

MINUTE ITEM

20. AMENDMENT OF NATURAL GAS PURCHASE CONTRACTS, LONG BEACH OIL DEVELOPMENT COMPANY, PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,133.

After consideration of Calendar Item 8 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 AND SUPPLEMENTING CONTRACTS FOR THE SALE OF NATURAL GAS BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE LOMITA-SIGNAL-WILMINGTON ASSOCIATES, RELATING TO LONG BEACH OIL DEVELOPMENT COMPANY PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", AND TO PROVIDE FOR REIMBURSEMENT TO THE PURCHASER OF THE ACTUAL COST NOT TO EXCEED \$28,000 OF MAKING ALL NECESSARY CHANGES IN ITS GAS GATHERING SYSTEM FOR PARCEL "W" IN FAULT BLOCK II AND FAULT BLOCK III AS REQUIRED TO SEPARATELY ACCOUNT FOR NATURAL GAS PRODUCED FROM CITY WELLS IN FAULT BLOCK II AND FAULT BLOCK III.

Attachment

Calendar Item 8 (2 pages)

CALENDAR ITEM

8.

AMENDMENT OF NATURAL GAS PURCHASE CONTRACTS, LONG BEACH OIL DEVELOPMENT COMPANY, PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,133.

The Board of Harbor Commissioners of the City of Long Beach and the Lomita-Signal-Wilmington Associates entered into a contract on May 9, 1939, amended September 2, 1943, providing for the sale by the City of all natural gas produced from oil wells drilled or to be drilled into Parcels "W", "X", "Y" and "Z", and, on or about February 19, 1946, the same parties entered into a similar contract covering Parcels "Z-1" and "J". The purpose of the contracts is to provide for the extraction of liquid hydrocarbons from wet gas produced from tideland wells.

Fault Blocks II, III, IV and V underlie one or more of the above-mentioned parcels covered by the contracts for the sale of natural gas. The principal producers in Fault Block II and Fault Block III, other than the City, have entered into agreements unitizing all oil, gas and other hydrocarbons produced by them from Fault Block II and Fault Block III. The City is entitled to and has expressed its desire to commit its properties to such agreement. The principal producers, including the City, have entered into a Memorandum of Intent to unitize and repressure Fault Block IV and the Tar and Ranger Zones in Fault Block V. As each unit agreement becomes effective, the City will no longer be able to deliver to the purchaser all of the gas now obligated to be delivered under the existing contracts. Pursuant to the unit agreement, all gas produced from unitized formations will be gathered, measured and delivered into the gathering system or systems of the respective fault block unit. Thereafter, the City will be entitled to receive and obligated to take from each system its participating share of wet gas.

The unit agreement for Fault Block II and Fault Block III, when executed by the City, may require a retroactive adjustment of all allocated production back to the initial effective date of the unit agreements, and it is therefore necessary for the City to cause natural gas hereafter produced from Parcel "W" to be gathered, measured and tested separately, and commingled with gas produced from the unit. The purchaser agrees from and after the effective date hereof to gather, measure and test all natural gas from Fault Block II and Fault Block III on Parcel "W" separately from each other and from other fault blocks. The gas is to be processed by the Wilmington Natural Gasoline Plant of Socony Mobil Oil Company, Inc.

The gas purchaser agrees to make all necessary changes in its gathering system. The City agrees to pay, upon completion of such changes, an amount equal to cost of making the changes but not to exceed \$28,000. Upon commitment of any parcel of land referred to in the sales contract to a unit agreement, this agreement and both contracts terminate except for the obligation of the purchaser to account for the gas theretofore

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delivered to the purchaser.

The proposed contract provides for the return of dry gas to the parcel where it is to be used rather than to the parcel from which it is produced as specified in the first agreement.

Termination of the contract upon unitization will allow the City to advertise for bids on a new natural gas purchase contract.

The Harbor Department of the City of Long Beach has submitted, for approval by the State Lands Commission, the proposed amendment which has been approved in principle by the Board, the City Council and the Associates, and which will be effective thirty days after presentation to the City Council unless disapproved by the Council.

The office of the Attorney General has advised that the State Lands Commission, pursuant to the provisions of Section 10(b), Chapter 29, Statutes of 1956, 1st E.S., in its discretion may give its advance consent to this amendatory agreement.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO GIVE ADVANCE CONSENT TO THE ENTERING INTO OF THE AGREEMENT AMENDING AND SUPPLEMENTING CONTRACTS FOR THE SALE OF NATURAL GAS BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE LOMITA-SIGNAL-WILMINGTON ASSOCIATES, RELATING TO LONG BEACH OIL DEVELOPMENT COMPANY PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", AND TO PROVIDE FOR REIMBURSEMENT TO THE PURCHASER OF THE ACTUAL COST NOT TO EXCEED \$28,000 OF MAKING ALL NECESSARY CHANGES IN ITS GAS GATHERING SYSTEM FOR PARCEL "W" IN FAULT BLOCK II AND FAULT BLOCK III AS REQUIRED TO SEPARATELY ACCOUNT FOR NATURAL GAS PRODUCED FROM CITY WELLS IN FAULT BLOCK II AND FAULT BLOCK III.