

MINUTE ITEM

22. CITY OF LONG BEACH (APPROVALS REQUIRED PURSUANT TO CH. 29/56, 1st E.S.)

The Executive Officer presented and explained in detail supplemental calendar items Nos. 21, 22, 23, 24, and 25 (copies attached), which were included in the calendar for this meeting at the special request of the City of Long Beach.

On Calendar Item 21, Mr. Shavelson stated that although his office had not submitted factual verification as it had hoped to be able to do, he was advising the Commission orally that it was within its power to approve the agreement, and that the contractors involved could be regarded as successors in interest to the Termo Company.

UPON MOTIONS DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTIONS WERE ADOPTED:

A. UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, FAULT BLOCK IV, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,143.

THE COMMISSION:

1. FINDS THAT THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, PROPOSED FOR FAULT BLOCK IV, WILMINGTON OIL FIELD, INCLUDES TIDE AND SUBMERGED LANDS WHICH HAVE BEEN GRANTED BY THE STATE OF CALIFORNIA TO THE CITY OF LONG BEACH WITHOUT RESERVATION TO THE STATE OF THE RIGHT TO PRODUCE OIL OR GAS THEREFROM; THAT THE CITY OF LONG BEACH HAS SUBMITTED SUCH AGREEMENT TO THE STATE LANDS COMMISSION FOR APPROVAL; THAT SUCH AGREEMENT PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH SAID GRANTED LANDS ARE SUBJECT IS PROHIBITED; AND, THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

B. SECOND AMENDMENT TO OIL AND GAS LEASE, 1960 COMMUNITY NO. 1, LONG BEACH HARBOR DEPARTMENT, FAULT BLOCK IV, WILMINGTON OIL FIELD, L.B.W.O. 10,148.

THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE SECOND AMENDMENT TO OIL AND GAS LEASE 1960 UNIT NO. 1 BETWEEN THE CITY OF LONG BEACH, MARK TRIBREY, NELLE P. BROWER, E. F. HYLAND AND CHARLES C. ALBRIGHT, JR., LESSORS, AND THE SUPERIOR OIL COMPANY AND THE HUMBLE OIL & REFINING COMPANY, LESSEES, HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE COUNCIL OF THE CITY OF LONG BEACH.

C. AMENDED DRILLING AND OPERATING CONTRACT (AMENDMENT OF 1961), LONG BEACH HARBOR DEPARTMENT, FAULT BLOCK IV, WILMINGTON OIL FIELD - L.B.W.O. 10,149.

THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE AMENDED DRILLING AND OPERATING CONTRACT (AMENDMENT OF 1961) BETWEEN THE CITY OF LONG BEACH AND THE TERMO COMPANY, A CALIFORNIA CORPORATION; ROSCOE F. OAKES; OAKES OIL CORPORATION, A CALIFORNIA CORPORATION, SUCCESSOR IN INTEREST OF MARGARET H. OAKES, DECEASED; FRENDE W. COMBS; ELDRIDGE E. COMBS; ERNEST F. COMBS, AND TRUST ESTATE OF E. E. COMBS, DECEASED; HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE COUNCIL OF THE CITY OF LONG BEACH.

D. AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT BETWEEN CITY OF LONG BEACH, SIGNAL OIL AND GAS COMPANY AND LONG BEACH DOCK AND TERMINAL COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,150.

THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT DATED JANUARY 10, 1939 (AMENDMENT OF 1961), BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS AS FIRST PARTIES, SIGNAL OIL AND GAS COMPANY, AS SECOND PARTY, AND LONG BEACH DOCK AND TERMINAL COMPANY, AS THIRD PARTY, AS HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE CITY COUNCIL OF THE CITY OF LONG BEACH.

E. AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT BETWEEN CITY OF LONG BEACH AND SIGNAL OIL AND GAS COMPANY - L.B.W.O. 10,151.

THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT DATED MARCH 6, 1941 (AMENDMENT OF 1961), BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, FOR AND ON BEHALF OF THE CITY OF LONG BEACH, AS FIRST PARTY, AND SIGNAL OIL AND GAS COMPANY, AS SECOND PARTY, AS HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE CITY COUNCIL OF THE CITY OF LONG BEACH.

Attachments

Calendar Items 23, 22, 21, 24, 25 (12 pages)

SUPPLEMENTAL CALENDAR ITEM

23.

UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, FAULT BLOCK IV, WILMINGTON O.I.L FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,143.

The City of Long Beach has submitted for approval by the State Lands Commission, in accordance with applicable provisions of law, copies of a Unit Agreement, Unit Operating Agreement, and exhibits thereto, providing for the unitizing of all oil, gas and other hydrocarbons produced from the unitized formations in Fault Block IV.

The purpose of the agreement is to achieve the following:

1. To initiate and conduct repressuring operations in the unitized formations in an effort to arrest or ameliorate subsidence in the unit area in conformity with Article 5.5 of Chapter 1, Division 3, of the Public Resources Code of the State of California;
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 and other hydrocarbon substances ultimately recoverable from the unitized formations through repressuring operations.

Pursuant to the provisions of Section 3319 and Section 3336, the State Oil and Gas Supervisor has established the limits of the affected subsidence area. Upon submission by the City of Long Beach of an engineering report and plan for repressuring operations in pools in the Wilmington Oil Field which include the Tar, Ranger, Upper Terminal and Lower Terminal of Fault Block IV, the Supervisor adopted the repressuring plans set forth, subject to the specified requirements for work to be done under the plan. In accordance with Section 3320.1 of the Public Resources Code, the Supervisor may approve compatible repressuring operations in the area covered by a unit.

The draft of the Unit Agreement, and the Unit Operating Agreement with accompanying exhibits, has been approved by the City Council of the city of Long Beach and by its Board of Harbor Commissioners, and resolutions have been adopted making the findings required precedent to entry into such agreements in compliance with the requirements of applicable laws of the State of California.

The subject agreement shall become effective as to all eligible tracts at 7 a.m. on the first day of the calendar month next following:

1. The date in which the essential tracts become eligible, or the requirement that all essential tracts become eligible is waived in writing by the working interest owners of Tracts Nos. 1, 4, 34, and 57.
2. The delivery of executed agreement counterparts to the Socony Mobil Oil Company.

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3. The agreement approval by the State Oil and Gas Supervisor under Section 3320.1(a) of the Public Resources Code.

The latest effective date for the agreement is September 30, 1961, or such later date as may be stipulated in writing by the working interest owners of Tracts Nos. 1, 4, 34, and 57.

The term of this agreement, the method of allocating unit operating and injection costs and of allocating hydrocarbon substances produced, and the manner of determining primary and secondary participation are basically the same as specified in the Fault Block II and the Fault Block III agreements approved by the Commission on February 18, 1960 (Minute Item 6, page 5617 and Minute Item 7, page 5622).

The working-interest owners manage and control the unit operations and exercise individual voting powers equal to their individual interest participation. All stimulated production will be allocated to the working-interest owners in accordance with their secondary equity.

The proposed technical and administrative procedures of the agreement appear to the staff to be reasonable and equitable. It is anticipated that this unitization will result in a more effective long-term economic recovery program.

The City has conducted water injection in Unit Segment I of Fault Block IV, with the result that oil in excess of that which would have been produced in the absence of such water injection has been produced from wells located in Unit Segment I, and to a much lesser extent by wells located in Unit Segment II of Fault Block IV. Injection costs expended in the area included in Fault Block IV are approximately \$1½ million to date, and have resulted in a stimulated production of approximately one million barrels of oil. An estimate by the City of the total cost of the City's water injection program, including injection wells, plants and surface facilities in the uplands and tidelands, amounts to approximately \$74 million to date. It is estimated that water-flood stimulation has resulted in the production of an additional 8-3/4 million barrels of oil from the tidelands alone.

The Unit Agreement, Unit Operating Agreement and exhibits thereto have been reviewed as to legality by the office of the Attorney General, who has advised that the proposed agreement conforms with applicable provisions of law as to legal sufficiency, and that it may be approved by the State Lands Commission, subject to favorable findings by the staff as to the administrative and engineering feasibility and merit thereof.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, PROPOSED FOR FAULT BLOCK IV, WILMINGTON OIL FIELD, INCLUDES TIDE AND SUBMERGED LANDS WHICH HAVE BEEN GRANTED BY THE STATE OF CALIFORNIA TO THE CITY OF LONG BEACH WITHOUT RESERVATION TO THE STATE OF THE RIGHT TO PRODUCE OIL OR GAS THEREFROM; THAT THE CITY OF

SUPPLEMENTAL CALENDAR ITEM 23. (CONTD.)

LONG BEACH HAS SUBMITTED SUCH AGREEMENT TO THE STATE LANDS COMMISSION FOR APPROVAL; THAT SUCH AGREEMENT PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH SAID GRANTED LANDS ARE SUBJECT IS PROHIBITED; AND, THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.

2. APPROVE THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

SUPPLEMENTAL CALENDAR ITEM

22.

SECOND AMENDMENT TO OIL AND GAS LEASE, 1960 COMMUNITY NO. 1, LONG BEACH HARBOR DEPARTMENT, FAULT BLOCK IV, WILMINGTON OIL FIELD - L.B.W.O. 10,148.

The City of Long Beach, in accordance with the provisions of Chapter 1551, Statutes of 1959, has submitted for approval by the State Lands Commission a proposed amended oil and gas lease between the City of Long Beach, Mark Tribbey, Nelle P. Brower, E. F. Hyland and Charles C. Albright, Jr., lessors, and the Superior Oil Company and the Humble Oil & Refining Company, lessees, covering properties in Tract No. 1960 in the Harbor District of the City of Long Beach within Fault Block IV, Wilmington Oil Field.

Oil and Gas Lease 1960 Community No. 1 includes, in addition to the City's properties, lands owned by certain individuals and by the Superior Oil Company. The lease was entered into between the landowners and the Superior Oil Company on November 9, 1937, for a term of 10 years and for so long thereafter as oil, gas, gasoline and other hydrocarbon substances are produced, provided, however, that the term shall not exceed 25 years.

Under the terms of the lease, the lessee agrees to pay to the collective lessors an oil royalty of 20 percent of the proceeds and collectively one-quarter part of the value of all gas removed, and collectively 25 percent of the net proceeds of all gasoline and other products. The City's portion of the collective royalty is 62.82 percent. The lease provides that on expiration of the term of the lease or sooner termination, lessee, on demand of the City, is required to convey land owned by lessee within said lease to the City, with minerals reserved to the lessee. One well has been completed on the leased area.

On May 26, 1938, the original lessors and Superior Oil Company, lessee, entered into the first amendment between the City of Long Beach, the Superior Oil Company and the Lomita Gasoline Company relative to the treatment of wet gas removed from said properties and the sale of gasoline and other products extracted therefrom.

On December 12, 1960, the Superior Oil Company assigned to Monterey Oil Company an undivided one-half interest in said lease; and, on December 27, 1961, Monterey Oil Company assigned its interest to Humble Oil & Refining Company.

The lands described in said lease are located within Fault Block IV of the Wilmington Oil Field, as set forth in the Findings of Fact and Orders of the State Oil and Gas Supervisor, dated February 26, 1959.

The City's engineering and geological advisers have informed the City that the commitment of said lands to the pending Fault Block IV Unit Agreement and Unit Operating Agreement is necessary to the proper repressuring of Fault Block IV in order to arrest or ameliorate subsidence and to increase production.

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The involuntary commitment of such contracts to the Unit Agreement would, at best, involve serious delays in the execution of the Unit Agreement and, in any event, would require an involved and as-yet-untested procedure.

Chapter 1551 of the 1959 Statutes provides for the City, subject to the approval of the State Lands Commission, to amend or modify, without competitive public bidding, such agreements as may be necessary to achieve repressuring of lands.

The City has found and determined that it is necessary and desirable, in order to institute and effectuate the Fault Block IV Unit Agreement, that the existing permit be amended to provide for a term of 24 years and 11 months and to include all terms and conditions necessary to comply with the Unit Agreement. Under the proposed Amended Agreement, the lessors receive payments based on an allocated share of the unit production in lieu of payments from oil, gas and other products produced from leased lands. The amended oil and gas lease has been approved by the Board of Harbor Commissioners of the City of Long Beach and by the City Council of the City of Long Beach. The effective date of the second amendment will be after execution by the City, the individual lessors, and the Humble Oil & Refining Company and the Superior Oil Company, and upon said Unit's becoming effective.

In the event the Unit does not become effective prior to June 1, 1962, the amendment has no force or effect.

The royalty provisions will not be changed; however, the ultimate recovery from the lease will be increased by a substantial amount because of secondary oil produced as a result of the repressuring program.

The office of the Attorney General has reviewed the proposed Oil and Gas Lease Amendment, and has advised that the Commission may properly approve the subject Amendment provided that it determines that the execution thereof may reasonably be deemed necessary or appropriate to effect the unitization of Fault Block IV and provided that it deems the terms of this amendment, financial and otherwise, to be reasonable and equitable in the circumstances.

The staff has reviewed the economic feasibility of the proposed amended oil and gas lease and determines that it is desirable and appropriate that, because of the circumstances of urgency of the repressuring program and Fault Block IV Unitization Plans, it be considered for approval.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE SECOND AMENDMENT TO OIL AND GAS LEASE 1960 UNIT NO. 1 BETWEEN THE CITY OF LONG BEACH, MARK TRIBBEY, NELLE P. BROWER, E. F. HYLAND AND CHARLES C. ALBRIGHT, JR., LESSORS, AND THE SUPERIOR OIL COMPANY AND THE HUMBLE OIL & REFINING COMPANY, LESSEES, HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE COUNCIL OF THE CITY OF LONG BEACH.

SUPPLEMENTAL CALENDAR ITEM

21.

AMENDED DRILLING AND OPERATING CONTRACT (AMENDMENT OF 1961), LONG BEACH HARBOR DEPARTMENT, FAULT BLOCK IV, WILMINGTON OIL FIELD - L.B.W.O. 10,149.

The City of Long Beach, in accordance with the provisions of Chapter 1551, Statutes of 1959, has submitted for approval by the State Lands Commission an amended Drilling and Operating Contract between the City of Long Beach and The Termo Company, a California corporation; Roscoe F. Oakes; Oakes Oil Corporation, a California corporation, successor in interest of Margaret H. Oakes, deceased; Frende W. Combs; Eldredge E. Combs; Ernest F. Combs; and Trust Estate of W. E. Combs, deceased; covering lands of which the principal part is located in Fault Block IV, Wilmington Oil Field.

The original permit, granted to The Termo Company on February 10, 1938, then assigned on February 11, 1938, to predecessors in interest, amended on April 8, 1939, and supplemented on April 16, 1946, was entered into for a term of ten years and for so long thereafter as oil and gas are produced, but in no event to exceed 25 years, and required the drilling of a minimum of four wells. Drilling and Operating Agreements were entered into on April 8, 1939, on July 2, 1947, and on September 12, 1949. The terms of said agreements are for 24 years and 11 months. There are 15 wells currently producing. The City's interest is 40% in one well, 60% in four wells, and 50% in ten wells.

The amendment dated April 8, 1939, covering the drilling of one well to the Terminal Zone, does not include The Termo Company. Termo's interest in this contract is currently under review by the City Attorney.

Most of the lands covered are in the central area of Fault Block IV of the Wilmington Oil Field, as set forth in the Findings of Fact and Orders of the State Oil and Gas Supervisor, dated February 26, 1959. The City's engineering and geological advisers have informed the City that the commitment of said lands to the pending Fault Block IV Unit Agreement and Unit Operating Agreement is necessary to the proper repressuring of Fault Block IV in order to arrest or ameliorate subsidence and to increase production.

The Termo Company has executed a letter of intention to unitize Fault Block IV. However, Termo contends that it cannot commit the lands covered by its agreements with the City to Fault Block IV Unit Agreement and Unit Operating Agreements until the existing contracts with the City are extended and modified. They contend that it is uneconomical for them to expend considerable amounts of money on wells covered by agreements which will terminate in two or three years.

The involuntary commitment of such contracts to the Unit Agreement would, at best, involve serious delays in the execution of the Unit Agreement, and, in any event, would require an as-yet-untested procedure.

Chapter 1551 of the 1959 Statutes provides for the City, subject to the approval of the State Lands Commission, to amend or modify, without competitive public bidding, such agreements as may be necessary to achieve repressuring of such lands.

SUPPLEMENTAL CALENDAR ITEM 21. (CONTD.)

The City has found and determined that it is necessary and desirable, in order to institute and effectuate Fault Block IV Unit Agreements, that the existing permit and agreements be superseded entirely by a proposed amended single contract for a term of 24 years and 11 months from the effective date therefor.

The amended Drilling and Operating Contracts have been approved by the Board of Harbor Commissioners of the City of Long Beach and by the City Council of the City of Long Beach.

The City's interest under the amended contract will be 65% of the working interest in 100% of the production. The contractor's interest will be 35% of 100% of the working interest. The contractor will advance the City's 65% of all capital and operating expenses as working-interest owner, and will be reimbursed therefor out of 100% of the City's share of the lease production. The contractor agrees (1) to obtain and to have available at all times (before and after unitization) during the term of the proposed contract, a financially responsible oil purchaser; (2) to use its best efforts to have available a financially responsible purchaser for natural gas allocated; and (3) to pay to the Board for such natural gas not less than 65% of the gross proceeds derived from such purchaser by sale or disposal thereof, and a like percentage of the gross proceeds so derived from resulting dry gas. City may take all resulting dry gas allocated in kind without charge to the City.

The City of Long Beach has submitted an estimate of future revenue indicating: (1) that revenue based on present worth which would accrue to the City under old contracts would be \$1,383,740; (2) that under new contracts providing for unitization and water flooding, revenue would be \$2,150,358, an increase of approximately \$766,618.

The office of the Attorney General has reviewed the proposed contract amendment and has advised that, subject to the aforesaid factual verification relating to the interest of The Termo Company in the original Drilling and Operating Contract of April 8, 1939, the Commission may legally approve the subject amendment provided that the Commission determines that the execution thereof may reasonably be deemed necessary or appropriate to effect unitization of Fault Block IV and provided that it deems the terms of this amendment, financial and otherwise, to be reasonable and equitable under the circumstances.

The staff has reviewed the economic feasibility of the proposed amended contract, and determined that it is desirable and appropriate, because of the circumstances of urgency of the repressuring program and Fault Block IV unitization plans, that the amendment be considered for approval.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE AMENDED DRILLING AND OPERATING CONTRACT (AMENDMENT OF 1961) BETWEEN THE CITY OF LONG BEACH AND THE TERMO COMPANY, A CALIFORNIA CORPORATION; ROSCOE F. OAKES; OAKES OIL CORPORATION, A CALIFORNIA CORPORATION, SUCCESSOR IN INTEREST OF MARGARET H. OAKES, DECEASED; FRENDE W. COMBS; ELDREDGE E. COMBS;

SUPPLEMENTAL CALENDAR ITEM 21. (CONTD.)

ERNEST F. COMBS, AND TRUST ESTATE OF E. E. COMBS, DECEASED; HERETOFORE  
APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND  
BY THE COUNCIL OF THE CITY OF LONG BEACH.

SUPPLEMENTAL CALENDAR ITEM

24.

AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT BETWEEN CITY OF LONG BEACH, SIGNAL OIL AND GAS COMPANY AND LONG BEACH DOCK AND TERMINAL COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,150.

The City of Long Beach, in accordance with the provisions of Chapter 1551, Statutes of 1959, has submitted for approval by the State Lands Commission a proposed Agreement Amending Drilling and Operating Contract between the City of Long Beach and its Board of Harbor Commissioners as First Parties, and Signal Oil and Gas Company as Second Party, and Long Beach Dock and Terminal Company as Third Party.

The lands covered by this Drilling and Operating Contract which is being amended are in the Turning Basin area of Fault Block IV, Wilmington Oil Field, and are scheduled to be included as committed tracts in the Unit Agreement and Unit Operating Agreement, Fault Block IV. The State Oil and Gas Supervisor on February 26, 1959, designated these lands as necessary to the proper repressuring of Fault Block IV in order to arrest or ameliorate subsidence.

The original Drilling and Operating Contract was entered into on January 10, 1939, between the City and Long Beach Dock and Terminal Company, and on January 10, 1939, was assigned to Signal Oil and Gas Company. On December 7, 1945, the City entered into a supplemental agreement with Signal and the Dock Company to permit deeper zone production and to provide drillsites for wells bottomed under the harbor channel, and on June 17, 1949, May 23, 1950, and September 24, 1953, the City entered into further drilling agreements with the lessees. The City's oil royalty under the present contract varies by well from 12½ to 50 percent of the oil produced and saved.

Chapter 1551 of the Statutes of 1959 provides for the City, subject to the approval of the State Lands Commission, to amend or modify, without competitive public bidding, such agreements as may be necessary to achieve repressuring of such lands.

The agreement recites that it would not be feasible, as a matter of economics, for the Contractor to enter into the Fault Block IV Unit Agreement without first extending, amending, and modifying the presently existing contracts.

The City has found and determined that this amendment is necessary and desirable in order to institute and effectuate the Fault Block IV Unit Agreement and Unit Operating Agreement. This amendment was approved by resolution adopted by the Board of Harbor Commissioners at its meeting of July 27, 1961, and by resolution of the Long Beach City Council adopted at its meeting of August 1, 1961.

The proposed amendment shall become effective coincidentally with the date that the Fault Block IV Unit becomes effective; provided, however, that the last effective date shall be no later than December 31, 1961.

SUPPLEMENTAL CALENDAR ITEM 24. (CONTD.)

The term of the drilling and operating contract is to be extended for an additional period of 24 years and 11 months commencing with the effective date of the foregoing amendment.

The City's interest under the amended contract will be 65% of 100% of the working interest. Signal will advance the City's 65% of all capital and operating expenses as a working-interest owner and will be reimbursed therefor out of 100% of the City's share of production. Signal agrees to obtain, and to have available at all times during the term of the proposed amended contract, a financially responsible oil purchaser.

The City of Long Beach has submitted an estimate of future revenue indicating that revenue accruing to the City, based on present worth, would be \$787,592 under existing contracts, and \$3,512,000 under amended contracts providing for unitization and waterflooding, or an increase of \$2,724,408.

The office of the Attorney General has advised that the State Lands Commission may legally approve the subject agreement in the form submitted, provided that the Commission determines that the execution thereof may reasonably be deemed necessary or appropriate to effect the unitization of Fault Block IV, and provided that it deems the terms of this agreement, financial and otherwise, to be reasonable under the circumstances.

The staff has reviewed the proposed amendment and finds that it is desirable and appropriate because of the circumstances of urgency of the repressuring program and the Fault Block IV unitization plans.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT DATED JANUARY 10, 1939 (AMENDMENT OF 1961), BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS AS FIRST PARTIES, SIGNAL OIL AND GAS COMPANY, AS SECOND PARTY, AND LONG BEACH DOCK AND TERMINAL COMPANY, AS THIRD PARTY, AS HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND THE CITY COUNCIL OF THE CITY OF LONG BEACH.

SUPPLEMENTAL CALENDAR ITEM

25.

AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT BETWEEN CITY OF LONG BEACH AND SIGNAL OIL AND GAS COMPANY - L.B.W.O. 10,151.

The City of Long Beach, in accordance with the provisions of Chapter 1551, Statutes of 1959, has submitted for approval by the State Lands Commission an Agreement Amending Drilling and Operating Contract (Pharr "G-1" Well) between the Board of Harbor Commissioners of the City of Long Beach, as First Party, and Signal Oil and Gas Company (Surviving Corporation of the Merger of Signal and Hancock Oil Company), as Second Party.

The land included in this Drilling and Operating Contract which is being amended is in the Townlot Area, Fault Block IV, Wilmington Oil Field, and consists of 1.000 acre. This parcel is scheduled to be included as a committed tract in the Unit Agreement and Unit Operating Agreement, Fault Block IV. The State Oil and Gas Supervisor on February 26, 1959, designated these lands as necessary to the proper repressuring of Fault Block IV in order to arrest or ameliorate subsidence.

The original Drilling and Operating Contract was entered into on March 6, 1941, with the Hancock Oil Company as Second Party. A supplemental agreement was entered into on May 7, 1952, which provided for redrilling and changes in casing requirements. On September 12, 1958, Hancock merged with Signal and the surviving corporation was designated as Signal Oil and Gas Company.

Chapter 1551 of the Statutes of 1959 provides for the City, subject to the approval of the State Lands Commission, to amend or modify, without competitive public bidding, such agreements as may be necessary to achieve repressuring of such lands.

The agreement recites that it would not be economically feasible for Signal to commit said lands voluntarily to the Fault Block IV Unit until their contract with the City is amended.

The City has found and determined that this amendment is necessary and desirable in order to institute and effectuate the Fault Block IV Unit Agreement and Unit Operating Agreement. This proposed agreement was approved by resolution adopted by the Board of Harbor Commissioners at its meeting of July 31, 1961, and by resolution of the Long Beach City Council adopted at its meeting of August 1, 1961.

The proposed amendment shall become effective coincidentally with the date that the Fault Block IV Unit becomes effective; provided, however, that the last effective date shall be no later than December 31, 1961.

The term of the drilling and operating contract is to be extended for an additional period of 24 years and 11 months commencing with the effective date of the foregoing amendment.

SUPPLEMENTAL CALENDAR ITEM 25. (CONTD.)

The City's royalty under the present contract is  $12\frac{1}{2}\%$  for both oil and gas. Under the amended contract the City's interest will be 38% of 100% of the working interest. Signal will pay and discharge the City's share of the costs and expenses and will be reimbursed therefor out of 100% of the City's share of production. Signal agrees to obtain, and to have available at all times during the term of the proposed amended contract, a financially responsible oil purchaser.

The City of Long Beach has submitted an estimate of future revenue indicating that revenue accruing to the City, based on present worth, would be \$276,926 under existing contracts, and \$293,805 under amended contracts providing for unitization and water flooding, an increase of \$16,879.

The office of the Attorney General has advised that the State Lands Commission may legally approve the subject agreement, in the form submitted, provided that it determines that the execution thereof may reasonably be deemed necessary or appropriate to effect the unitization of Fault Block IV, and provided that it deems the terms of this agreement, financial and otherwise, to be reasonable under the circumstances.

The staff has reviewed the proposed agreement and finds, because of the circumstances of urgency of the repressuring program and the Fault Block IV unitization plans, that this agreement amendment is desirable and appropriate.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO CHAPTER 1551, STATUTES OF 1959, APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE AGREEMENT AMENDING DRILLING AND OPERATING CONTRACT DATED MARCH 6, 1941 (AMENDMENT OF 1961), BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, FOR AND ON BEHALF OF THE CITY OF LONG BEACH, AS FIRST PARTY, AND SIGNAL OIL AND GAS COMPANY, AS SECOND PARTY, AS HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE CITY COUNCIL OF THE CITY OF LONG BEACH.