

17. APPROVAL OF AMENDMENT OF CONTRACT, GRANTED TIDE AND SUBMERGED LANDS, CITY OF NEWPORT BEACH - W.O. 7227, GEN. DATA-ORANGE CO.

After consideration of Calendar Item 24 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 7054.5 AND SECTION 7060(b) OF THE PUBLIC RESOURCES CODE, APPROVES THE AMENDMENT OF CONTRACT SUBMITTED BY THE CITY OF NEWPORT BEACH, ON FILE WITH THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

Attachment

Calendar Item 24 (2 pages)

24.

APPROVAL OF AMENDMENT OF CONTRACT, GRANTED TIDE AND SUBMERGED LANDS, CITY OF NEWPORT BEACH - W.O. 7227.

The City of Newport Beach has submitted for approval by the Commission, in accordance with Sections 7054.5 and 7060(b) of the Public Resources Code, an Amendment of Contract dated October 30, 1968.

In 1943 the City of Newport Beach entered into a contract with D. W. Elliott for the production of oil from an area of tide and submerged lands granted to the City of Newport Beach by the State of California, located offshore from the western area of the city. Since the date of the original contract, it has been transferred several times to successive assignees, the most recent of which was the Humble Oil & Refining Company.

The City Council of Newport Beach, on October 28, 1968, authorized the transfer of the interest of Humble Oil & Refining Company to the Armstrong Petroleum Corporation, and, in connection with the transfer, made a number of amendments to the original production contract. The amendments are listed in Exhibit "A" attached.

Sections 7054.5 and 7060(b) of the Public Resources Code provide that no lease or modification thereof or amendment thereto for the production of oil and gas from tide and submerged lands that have been granted by the State to a public agency in trust wherein the State has not reserved the minerals, shall be effective until it has been approved by the State Lands Commission. No City shall consent to the modification or amendment of any such lease or agreement without advance consent of the Commission.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 7054.5 AND SECTION 7060(b) OF THE PUBLIC RESOURCES CODE, APPROVE THE AMENDMENT OF CONTRACT SUBMITTED BY THE CITY OF NEWPORT BEACH, ON FILE WITH THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

Attachment: Exhibit "A"

EXHIBIT "A"

## AMENDMENT OF CONTRACT

(a) Article III of the contract, entitled "TERM AND TERMINATION", is amended to add the following language to Section 1 after the words "as herein provided":

"The City Council may terminate the contract at such time that less than seven (7) of the existing fourteen (14) operational wells are not in operation and producing, or at such time as the average production for all operational wells falls below a minimum of seven (7) barrels per well, per day, based upon the annual production."

(b) Section 2 of Article III is amended at line 3 on page 3 to provide that the Contractor shall be obligated to give six (6) months written notice of termination to the City in place of ten (10) days written notice of termination.

(c) Article V, entitled "DRILL SITES", is amended to add a new Section 3 reading as follows:

"Section 3. Contractor agrees that it shall prevent its oil operations from becoming a blight on the community by maintaining the area of the well sites in a clean and orderly manner and by removing any abandoned machinery and equipment.

(d) Article XXXIII, entitled "PUBLIC LIABILITY INSURANCE, BONDS AND FIRE INSURANCE", is amended as follows:

(1) Section 1 is amended to increase the dollar amounts of the public liability and property damage insurance from \$50,000 to \$100,000 for injury to, or death of, one person, and from \$100,000 to \$300,000 for injury to, or death of, more than one person, and from \$25,000 to \$100,000 for damages to, or destruction of, property.

(2) Section 2 is amended to increase the dollar amount of said bond from \$25,000 to \$75,000 and to provide that the bond shall guarantee the Contractor's performance of all of the terms and provisions of the Contract, including any additional requirements set forth in this Amendment of Contract.