

MINUTE ITEM

31. AGREEMENT AMENDING LONG BEACH OIL DEVELOPMENT COMPANY DRILLING AND OPERATING CONTRACTS, PARCELS "W", "X", "Y", "Z", "Z-1", AND "J", WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,136.

After presentation of Calendar Item 35 attached, Mr. Gerald Desmond, City Attorney for Long Beach, urged strongly that the recommendation of the Lands Commission's staff be followed. He stated that the amendatory agreement was essential to obtaining a test of the City's power to enter into unitization agreements. The necessary Petition for Writ of Mandate was ready, he said, and would be filed not later than Tuesday, October 4. The Board of Harbor Commissioners of the City of Long Beach was scheduled to meet on Monday, October 3, and at that time a letter would be filed on behalf of the Port Manager, refusing to enter into the agreements, thereby establishing the basis for the court proceedings. Mr. Desmond further reported that he was in Washington, D.C., earlier in the week, and had talked with the Secretary of the Navy and with Admiral James of the Bureau of Ships, both of whom are very much interested in the proposed action. Mr. Desmond then thanked all those concerned for their time and interest, and said that he was counting upon the support of the Lands Commission in getting this matter before the Supreme Court for a test as soon as possible.

In response to a question by Commissioner Anderson, the Executive Officer stated that the technical staff had no engineering reservations as to staff approval.

Deputy Attorney General Howard S. Goldin reported that he had approved the legal sufficiency of the amendatory contracts on behalf of the office of the Attorney General; although it would have been preferable to have had more time available to study the amendatory agreement, in view of the urgency and complexity of the problem he had attempted to give this matter priority.

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

THE COMMISSION APPROVES THE AMENDATORY AGREEMENT TO EACH OF THE SIX DRILLING AND OPERATING CONTRACTS HERETOFORE ENTERED INTO (AS AMENDED) BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE LONG BEACH OIL DEVELOPMENT COMPANY RELATIVE TO TIDELAND OIL DEVELOPMENT ON PARCELS "W", "X", "Y", "Z", "Z-1" AND "J" WHICH CONSOLIDATES SAID CONTRACTS AND THE RESPECTIVE PARCELS OF THE SUBJECT LANDS INCLUDED THEREIN INTO ONE UNIFORM CONTRACT AND ONE SINGLE PARCEL.

Attachment  
Calendar Item 35 (2 pages)

CALENDAR ITEM

35.

AGREEMENT AMENDING LONG BEACH OIL DEVELOPMENT COMPANY DRILLING AND OPERATING CONTRACTS, PARCELS "W", "X", "Y", "Z", "Z-1" AND "J", WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,136.

On August 23, 1960, the Long Beach Harbor Department submitted a proposed form of amendment to each of the six total Long Beach Oil Development Company drilling and operating contracts (Parcels "W", "X", "Y", "Z", "Z-1" and "J"), consolidating said contracts and the respective parcels of "subject lands" included therein into one uniform contract and one single parcel.

The effect of the submitted form of amendatory agreement is to consolidate all of the six respective drilling and operating contracts, as to term, conditions, and as to legal description, into one uniform contract. If such an amendment is accomplished, the City, acting through its Board of Harbor Commissioners, could then be in a position to commit the portions of the tideland areas covered by the respective contracts to unit operation and development, and at the same time, still be vested with the necessary control to operate and maintain any non-unitized tideland areas in an orderly and efficient manner.

Parcel areas are described currently by surface boundaries that bear no relationship to subsurface geologic structures and fault separation. The parcels proposed to be consolidated overlie geologic structures known as Fault Block II and Fault Block III. The objective of the proposal is to provide for the commitment of portions or all of the lands covered in the drilling and operating contracts to unit plans of development and operation. Unit agreements for Fault Block II and Fault Block III, approved by the State Lands Commission February 18, 1960 (Minute Item 6, pages 5617-21, and Minute Item 7, pages 5622-24), were deemed desirable, in order to provide for the unitization of all formations contained within each fault block, for the following purposes:

1. To initiate and conduct repressuring operations in the unitized formations in an effort to arrest or ameliorate subsidence in the unit area;
2. To promote the conservation of oil, gas and other hydrocarbon substances in the unitized formations; and
3. To increase the maximum economic quantity of oil, gas or other hydrocarbon substances ultimately recoverable from the unitized formations through repressuring operations.

Unless the six parcels are operated as a single unit, the City would be hampered in carrying out its plans for unitization. Waterflooding within a fault block will cause oil migration from one parcel to another and, therefore, accounting for oil and gas produced from each of the six parcels would not be of significance. Costs incurred on one parcel can benefit another parcel or result from operations conducted on another parcel.

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In the event that the City becomes a member to the unit agreements, it will be designated as unit operation of unit segment No. 1 in Fault Block II and Fault Block III and the proposed operator of unit segment No. 1 in Fault Block IV and Fault Block V under any unit agreement, which segments include City-owned tidelands. In order to operate the segment effectively, it would be necessary for the City to have control of the lands covered by the drilling and operating contracts and the operations of the contractor so that it may carry out its obligations as unit operator without restraint or hindrance.

The proposed amendment has been approved in principle by the Board of Harbor Commissioners of the City of Long Beach, the City Council of the City of Long Beach, and the Long Beach Oil Development Company representatives. The staff of the State Lands Commission has reviewed the amendatory agreement and has submitted it to the office of the Attorney General for legal review.

SUBJECT TO THE RECEIPT OF ADVICE FROM THE OFFICE OF THE ATTORNEY GENERAL THAT THE COMMISSION MAY APPROVE SUCH AMENDATORY AGREEMENT PURSUANT TO THE PROVISIONS OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE AMENDATORY AGREEMENT TO EACH OF THE SIX DRILLING AND OPERATING CONTRACTS HERETOFORE ENTERED INTO (AS AMENDED) BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE LONG BEACH OIL DEVELOPMENT COMPANY RELATIVE TO TIDELAND OIL DEVELOPMENT ON PARCELS "W", "X", "Y", "Z", "Z-1" AND "J" WHICH CONSOLIDATES SAID CONTRACTS AND THE RESPECTIVE PARCELS OF THE SUBJECT LANDS INCLUDED THEREIN INTO ONE UNIFORM CONTRACT AND ONE SINGLE PARCEL.