additionally, an evaluation would be done to determine if horizontal wells could be used to reduce well count. No new surface infrastructure will be required for development of PRC 186 since the Long Beach Unit facilities have adequate capacity to process the oil. The reservoir evaluations will be completed by the middle of 2003. Please see the attachment for more details.

Finally, an agreement would have to be reached with the City of Long Beach and the State prior to using any Long Beach Unit facilities for development of PRC 186. We expect a final agreement to be reached by the first quarter of 2003, at which time the full benefit to the State of California can be quantified.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Frank E. Komin', is written over a printed name and title.

Frank E. Komin  
President

BAZ:mkm

Attachment