

MINUTE ITEM

29. (SUBSIDENCE STUDY CONTRACTS, LONG BEACH - W. O. 2323.3.1.)

Following presentation of Calendar Item 39 attached, Mr. Harold A. Lingle, Deputy City Attorney of Long Beach, appeared before the Commission and indicated that the recommendations made by the staff met with his approval.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

1. PURSUANT TO SECTION 10 OF THE DECREE IN THE ACTION PEOPLE OF THE STATE OF CALIFORNIA, ET AL., VS. CITY OF LONG BEACH (Superior Court, Los Angeles County, No. 649466), THE COMMISSION APPROVES THE EXPENDITURE BY THE CITY OF LONG BEACH OF OIL REVENUE FOR SERVICES RENDERED BY DR. FRANK S. HUDSON UNDER CONTRACT AUTHORIZED BY THE LONG BEACH CITY COUNCIL PURSUANT TO RESOLUTION C-16432 AND FOR SERVICES RENDERED BY de GOLYER AND MacNAUGHTON UNDER CONTRACT AUTHORIZED BY THE LONG BEACH CITY COUNCIL PURSUANT TO RESOLUTION. THE TOTAL EXPENDITURES APPROVED HEREBY SHALL NOT EXCEED \$30,000 FOR THE HUDSON CONTRACT, AND SHALL NOT EXCEED \$50,000 FOR THE de GOLYER AND MacNAUGHTON CONTRACT NOT INCLUDING RESERVOIR ENGINEERING RELATED DIRECTLY TO OIL PRODUCTION ACTIVITIES.
2. THE COMMISSION APPROVES THE COSTS PROPOSED TO BE EXPENDED BY THE CITY OF LONG BEACH, INCLUDING SUBSIDENCE COSTS, FOR SERVICES TO BE RENDERED BY DR. FRANK S. HUDSON AND BY de GOLYER AND MacNAUGHTON ON AND AFTER SEPTEMBER 13, 1957, UNDER THE AFORESAID CONTRACTS, SUBJECT TO THE FOLLOWING CONDITIONS:
 - (a) THE AMOUNT, IF ANY, OF THE FOREGOING ITEMS TO BE ALLOWED ULTIMATELY AS SUBSIDENCE COSTS, DEDUCTIBLE UNDER SECTION 5(a) OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., WILL BE DETERMINED BY THE COMMISSION UPON REVIEW AND FINAL AUDIT SUBSEQUENT TO THE TIME WHEN THE WORK UNDER THE SUBJECT CONTRACTS IS COMPLETED.

Attachment

Calendar Item 39 (3 pages)

CALENDAR ITEM

MISCELLANEOUS

39.

(SUBSIDENCE STUDY CONTRACTS, LONG BEACH - W. O. 2323.3.1.)

The City of Long Beach has requested approval by the Commission of the employment of Dr. Frank S. Hudson to make engineering, geologic and reservoir studies in the Wilmington Oil Field relating to the production of oil, gas and other hydrocarbon substances and to the effect thereof upon subsidence.

In addition, the City has requested the approval by the Commission of the employment of the firm of de Golyer and MacNaughton to make engineering, geologic and reservoir studies in the Wilmington Oil Field relating to the production of oil, gas and other hydrocarbon substances, the effect of fluid pressurization and the result upon subsidence. This study is to include bases for initiation of unitization and other cooperative plans of operation as authorized under Chapter 1151, Statutes of 1957, as well as reservoir engineering related directly to oil production activities by the City of Long Beach. Approval of the study contracts authorized by the City Council on July 2, 1957, and on August 2, 1957, respectively, is requested because of the subsidence cost elements inherent in the studies, for which compensation to the City is authorized under Chapter 29, Statutes of 1956, 1st E.S.

The costs to be incurred under the respective study contracts are tabulated in Exhibit "A" (attached). The proposed rates of compensation are substantially in line with the going rates charged by experts of similar status, and the projects are considered to be reasonably related to and necessary for the protection, preservation, and maintenance of the tidelands as necessitated by subsidence of the land surface.

Section 1(f), Chapter 29, provides that:

"'Subsidence costs' means costs expended by the City of Long Beach with the prior approval of the State Lands Commission to remedy and protect against the effects of subsidence of the land surface...."

Approvals by the Commission of subsidence costs heretofore prior to disbursement have been predicated upon recommendations from the office of the Attorney General that such approvals were proper and did not limit the authority of the Commission to require advance review of contracts prior to establishment of commitments for expenditure of subsidence costs. In consideration of the initial presentation for approval of the subject study contracts subsequent to the effective date of the contracts, it is suggested that Commission approval for expenditure of subsidence costs be limited to the costs of services rendered after the effective date of Commission approval.

Under Section 7, Chapter 29, the City may make expenditures from its share of tideland oil revenues for certain enumerated trust purposes. Expenditures for study contract services prior to Commission approval may not conform to the specific authorizations enumerated by the statute. However, the decree

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in the action People of the State of California, et al., v. City of Long Beach (L.A. 649466) provides for disbursement of oil revenues for uses, activities, purposes and projects other than those enumerated in the statute if the Commission gives written consent or if the Attorney General stipulates thereto.

The subject application for approvals has been determined by the office of the Attorney General as requiring policy determination by the Commission and as not appropriate for the filing of a stipulation.

The respective contracts limit the distribution of the study results to the City of Long Beach. Therefore, the Commission approval should also be conditioned on agreement by the City to furnish all study results to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION:

1. PURSUANT TO SECTION 10 OF THE DECREE IN THE ACTION PEOPLE OF THE STATE OF CALIFORNIA, ET AL., VS. CITY OF LONG BEACH (Superior Court, Los Angeles County, No. 649466), APPROVE THE EXPENDITURE BY THE CITY OF LONG BEACH OF OIL REVENUE FOR SERVICES RENDERED BY DR. FRANK S. HUDSON UNDER CONTRACT AUTHORIZED BY THE LONG BEACH CITY COUNCIL PURSUANT TO RESOLUTION C-16432 AND FOR SERVICES RENDERED BY de GOLYER AND MacNAUGHTON UNDER CONTRACT AUTHORIZED BY THE LONG BEACH CITY COUNCIL PURSUANT TO RESOLUTION. THE TOTAL EXPENDITURES APPROVED HEREBY SHALL NOT EXCEED \$30,000 FOR THE HUDSON CONTRACT, AND SHALL NOT EXCEED \$50,000 FOR THE de GOLYER AND MacNAUGHTON CONTRACT NOT INCLUDING RESERVOIR ENGINEERING RELATED DIRECTLY TO OIL PRODUCTION ACTIVITIES.
2. APPROVE THE COSTS PROPOSED TO BE EXPENDED BY THE CITY OF LONG BEACH, INCLUDING SUBSIDENCE COSTS, FOR SERVICES TO BE RENDERED BY DR. FRANK S. HUDSON AND BY de GOLYER AND MacNAUGHTON ON AND AFTER SEPTEMBER 13, 1957, UNDER THE AFORESAID CONTRACTS, SUBJECT TO THE FOLLOWING CONDITIONS:
 - (a) THE AMOUNT, IF ANY, OF THE FOREGOING ITEMS TO BE ALLOWED ULTIMATELY AS SUBSIDENCE COSTS, DEDUCTIBLE UNDER SECTION 5(a) OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., WILL BE DETERMINED BY THE COMMISSION UPON REVIEW AND FINAL AUDIT SUBSEQUENT TO THE TIME WHEN THE WORK UNDER THE SUBJECT CONTRACTS IS COMPLETED.
 - (b) THE TOTAL COSTS APPROVED HEREBY FOR EXPENDITURE SHALL NOT EXCEED \$10,000 FOR THE HUDSON CONTRACT AND SHALL NOT EXCEED \$25,000 FOR THE de GOLYER AND MacNAUGHTON CONTRACT.
 - (c) AGREEMENT BY THE CITY OF LONG BEACH TO FURNISH PROMPTLY TO THE COMMISSION COPIES OF ALL OF THE RESULTS AND REPORTS DEVELOPED UNDER THE SUBJECT SERVICE CONTRACTS.
3. AUTHORIZE THE ACTING EXECUTIVE OFFICER, THE ASSISTANT EXECUTIVE OFFICER, OR THE MINERAL RESOURCES ENGINEER TO EXECUTE APPROPRIATE WRITTEN INSTRUMENTS REFLECTING THE COMMISSION'S CONDITIONAL APPROVAL.

EXHIBIT "A"

SERVICE COMPENSATION RATES

Agreement with Dr. Frank S. Hudson

1. \$100 for an 8-hour day.
2. Reasonable and necessary travel expenses.
3. Reimbursement for stenographic expenses and drafting services required in preparation of report.

Agreement with de Golyer and MacNaughton

1. de Golyer and MacNaughton Staff:

Engineers and Geologists \$30 per hour maximum rate
Clerks \$6 per hour

Core Laboratories Inc. staff (to supplement work to be performed by the contractor):

Supervising Engineers
and Geologists \$30 per hour
Senior Engineers \$20 per hour
Staff Engineers \$15 per hour
Drafting Supervisor \$12 per hour
Clerks \$7.50 per hour

2. Reimbursement on cost basis for drafting service, tabulating machine work, printing.
3. Reasonable and necessary travel expenses.