

MINUTE ITEM

29. FIRST AMENDMENT TO CONTRACT FOR SALE OF NATURAL GAS BETWEEN BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND LOMITA-SIGNAL-WILMINGTON ASSOCIATES, WILMINGTON OIL FIELD - L.E.W.O. 10,159.

After consideration of Calendar Item 36 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 10(b) CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "FIRST AMENDMENT TO CONTRACT FOR SALE OF NATURAL GAS", DATED JANUARY 23, 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 LOMITA-SIGNAL-WILMINGTON ASSOCIATES AS SECOND PARTY, WHICH HERETOFORE 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.

Attachment

Calendar Item 36 (2 pages)

CALENDAR ITEM

36.

FIRST AMENDMENT TO CONTRACT FOR SALE OF NATURAL GAS BETWEEN BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND LOMITA-SIGNAL-WILMINGTON ASSOCIATES, WILMINGTON OIL FIELD - L.B.W.O. 10,159.

The City of Long Beach, in accordance with the provisions of Section 10(b) Chapter 29, Statutes of 1956, 1st E.S., has submitted for approval by the State Lands Commission an agreement entitled "First Amendment to Contract for Sale of Natural Gas" dated January 23, 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 Lomita-Signal-Wilmington Associates, as Second Party.

The above parties entered into a contract, dated January 23, 1961, for the sale of natural gas, wherein the City agreed to sell and make delivery, and the Associates agreed to purchase, take delivery and operate facilities necessary to meter and test gas delivered from certain tide and submerged lands. This contract became effective on March 1, 1961, upon unitization of Fault Blocks II and III, and after approval by the Commission on February 15, 1961 (Minute Item 1, pages 6703-6704).

On September 1, 1961, the City committed the granted tidelands in Fault Block IV to the Unit Agreement, Fault Block IV, Wilmington Oil Field. This action was approved by the Commission on August 28, 1961 (Minute Item 22, pages 7203-7216).

Under unitization it became necessary to combine the gas-gathering facilities of the four companies holding contracts for the handling of gas produced from Fault Block IV into a single gas-gathering system. These gas processing companies, including the Associates and the City, entered into an agreement entitled "Fault Block IV Gas Gathering Agreement", dated September 1, 1961, providing for a single gas-gathering system, whereby the facilities of the three processing companies (Lomita-Signal-Wilmington Associates) and of the City, were made available to Y-Co, a corporation organized for the purpose of performing certain functions in connection with the gathering, metering, testing and delivery of natural gas produced from subject lands committed to Fault Block IV. Under the terms of this proposed amendment, performance by Y-Co shall constitute fulfillment of the Associates' obligation under the original contract for that portion of lands committed to the Fault Block IV unit.

Furthermore, the proposed amendment provides that, upon instruction by the Board of Harbor Commissioners, the Associates shall deliver to the unit operator dry gas authorized to meet lease requirements. Dry gas delivered shall be deemed to be dry gas returned to the Board, as provided for under the original contract. Any surplus dry gas above that amount necessary to fulfill the tidelands unit share of authorized lease fuel may be taken, in kind, by the City of Long Beach or sold by the Associates at the direction of the Board, as provided in the original contract.

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The effective date of this amendment is to be retroactive to September 1, 1961, the date of unitization of Fault Block IV. The term will expire concurrently with the original contract, which expires at 7:00 a.m. on February 1, 1986.

The Board of Harbor Commissioners approved the proposed amendment on March 29, 1962, and the City Council approved on April 3, 1962.

In the opinion of the office of the Attorney General, the subject amendment may be approved properly by the Commission, provided:

1. That the City submit a letter from Lomita-Signal-Wilmington Associates that the amendment will not relieve the Associates from their obligations under the original contract for sale of natural gas;
2. That liability insurance covering Y-Co's operations in an amount satisfactory to the Division's staff is arranged for; and
3. That the Division's staff is satisfied with the technical provisions of the Fault Block IV Gas-Gathering Agreement.

These requirements have been met by the City and the agreement has been reviewed by the Division's staff and found to be satisfactory.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 10(b) CHAPTER 29, STATUTES OF 1956, 1st E.S., APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "FIRST AMENDMENT TO CONTRACT FOR SALE OF NATURAL GAS", DATED JANUARY 23, 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 LOMITA-SIGNAL-WILMINGTON ASSOCIATES AS SECOND PARTY, WHICH HERETOFORE 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.