

12. ADDITIONAL PROVISIONS OF SALE, OFFER TO SELL OIL, TRACT NO. 1, LONG BEACH UNIT, WILMINGTON OIL FIELD.

After consideration of Calendar Item 19 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 3(e), CHAPTER 138/1964, 1ST E.S., APPROVES THE FOLLOWING PROVISIONS OF SALE TO BE ADDED TO EXHIBIT "A", CALENDAR ITEM 16, APPROVED BY THE COMMISSION AT ITS MEETING OF JULY 26, 1971:

11. THE SUCCESSFUL BIDDER FOR EACH PORTION SHALL SUBMIT A BOND PRIOR TO THE COMMENCEMENT DATE OF THE CONTRACT IN THE AMOUNT OF:

\$700,000 FOR THE 7% PORTION
\$400,000 FOR THE 4% PORTION
\$150,000 FOR THE 1-1/2% PORTION.

THE COST OF THE BOND, NOT TO EXCEED A RATE TO BE AGREED TO BY THE CITY OF LONG BEACH AND THE EXECUTIVE OFFICER OF THE STATE LANDS COMMISSION, SHALL BE DEDUCTED FROM THE BONUS TO BE PAID BY THE PURCHASER. THE BOND MAY BE REDUCED OR CANCELLED OR OTHER SECURITY ACCEPTED IN LIEU THEREOF AT THE OPTION OF THE CITY OF LONG BEACH WITH THE APPROVAL OF THE COMMISSION.

12. THE CITY SHALL DIRECT THE FIELD CONTRACTOR TO EXECUTE ONE CONTRACT FOR EACH OF THE THREE PORTIONS BEING AFFECTED.

Attachment;
Calendar Item 19 (2 pages)

19.

ADDITIONAL PROVISIONS OF SALE, OFFER TO SELL OIL, TRACT NO. 1, LONG BEACH UNIT, WILMINGTON OIL FIELD.

Pursuant to the request of the Commission, the Division's staff and representatives of the City of Long Beach met with representatives of the Field Contractor to discuss in detail the provisions of the offer to sell up to 12-1/2% of the oil allocated to Tract No. 1 of the Long Beach Unit.

As a result of these discussions, it appears desirable to make certain modifications in the provisions of sale set forth in Exhibit "A" of Calendar Item 16, approved by the Commission at its meeting of July 26, 1971.

As to the matter of security from each purchaser to the Field Contractor, it is felt a bond provision should be included in the purchase contract to cover the value by which the Field Contractor accounts to the City of a fifty-day supply of oil, this on the basis that the purchaser will be required to pay by the twentieth of each month for the previous month's delivery. On this basis, the amounts of the bonds would be \$700,000, \$400,000, and \$150,000 for the 7%, 4% and 1-1/2% portions respectively. It is felt that, in order to equalize the bidding situation among all potential purchasers, the cost of the bond, not to exceed a reasonable amount to be determined by the City and the Executive Officer, should be deductible from the bonus to be paid by the purchaser. Further, it is felt that in the event a well established, financially responsible bidder is awarded any or all of the three portions, the option should be available to reduce or cancel the bond or to accept other security as determined by the City with approval of the Commission. Any reduction in bond costs would inure solely to the benefit of the City and the State. Such a provision is contained in the Contractor's Agreement, Long Beach Unit, and in fact has been exercised by cancelling those bonds required of the Field Contractor and the Non-Operators Contractors. The savings in bond premiums have served to reduce the charges against the net profits accounts, primarily to the benefit of the City and the State.

The Field Contractor has requested again that each portion of the sell-off be done by five separate contracts, and for each of the five companies comprising the Field Contractor. The Office of the Attorney General again recommends against such a procedure. In lieu of this, the Field Contractor requests that a directive be given that the Field Contractor execute one contract for each of the three portions.

The City has requested that the Commission approve the additional conditions of the sell-off contracts as outlined above.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 3(e), CHAPTER 138/1964, 1ST E.S., APPROVE THE FOLLOWING PROVISIONS OF SALE TO BE ADDED TO EXHIBIT "A", CALENDAR ITEM 16, APPROVED BY THE COMMISSION AT ITS MEETING OF JULY 26, 1971:

CALENDAR ITEM 19. (CONT.)

11. THE SUCCESSFUL BIDDER FOR EACH PORTION SHALL SUBMIT A BOND PRIOR TO THE COMMENCEMENT DATE OF THE CONTRACT IN THE AMOUNT OF:

\$700,000 FOR THE 7% PORTION
\$400,000 FOR THE 4% PORTION
\$150,000 FOR THE 1-1/2% PORTION.

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