

Allen, John (Occidental of Elk Hills, Inc, Tupman, CA)

(John Allen is the President and General Manager of Occidental of Elk Hills, Inc. and will discuss Occidental's successful investment in Elk Hills and the challenges going forward.)

ELK HILLS – 5 YEARS LATER

On February 5, 1998, the federal government completed the largest privatization effort ever by selling its share of the Elk Hills Naval Petroleum Reserve in western Kern County, California to Occidental Petroleum Corporation. Occidental paid \$3.53 billion for the property located near Taft, and Chevron retained its 22 percent interest in the field. Occidental is operator of the Elk Hills unit. Elk Hills was a keystone in Occidental's strategic plan over the last 5 years, including: focusing on the United States, Latin America and the Middle East; drive down costs and improve net backs; and sharpening EOR focus on key areas.

Spanning 47,000 acres with 1600 producers and 170 injectors, Elk Hills is the largest natural gas producer and fourth largest oil producer in the state of California. Recognizing the reservoir and facility technical challenges and their investment opportunities, Occidental has successfully increased oil production from the: Waterflood projects, Shallow Oil zone, and Shale reserves, while fully exploiting gas production opportunities in the blow-down reservoirs. These efforts have increased reserves, net after production, in each of the last 5 years. The yields on investments, since initial purchase, have returned 80% of the purchase price and 100% of investment costs.