

MINUTE ITEM

8/26/70
CVB

27. STATUS REPORT, TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS. ANGELES COUNTY - P3455.1.

The attached Calendar Item 27 was presented to the Commission for information only, no Commission action being required.

Attachment:

Calendar Item 27 (1 page)

27.

STATUS REPORT, TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY.

The Commission, at its meeting of March 11, 1966, entered into the Tract No. 2 Agreement, Long Beach Unit, with the Atlantic-Richfield Company as contractor, as they were the successful high bidder. This agreement provides for payment to the State of 96.25 percent of cumulative net profits attributable to the contractor, or a cumulative $16\frac{2}{3}$ percent of the total value of the Tract No. 2 share of allocated oil and gas from the Long Beach Unit, whichever is higher. Additionally, the agreement provides for a production payment to the State of 23.677 percent of the value of oil and gas allocated to Tract No. 2 during the period commencing January 1, 1967, and terminating on the date when the total oil allocated to Tract No. 2 shall equal six million barrels. The State received \$3,503,949.16 as the result of this production payment provision during the period January 1967 through January 1970, when the allocated oil volume reached six million barrels.

During July 1970, Tract No. 2 reached "pay-out"; that is, the Contractor's bid percentage of the cumulative net profits attributable to Atlantic-Richfield for Tract No. 2 exceeded the prior payments by Atlantic-Richfield to the State. These prior payments have, to date, been $16\frac{2}{3}$ percent of the total value of the oil and gas allocated to Tract No. 2 of the Long Beach Unit. The State will receive, in August 1970, from Atlantic-Richfield, the bid percentage (96.25) of the net profits for the month of July 1970, and will receive this percentage of the Tract No. 2 net profits for the remainder of the economic life of the Long Beach Unit.

Revenue to the State from Tract No. 2 during the fiscal year 1969-1970 was \$2,332,962. This consisted of production payments of \$1,128,019 and $16\frac{2}{3}$ percent of gross value of oil and gas payments of \$1,204,943. The anticipated revenue for this fiscal year, 1970-1971, which will have eleven months of net profits payments, is estimated to be \$2,700,000.