

1 ASSIGNMENT CONSENT AGREEMENT 34521

2 This Assignment Consent Agreement is entered into by and among Atlantic Richfield
3 Company, a Delaware corporation (ARCO), ARCO Long Beach, Inc., a Delaware corporation
4 (ALBI), Occidental Petroleum Corporation, a Delaware corporation (Oxy) and the City of Long
5 Beach, a municipal corporation (City).

6 This Assignment Consent Agreement is made with reference to the following facts:

7 A. Effective April 1, 1965, the City entered into the Contractors' Agreement, Long Beach
8 Unit, Wilmington Oil Field (Contractors' Agreement) with a Field Contractor and several
9 Nonoperating Contractors providing for the development and operation of Tract 1 of the Long Beach
10 Unit. ALBI is the holder of the Field Contractor's interest and all Nonoperating Contractor interests.
11 ALBI is also a Participant as to Tract 1 under the Unit Agreement for the Long Beach Unit (Unit
12 Agreement) and under the Unit Operating Agreement for the Long Beach Unit (Unit Operating
13 Agreement) by virtue of the provisions of Article 2 of the Contractors' Agreement. ARCO is the
14 guarantor of ALBI's performance under the Contractors' Agreement, the Unit Agreement and the
15 Unit Operating Agreement.

16 B. Effective November 5, 1991, the City, ARCO, ALBI and the State of California, by and
17 through the California State Lands Commission (State), entered into the Agreement for
18 Implementation of an Optimized Waterflood Program for the Long Beach Unit (Optimized
19 Waterflood Agreement) pursuant to which ARCO and ALBI agreed to commit their expertise and
20 a substantial sum of money to secure an increase in the oil production from the Long Beach Unit in
21 return for a greater share of the net profits from any enhanced production. ARCO is the guarantor
22 of ALBI's performance under the Optimized Waterflood Agreement.

23 C. THUMS Long Beach Company, a Delaware corporation (THUMS), is the agent for the
24 Field Contractor under the Contractors' Agreement and, as such, carries out the operational
25 responsibilities of the Field Contractor. THUMS is a wholly owned subsidiary of ALBI.

26 D. On November 15, 1999, ARCO and Oxy entered into a Stock Purchase Agreement in
27 which ARCO agreed to sell and Oxy agreed to buy all of ARCO's stock in ALBI and all of ARCO's
28 outstanding rights and obligations under the Optimized Waterflood Agreement (the Stock

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1 Transaction). As a result of the Stock Transaction, ALBI will become a wholly owned subsidiary of
2 Oxy. THUMS will continue to be a wholly owned subsidiary of ALBI. Also under the Stock
3 Purchase Agreement, Oxy has agreed to be the guarantor or responsible party under the Contractors'
4 Agreement, the Unit Agreement, the Unit Operating Agreement and the Optimized Waterflood
5 Agreement.

6 E. ARCO, ALBI and Oxy have requested that the City consent to the Stock Transaction
7 insofar as it affects the rights and obligations of the Field Contractor and Nonoperating Contractors
8 under the Contractors' Agreement.

9 F. ARCO has requested that the City release ARCO from all of its responsibilities as
10 guarantor of ALBI's performance under the Contractors' Agreement, the Unit Agreement and the
11 Unit Operating Agreement.

12 G. Article 25 of the Contractors' Agreement permits any contractor to assign or otherwise
13 dispose of its interest in the Contractors' Agreement only after obtaining the written consent of and
14 subject to any terms and conditions prescribed by the Long Beach City Manager, acting with the
15 approval of the State.

16 H. The City has negotiated with ARCO, ALBI and Oxy the terms and conditions upon which
17 the Long Beach City Manager will consent to the Stock Transaction and release ARCO from its
18 guarantee of ALBI's performance under the Contractors' Agreement, the Unit Agreement and the
19 Unit Operating Agreement. Those terms and conditions are set forth below. The State has given its
20 approval to those terms and conditions.

21 Based on these factual recitals, the City, ARCO, ALBI and Oxy agree as follows:

22 1. The City is willing to consent and does consent to the Stock Transaction insofar as it
23 affects the transfer of the ownership of ALBI from ARCO to Oxy (including the rights and
24 obligations of ALBI as the holder of the Field Contractor and the Nonoperating Contractor interests
25 under the Contractors' Agreement and the rights and obligations of ARCO under the Contractors'
26 Agreement and the Optimized Waterflood Agreement) on the following terms and conditions:

27 a. All provisions of the Contractors' Agreement and the Optimized Waterflood
28 Agreement and all amendments to the Contractors' Agreement and the Optimized Waterflood

1 Agreement shall remain fully in force and in effect.

2 b. ALBI reaffirms all of its obligations under the Contractors' Agreement and the
3 Optimized Waterflood Agreement, anything in any other agreements to which ARCO, ALBI
4 and/or Oxy may be a party to the contrary notwithstanding.

5 c. Within sixty (60) days after the effective date of this Assignment Consent
6 Agreement, ALBI, the City and the State shall vote for, approve of or consent to a Long
7 Beach Unit Determination or Approval After Submission to the Participants (as defined in the
8 Unit Agreement) for the installation of automatic shutdown valves on all four primary
9 offshore oil lines, a total of eight valves. The installation shall be completed by July 1, 2001;
10 provided, however, that this time may be extended so long as the installation process has
11 proceeded and continues to proceed diligently. The cost of installing these valves shall be
12 charged as Unit Expense to the Participants in the Long Beach Unit. This cost shall be a Base
13 Cost, as defined in Article 1.02(f) of the Optimized Waterflood Agreement, and shall be
14 accounted for as such under the terms of the Optimized Waterflood Agreement.

15 d. Within sixty (60) days after the effective date of this Assignment Consent
16 Agreement, ALBI, the City and the State shall vote for, approve of or consent to a Long
17 Beach Unit Determination or Approval After Submission to the Participants (as defined in the
18 Unit Agreement) for a complete financial audit of Long Beach Unit operations which shall
19 be performed jointly by the City and the State. The audit shall cover fiscal years 1998/1999
20 and 1999/2000. The audit shall be completed by July 1, 2001; provided, however, that this
21 time may be extended so long as the audit process has proceeded and continues to proceed
22 diligently. The cost of the audit shall be charged as Unit Expense to the Participants in the
23 Long Beach Unit.

24 e. A full field safety audit of the Long Beach Unit shall be conducted by the State's
25 staff and its consultants; provided that Oxy shall have the right to approve such consultants,
26 such approval not to be unreasonably withheld. The audit shall be completed by July 1, 2001;
27 provided, however, that this time may be extended so long as the audit process has proceeded
28 and continues to proceed diligently. The costs for this audit that are incurred by the State's

1 staff and its consultants shall be reimbursed to the State by Oxy in an amount not to exceed
2 \$500,000.

3 f. By giving its consent to the assignments of these interests, the City does not
4 approve or give its consent to any of the provisions of the Stock Purchase Agreement
5 between ARCO and Oxy or to the provisions of any other agreement by and among all or
6 some of ARCO, ALBI and Oxy pertaining to these assignments.

7 g. Oxy fully guarantees and assumes full responsibility for the performance of all the
8 obligations of ALBI as the Field Contractor and all Nonoperating Contractors under the
9 Contractors' Agreement and all the obligations of ALBI as a Participant under the Unit
10 Agreement and the Unit Operating Agreement, and agrees to be responsible for all of the
11 obligations adhering to those interests, anything in any other agreements to which ARCO,
12 ALBI and/or Oxy may be a party to the contrary notwithstanding.

13 2. ARCO shall not be released from its guarantees of ALBI's performance under the
14 Contractors' Agreement, the Unit Agreement and the Unit Operating Agreement until the following
15 conditions have been fulfilled:

16 a. The automatic shutdown valves are installed, as required by paragraph 1c above,
17 to the satisfaction of the City and the State.

18 b. All issues raised in the financial audit of the Long Beach Unit, required by
19 paragraph 1d above, are resolved to the satisfaction of the City, the State, ARCO, ALBI and
20 Oxy or have been submitted to and resolved fully by binding arbitration.

21 c. All issues raised in the field safety audit of the Long Beach Unit, required by
22 paragraph 1e above, are resolved to the satisfaction of the City, the State, ARCO, ALBI and
23 Oxy or have been submitted to and resolved fully by binding arbitration.

24 d. Within thirty (30) days of the satisfactory completion or resolution of the three
25 conditions precedent, as provided in subparagraphs 2a, 2b and 2c above, the City and the
26 State shall provide written notice of such satisfactory completion or resolution to ALBI and
27 ARCO.

28 e. On a date that is one hundred twenty (120) days following the date when all of the

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1 conditions in subparagraphs a, b and c of this paragraph 2 have been fulfilled, ARCO shall be
2 released prospectively from its guarantor obligations under the Contractors' Agreement, the
3 Unit Agreement and the Unit Operating Agreement, unless on or before that date, the Long
4 Beach City Council or the California State Lands Commission, at a regularly scheduled
5 meeting where a hearing is required to be given and evidence is required to be taken, finds
6 that Oxy does not have the financial capability or has not demonstrated the operational
7 capability or expertise to fulfill the responsibilities of the Field Contractor and Nonoperating
8 Contractors under the Contractors' Agreement without the continuing guarantee of ARCO.
9 ARCO, ALBI and /or Oxy may challenge the City Council's and the Commission's findings
10 by filing in the Los Angeles County Superior Court, Central District, a petition for writ of
11 mandate under section 1094.5 of the California Code of Civil Procedure, or any successor
12 provision, within thirty (30) days of the decision of the City Council or the Commission,
13 whichever is later.

14 3. This Assignment Consent Agreement shall be governed by the laws of the State of
15 California.

16 4. This Assignment Consent Agreement may be executed in counterpart copies, and each
17 executed counterpart copy shall have the same force and effect as an original and shall be enforceable
18 to the same extent as if all parties had executed the same document.

19 5. This Assignment Consent Agreement shall be effective May 1, 2000.

20 OCCIDENTAL PETROLEUM CORPORATION,
a Delaware corporation

21
22 by 

23 ATLANTIC RICHFIELD COMPANY,
a Delaware corporation

24
25 by 

26 ARCO LONG BEACH, INC.,
a Delaware corporation

27
28 by 

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CITY OF LONG BEACH, EXECUTED PURSUANT
a municipal corporation TO SECTION 301 OF
THE CITY CHARTER.

4.19, 2000

by *Macaroni*
ASSISTANT City Manager

The foregoing Assignment Consent Agreement is approved as to form this 19th day of April, 2000.

ROBERT E. SHANNON, City Attorney
by *Richard A. Alesso*
RICHARD A. ALESSO, Deputy