

MINUTE ITEM

30. APPROVAL OF DRILLING AND OPERATING CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL), LOS ANGELES COUNTY, BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH - L.B.W.O. 10,190.

Before considering Calendar Item 28 attached, the Chairman read into the record the following telegram from Senator Virgil O'Sullivan:

"Approval of the Long Beach Harbor Department Replacement contract which includes the trespassers area under existing and pending unitization agreements not only could render the contract invalid but may actually operate as a constructive fraud upon the State of California respecting the inalienable sovereign title held by the State pursuant to Article 15 Section 3 of the Constitution of this State. It is therefore requested that you not take action pending full investigation in the premises. Such non-action will not result in mandatory closing of the field as alleged by the agents of the trustee City of Long Beach inasmuch as the Harbor Department can legally continue operation during an interim period."

Commissioner Champion pointed out that the Commission did not have before it any duly authorized "legislative request" to delay action -- that Chairman Thomas of the Joint Legislative Audits Committee had made it clear that his request for the Commission to appear before that Committee was in no way intended as a request that the Commission delay the contract, and that there are either legal or practical obstacles to any other solution in maintaining the field other than the contractual one under consideration.

Assistant Attorney General Howard S. Goldin reported that the replacement contract would not in any way affect the trust character of any lands in the Harbor District, and that he did not believe there was a valid criticism based upon a violation of a constitutional prohibition against alienation.

Mr. John Spence, Assistant City Attorney for Long Beach, spoke on the practical aspects of the matter -- that the field could not be shut down because the City had no oil purchase contract for disposition of the oil.

Mr. W. A. Smith from the Port of Long Beach explained in detail the practical reasons why the City could not take over the operation, including lack of a trained field staff, and the problem of acquiring materials and services for the operation of the field under the competitive bidding restrictions with which the City has to operate.

The Executive Officer reported that the State Lands Division's economic analysis of the potentials of the operation confirms that the bid offer of 91% of the net profits to the City of Long Beach under the proposed contract is a good, sufficient and equitable bid offer, stressing that this was for a service contract, not for an oil and gas lease.

Mr. Spence asked that the record show that the Board of Long Beach Harbor Commissioners has already authorized approval of the Collateral Agreement.

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

THE COMMISSION, IN ACCORDANCE WITH SECTION 10(a), CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVES THE REQUEST OF THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH TO ENTER INTO THE "DRILLING AND OPERATING CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL) LOS ANGELES COUNTY" WITH JOINT BIDDERS SIGNAL OIL AND GAS COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, HUMBLE OIL & REFINING COMPANY, CONTINENTAL OIL COMPANY, C. M. OIL COMPANY, AND LONG BEACH OIL DEVELOPMENT COMPANY.

Attachment:

Calendar Item 28 (2 pages)

SUPPLEMENTAL CALENDAR ITEM

28.

APPROVAL OF DRILLING AND OPERATING CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL), LOS ANGELES COUNTY, BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH - L.B.W.O. 10,190.

In accordance with the provisions of Section 10(a), Chapter 29, Statutes of 1956, 1st E.S., the Board of Harbor Commissioners of the City of Long Beach, by Minute order duly adopted on December 16, 1963, has requested approval by the State Lands Commission to enter into a Drilling and Operating Contract (Long Beach Harbor Department Tidelands Parcel - Exhibit "A") with Signal Oil & Gas Company, Standard Oil Company of California, Humble Oil & Refining Company, Continental Oil Company, C. M. Oil Company, and Long Beach Oil Development Company, the joint bidders offering the highest responsible bid submitted in response to a notice inviting bids, dated October 14, 1963. The Commission, on October 10, 1963, approved the Drilling and Operating Contract (Long Beach Harbor Department Tidelands Parcel), including the specifications therein contained, Notice Inviting Bids, Bid Form, and Bidder's Bond.

On December 11, 1963, three bids were received in response to the "Notice Inviting Bids for Entering Into the 'Drilling and Operating Contract (Long Beach Harbor Department Tidelands Parcel)' for the Production of Oil, Gas and Other Hydrocarbons from Certain Lands Lying Within the Harbor District of the City of Long Beach, California".

All bids submitted have been reviewed by the staff as to technical sufficiency and economic factors, resulting in concurrence with the opinion of the Board of Harbor Commissioners that the joint bid of the Long Beach Oil Development Company group is the highest responsible bid for said Drilling and Operating Contract.

The office of the Attorney General has reviewed the highest responsible bid, and has advised that the bid complies with the notice inviting bids and is legally valid, and its approval may be considered by the Commission (Exhibit "B").

A summary tabulation of the bids received pursuant to the Notice of Intention is attached (Exhibit "C").

IT IS RECOMMENDED THAT THE COMMISSION, IN ACCORDANCE WITH SECTION 10(a), CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVE THE REQUEST OF THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH TO ENTER INTO THE "DRILLING AND OPERATING CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL) LOS ANGELES COUNTY" WITH JOINT BIDDERS SIGNAL OIL AND GAS COMPANY, STANDARD OIL COMPANY OF CALIFORNIA, HUMBLE OIL & REFINING COMPANY, CONTINENTAL OIL COMPANY, C. M. OIL COMPANY, AND LONG BEACH OIL DEVELOPMENT COMPANY.

EXHIBIT "C"

L.B.W.O. 10,190

SUMMARY

The percent offered is that percent of the Net Profits that the bidder will pay to the City of Long Beach.

<u>Bidder</u>	<u>Percent Offered</u>
Signal Oil and Gas Company)	
Standard Oil Company of)	
California)	
Humble Oil & Refining Company)	91.000
Continental Oil Company)	
C. M. Oil Company)	
Long Beach Oil Development Company)	
Drilling and Exploration Company, Inc.,)	90.100
of Delaware)	
Shell Oil Company	90.007