

MINUTE ITEM

25. (AMENDMENT OF DRILLING AND OPERATING CONTRACT, WILMINGTON FIELD, LOS ANGELES COUNTY - L.B. W.O. 10,060.)

Following presentation of the Supplemental Calendar Item attached, Mr. Philip J. Brady, Deputy City Attorney of the City of Long Beach, indicated that the conditions recommended for approval were in accord with the requirements of the City. However, he stated that the office of the Attorney General had suggested that the Consent of Surety be amended in lieu of submittal of a letter covering approval of the necessary change.

Deputy Attorney General Howard S. Goldin stated that because the Consent of Surety had not yet been executed, it was his opinion that it would be preferable to incorporate the proviso discussed directly into the Consent of Surety.

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

THE COMMISSION APPROVES THE "AGREEMENT AMENDING DRILLING AND OPERATING CONTRACTS DATED MARCH 15, 1939, JANUARY 2, 1942 AND AUGUST 3, 1944" SUBMITTED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH TO PROVIDE A PLAN FOR INCENTIVE PAY AND OTHER BENEFITS FOR THE EMPLOYEES OF THE LONG BEACH OIL DEVELOPMENT COMPANY, SUBJECT TO THE FOLLOWING CONDITIONS:

1. THE SURETY FOR THE BONDS WHICH APPLY TO AND COVER EACH OF THE SUBJECT SIX DRILLING AND OPERATING CONTRACTS TO BE AMENDED SHALL EXPRESSLY AND SPECIFICALLY ADVISE THE COMMISSION IN WRITING THAT THE BONDS ARE INTERPRETED BY THE BONDING COMPANY TO COVER AND INSURE PERFORMANCE OF A WARRANTY BY THE LONG BEACH OIL DEVELOPMENT COMPANY THAT AN AMOUNT EQUAL TO ANY EXCESS MONEYS REMAINING IN THE TRUST FUND AT TERMINATION WILL BE PAID TO THE CITY OF LONG BEACH.
2. THE CITY OF LONG BEACH SHALL ADVISE THE COMMISSION IN WRITING OF THE SPECIFIC UNDERSTANDING THAT THE AMOUNT EQUAL TO ANY SUMS REMAINING IN THE TRUST FUND AT TERMINATION RECEIVED FROM THE CONTRACTOR IN ACCORDANCE WITH THE FOREGOING WILL BE DISTRIBUTED HALF TO THE CITY AND HALF TO THE STATE.

Attachment

Unnumbered Supplemental Calendar Item (2 pages)

CALENDAR ITEM

SUPPLEMENTAL

(AMENDMENT OF DRILLING AND OPERATING CONTRACT, WILMINGTON FIELD, LOS ANGELES COUNTY - L.B. W.O. 10,060.)

The six existent drilling and operating contracts heretofore entered into between the Board of Harbor Commissioners of the City of Long Beach and the Long Beach Oil Development Company relating to tidelands oil development on Parcels W, X, Y, Z, Z-1 and J provide that the contractor may expend the reasonable and necessary costs actually incurred in obtaining work and labor for the performance of the respective contracts.

Consideration has been given to a form of a plan for incentive pay and other benefits demanded by the contractor's employees. Both the City of Long Beach and the contractor consider the plan to be equitable and comparable to other employee benefit plans within the oil industry. Because the plan provides for deferred compensation through a trust fund it has been determined that the subject six contracts must be amended to provide for accumulation of the trust fund and such amendment must be approved in advance by the State Lands Commission under Chapter 29, Statutes of 1956, 1st E.S., to be effective.

Pursuant to Section 10, Chapter 29, Statutes of 1956, 1st E.S., the Board of Harbor Commissioners have submitted for approval an amendatory agreement to provide the aforesaid plan for incentive pay and other benefits for the employees of the Long Beach Oil Development Company. The form and content of the proposed amendment have also been approved by the City Council of Long Beach.

Review of the amendment provisions by the State Lands Division staff has shown that the proposed benefits to the employees of the contractor are reasonable in comparison with the operating practices of the major oil operators in the field.

The form of the agreement amendment has been reviewed by the office of the Attorney General as to conformance with the requirements of Chapter 29, with the conclusion that the agreement may be considered by the Commission for approval, subject to the following:

1. The surety for the six existent bonds which apply to and cover each of the subject six drilling and operating contracts should expressly and specifically advise the Commission in writing that the bonds are interpreted by the bonding company to cover and insure performance of a warranty by the contractor that an amount equal to any excess moneys remaining in the trust fund will be paid to the City of Long Beach (with a corresponding half interest in the excess accruing to the State).
2. Specific understanding by the City of Long Beach and the Long Beach Oil Development Company that an amount equal to any sums remaining at the time of termination of the trust will be distributed half to the City and half to the State.

SUPPLEMENTAL (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE "AGREEMENT AMENDING DRILLING AND OPERATING CONTRACTS DATED MARCH 15, 1939, JANUARY 2, 1942 AND AUGUST 3, 1944" SUBMITTED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH TO PROVIDE A PLAN FOR INCENTIVE PAY AND OTHER BENEFITS FOR THE EMPLOYEES OF THE LONG BEACH OIL DEVELOPMENT COMPANY, SUBJECT TO THE FOLLOWING CONDITIONS:

1. THE SURETY FOR THE BONDS WHICH APPLY TO AND COVER EACH OF THE SUBJECT SIX DRILLING AND OPERATING CONTRACTS TO BE AMENDED SHALL EXPRESSLY AND SPECIFICALLY ADVISE THE COMMISSION IN WRITING THAT THE BONDS ARE INTERPRETED BY THE BONDING COMPANY TO COVER AND INSURE PERFORMANCE OF A WARRANTY BY THE LONG BEACH OIL DEVELOPMENT COMPANY THAT AN AMOUNT EQUAL TO ANY EXCESS MONEYS REMAINING IN THE TRUST FUND AT TERMINATION WILL BE PAID TO THE CITY OF LONG BEACH.
2. THE CITY OF LONG BEACH SHALL ADVISE THE COMMISSION IN WRITING OF THE SPECIFIC UNDERSTANDING THAT AN AMOUNT EQUAL TO ANY SUMS REMAINING IN THE TRUST FUND AT TERMINATION RECEIVED FROM THE CONTRACTOR IN ACCORDANCE WITH THE FOREGOING WILL BE DISTRIBUTED HALF TO THE CITY AND HALF TO THE STATE.