

MINUTE ITEM

7/17/68

31. SETTLEMENT AGREEMENT, CITY OF LONG BEACH AND J. H. BAXTER & CO., FAULT BLOCK IV UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.702.

After consideration of Calendar Item 6 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION APPROVES THE SETTLEMENT AGREEMENT BETWEEN THE CITY OF LONG BEACH AND J. H. BAXTER & CO. PROVIDING FOR A NET PAYMENT OF \$23,979.56 TO J. H. BAXTER & CO., TO BE CHARGED AGAINST TIDELAND OIL REVENUES IN WHICH THE STATE PARTICIPATES TO THE EXTENT OF 50%.

Attachment

Calendar Item 6 (3 pages)

6.

SETTLEMENT AGREEMENT, CITY OF LONG BEACH AND J. H. BAXTER & CO., FAULT BLOCK IV UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.702.

The City of Long Beach has requested State Lands Commission approval of a Settlement Agreement between the City of Long Beach and J. H. Baxter & Co., providing for a net payment of \$23,979.56 to J. H. Baxter & Co., to be charged as a cost of operation against the tideland oil revenues in which the State will participate to the extent of 50%, pursuant to Section 4 of Chapter 138, Statutes of 1964, 1st E.S.

In 1961 the City purchased the lessee's interest in what is now Tract 113, Fault Block IV Unit, in order to facilitate the formation of the Fault Block IV Unit and possibly ameliorate land subsidence. By its terms, this lease expired on March 24, 1968. J. H. Baxter & Co. has refused to extend or renew the lease; thus, the City no longer has an interest in Tract No. 113 and Baxter now possesses the entire 100% Working Interest.

Between September 1961, the effective date of the Fault Block IV Unit, and February 1967, Tract 113 received an interim allocation of oil of over twice the amount it was entitled to as determined by the final equity assignments. Under the terms of the Unit Agreement, this over-allocation is to be repaid out of 50% of future oil allocations. Thus, the over-allocation will not be liquidated until long after the City's lease on Tract 113 expired. However, under the terms of the lease, the City, during this period of over-allocation, received 58% of the oil allocated to Tract 113.

On October 31, 1967, prior to termination of the lease, J. H. Baxter & Co. filed a claim against the City of Long Beach; and, on January 19, 1968, filed a claim with the State Board of Control stating that there would be due and owing from the City to Baxter the estimated sum of \$57,272.00, representing the City's share in the total over-allocation of Unitized Substances allotted to Tract No. 113, 50% of which had been paid to the State pursuant to Chapter 29, Statutes of 1956, 1st E.S., and Chapter 138, Statutes of 1964, 1st E.S. The Board of Control denied this claim on March 19, 1968.

As of the date of termination of the lease, March 24, 1968, there were several items remaining to be adjusted between the City and J. H. Baxter & Co., including the above-mentioned claim. These monetary adjustments are set forth in Exhibit "A" attached. The primary claim of the City is for its share of Tract 113 oil well facilities.

In view of imminent litigation, the parties have drawn up a Settlement Agreement that will result in a net payment of \$23,979.56 to J. H. Baxter & Co. by the City.

Tract No. 113 is classified as a Harbor Uplands Tract in which the State of California, in accordance with existing statutes, participates to the extent of 50% in the net oil and gas revenues derived therefrom.

CALENDAR ITEM 6. (CONTD.)

The Office of the Attorney General has reviewed the proposed Settlement Agreement and has stated that the net sum to be paid pursuant to the Settlement Agreement is properly chargeable as a cost of oil operation and therefore entitled to be paid from tideland oil revenues. In view of the complexities and uncertainties of litigation over the respective claims of J. H. Baxter & Co. and of the City of Long Beach, the Attorney General's Office recommends approval of the Settlement Agreement.

The Long Beach City Council, at its meeting of June 18, 1968, approved the Settlement Agreement and authorized the City Manager to execute the agreement.

The staff has reviewed the proposed Settlement Agreement and recommends approval as a reasonable and fair settlement in view of imminent litigation.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE SETTLEMENT AGREEMENT BETWEEN THE CITY OF LONG BEACH AND J. H. BAXTER & CO. PROVIDING FOR A NET PAYMENT OF \$23,979.56 TO J. H. BAXTER & CO., TO BE CHARGED AGAINST TIDELAND OIL REVENUES IN WHICH THE STATE PARTICIPATES TO THE EXTENT OF 50%.

Attachment: Exhibit "A"

EXHIBIT "A"

FAULT BLOCK IV UNIT - TRACT NO. 113
SUMMARY OF EXPENSE AND CREDIT ADJUSTMENTS

Item

1.	J. H. Baxter's claim against City in the amount of \$57,538.14 calculated to a present worth at 6% interest (based on Primary Tract Assignment from 4-1-68 through 9-30-69 and Secondary Tract Assignment from 10-1-69 through 9-30-72)	\$48,851.37
2.	Mineral Rights Taxes due Baxter as estimated for period of City's interest in the current tax year	176.00
3.	City's actual share of Unit Expenses for February and March 1968 (based upon Unit Coordinator's Joint Interest Operating Statements)	<u>959.60</u>
4.	Total due J. H. Baxter	<u>\$49,986.97</u>
5.	Amount due City as of 3-23-68 as City's share of Tract No. 113 Oil Well Facilities (see Schedule No. 1)	\$24,957.46
6.	Net amount due City for Tract No. 113 Operations as of 3-31-68 (see Schedule No. 2)	<u>1,049.95</u>
7.	Total due City of Long Beach	<u>\$26,007.41</u>
8.	Net Difference due Baxter (Item 4 minus Item 7)	\$23,979.56