



City of Carson

Report to Mayor and City Council

March 4, 2014
New Business Discussion

SUBJECT: STATUS OF PROPOSED OCCIDENTAL PETROLEUM SEPARATION OF CALIFORNIA ASSETS INTO AN INDEPENDENT AND SEPARATELY TRADED COMPANY

Submitted by Barry M. Waite
Acting Director of Community Development

Approved by Jacquelyn Acosta
Acting City Manager

I. SUMMARY

This item is on the agenda at the request of Councilmember Robles. Occidental Petroleum (Oxy) has announced its intent to divide the company, with some assets moving to Houston and California operations becoming an entirely separate entity based in Southern California. The Councilmember has requested a status report from Oxy regarding this transfer of assets and its impacts on their proposed project in Carson.

II. RECOMMENDATION

TAKE the following actions:

1. ALLOW the report from an Occidental Petroleum representative.
2. RECEIVE and FILE.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The new California entity is expected to have some 1,800 employees when initially created and, once the separation process is entirely complete, it is anticipated it will serve some 8,000 employees and contractors. According to Oxy, certain assets of the company will be separated in the creation of the new standalone company, which will have its own stock ticker, board of directors, and management and leadership team.

In July 2011, OXY USA, Inc. (OXY) filed applications with the city for a Development Agreement, Specific Plan Amendment, and Environmental Impact Report (EIR). The Draft EIR was released for public review on January 23, 2014; for the 45-day public review period which ends at 5:00 p.m., March 10, 2014. The 6.5-acre site is centrally located within the 288-acre Dominguez Technology Center (Exhibit No. 1). In addition to the EIR, the following provides a summary of the applications filed by the applicant:

- Specific Plan 2-89 Amendment No. 3, (SPA). Dominguez Technology Center Specific Plan currently allows “exploration, production, and transmission of the oil and gas products appropriately screened” as a permitted-by-right use meaning no discretion is allowed including the approval of the use and the environmental review for the use. The City has required an application for a SPA to change this permitted-by-right classification to require approval of a development agreement for oil and gas exploration and production facilities. The SPA will maintain the permitted-by-right status for “transmission of oil and gas products.”
- Development Agreement No. 4-11 (DA). A development agreement is a contract between the City and OXY. This contract may include terms agreed to by both parties.

OXY is proposing the construction and operation of a new oil and gas production facility to develop a portion of the Dominguez Oil Field that has been out of production for many years. OXY proposes to construct a facility consisting of up to 202 wells (two existing test wells and approximately 130 new production wells, 65 salt water injection wells, four salt water production wells and one slurry injection well), an oil and gas processing facility, water treatment, water injection operations, slurry injection or disposal operations, an electrical connection, emergency flare, and shipping and pipeline facilities to produce and transport approximately 6,000 barrels per day of oil and three million standard cubic feet per day of natural gas. Directional drilling techniques will be used in order to pinpoint oil reservoirs at depths of 4,000 to 13,500 feet. The proposed project does not include the use of hydraulic fracturing. The facility will be constructed within a 30-foot-high wall for screening purposes. A drill rig mast will be enclosed and designed to be visually compatible with the existing industrial and commercial buildings at the Dominguez Technology Center.

There are concerns that the new company may not have comparable qualifications and may have an unknown track record related to the operation of an oil and gas production facility. An Oxy representative will expand on these issues during their presentation before the City Council. From the staff's perspective, it is better to know about the creation of a new California based company at this time rather than after Oxy receives approvals (if any) from Carson. While it is known that companies and developers may change after entitlements are obtained, the knowledge that a change is forthcoming for Oxy reinforces the need to be clear and concise in determining the terms and conditions in any entitlement. The anticipated land-use document to provide any entitlements to Oxy is a development agreement.

A development agreement is a contract between a local jurisdiction and a person or entity that has ownership or control of property within the jurisdiction. The purpose of the agreement is to specify the standards and conditions that will

govern development of the property. The development agreement provides assurance to the developer that he/she may proceed to develop the project subject to the rules and regulations in effect at the time of approval.

At the same time, development agreements can greatly benefit the local jurisdiction. The City may include conditions (mitigation measures) that must be met to ensure that a project at a specific location does not have unacceptable impacts on neighboring properties or community infrastructure. The agreement may clarify how the project will be phased, the required timing of public improvements, the developer's contribution toward funding system-wide community improvements, and other conditions. The agreement can also facilitate enforcement of requirements, since it is a contract that details the obligations of the developer and local jurisdiction.

In this context, the development agreement can be used as a powerful tool to provide safeguards for the City due to any potential risks that the transfer of assets may cause.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Site map: Dominguez Technology Center. (pg. 4)

Prepared by: Sheri Repp-Loadsman

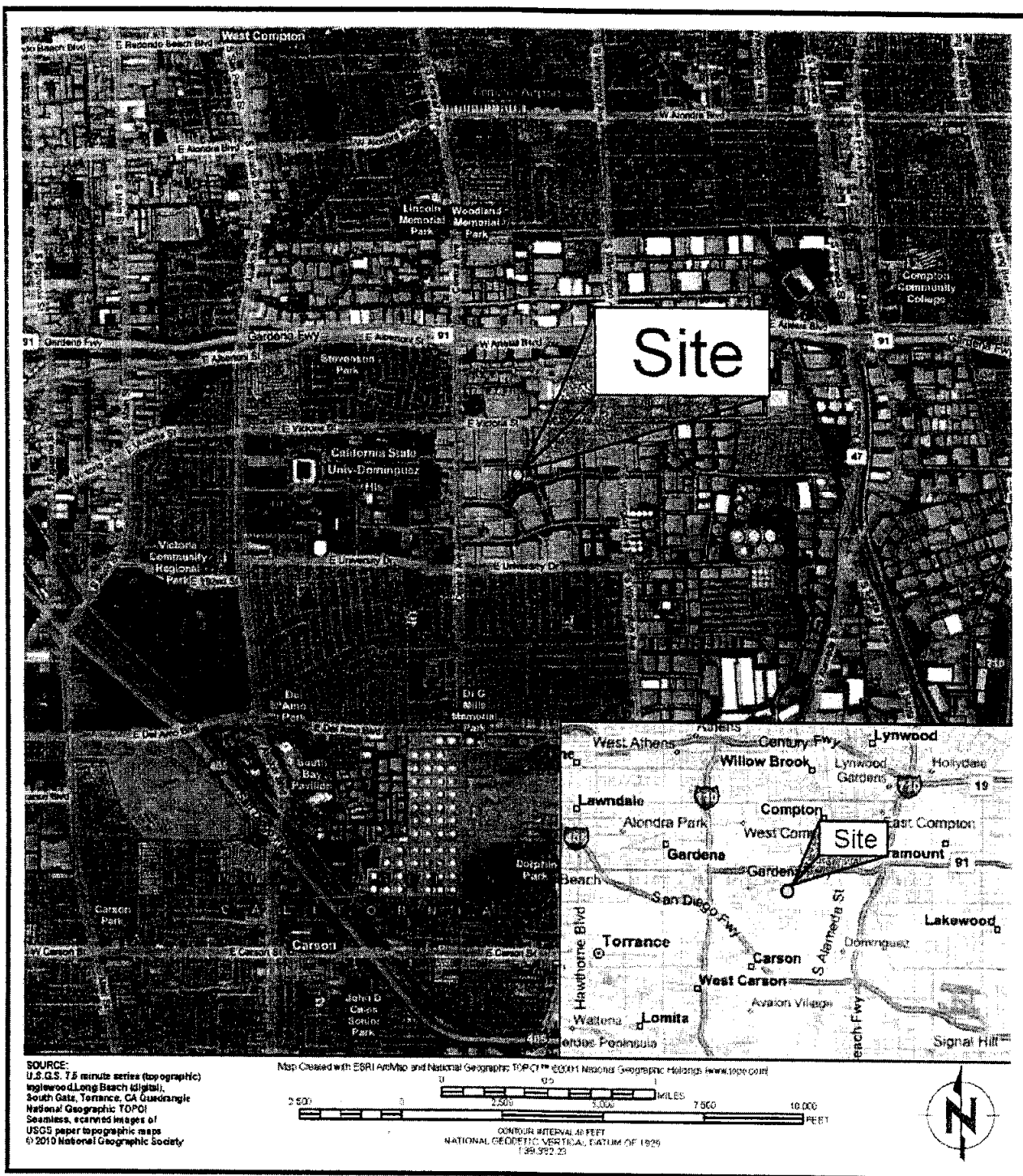
TO: Rev02-24-2014

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Public Works
Community Development	Community Services

Action taken by City Council

Date _____ Action _____



Environmental Audit, Inc.

SITE VICINITY MAP
OXY Dominguez Oil Field
 1450-1480 Charles Willard Street
 Carson, CA 90746

EXHIBIT NO. 01

