

MINUTE ITEM

4. AMENDMENT OF DRILLING AND OPERATING CONTRACT, PARCEL "W", WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,111.

After consideration of Calendar Item 2 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO GIVE ADVANCE CONSENT TO THE ENTERING INTO OF THE AGREEMENT AMENDING THE PARCEL "W" DRILLING AND OPERATING CONTRACT ENTERED INTO ON MARCH 15, 1939 BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE LONG BEACH OIL DEVELOPMENT COMPANY TO PROVIDE FOR REIMBURSEMENT TO THE CONTRACTOR FOR THE COSTS OF KEEPING THE ADDITIONAL ACCOUNTS AND RECORDS REQUIRED UNDER THE PROPOSED UNIT AGREEMENT AND UNIT OPERATING AGREEMENT.

Attachment

Calendar Item 2 (1 page)

CALENDAR ITEM

2.

AMENDMENT OF DRILLING AND OPERATING CONTRACT, PARCEL "W", WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,111.

The drilling and operating contract heretofore entered into between the Board of Harbor Commissioners of the City of Long Beach and the Long Beach Oil Development Company, providing for tideland oil development on Parcel "W", states in part that the contractor shall not be entitled to reimbursement for "...the cost of keeping any and all books and records...".

Pursuant to Section 10, Chapter 29, Statutes of 1956, 1st E.S., the Board of Harbor Commissioners have submitted for advance approval an amendatory agreement to provide for the contractor to keep separate detailed records of accounts with respect to production and costs of operations as required in the unit agreements for Fault Block II and Fault Block III, and for the contractor to be reimbursed for all reasonable and necessary costs actually incurred and expended in keeping the required accounts and records. Both the Board of Harbor Commissioners and City Council have approved the form and content of the proposed amendment.

The lands within the proposed Fault Block II and Fault Block III unit areas which are under the jurisdiction of the City of Long Beach are all contained within the boundaries of the Long Beach Oil Development Company Parcel "W" drilling and operating contract. Each of the unit agreements provides for a retroactive adjustment to each committed tract to the effective date of the agreement as to all expenses and production pertaining to each tract, in the event the tract becomes a part of the Unit Agreement and Unit Operating Agreement within one year of the effective date thereof.

The office of the Attorney General has reviewed the form of agreement amendment and has advised that, pursuant to the provisions of Chapter 29, the Commission may properly give its advance consent to the agreement amending Parcel "W" drilling and operating contract; and in so doing the Commission is approving in principle the institution of a system of reimbursable unit accounting costs.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GIVE ADVANCE CONSENT TO THE ENTERING INTO OF THE AGREEMENT AMENDING THE PARCEL "W" DRILLING AND OPERATING CONTRACT ENTERED INTO ON MARCH 15, 1939 BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE LONG BEACH OIL DEVELOPMENT COMPANY TO PROVIDE FOR REIMBURSEMENT TO THE CONTRACTOR FOR THE COSTS OF KEEPING THE ADDITIONAL ACCOUNTS AND RECORDS REQUIRED UNDER THE PROPOSED UNIT AGREEMENT AND UNIT OPERATING AGREEMENT.