

20. APPROVAL OF VARIOUS AGREEMENTS NECESSARY FOR CONSOLIDATION OF NATURAL GAS GATHERING AND TREATING FACILITIES, LONG BEACH TIDELANDS, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

After consideration of Calendar Item 18 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION (1) FINDS THAT THE PROPOSED CONSOLIDATION OF THE NATURAL GAS GATHERING AND TREATING FACILITIES IS IN THE BEST INTEREST OF THE STATE AND THAT THE PROPOSAL WILL BE ENVIRONMENTALLY BENEFICIAL, AND (2) PURSUANT TO THE PROVISIONS OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., AND CHAPTER 138, STATUTES OF 1964, 1ST E.S., AND THE PUBLIC RESOURCES CODE APPROVES:

- A. FIRST AMENDMENT TO CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA, BETWEEN THE CITY OF LONG BEACH, A MUNICIPAL CORPORATION, AND THE CONTRACTORS NAMED IN THE CONTRACTORS' AGREEMENT;
- B. NATURAL GAS TREATING AGREEMENT (STRETFORD PROCESS), BETWEEN PETROLANE-LOMITA GASOLINE COMPANY AND THE CITY OF LONG BEACH AS UNIT OPERATOR OF THE LONG BEACH UNIT;
- C. STRETFORD PLANT LEASE-PURCHASE AGREEMENT BETWEEN THE CITY OF LONG BEACH, AS UNIT OPERATOR OF THE LONG BEACH UNIT, AND THE CITY OF LONG BEACH AS TRUSTEE OF THE LONG BEACH GRANTED TIDELANDS;
- D. STRETFORD PLANT LEASE AGREEMENT BETWEEN THE CITY OF LONG BEACH, AS TRUSTEE OF THE LONG BEACH GRANTED TIDELANDS AND PETROLANE-LOMITA GASOLINE COMPANY;
- E. THIRTEENTH MODIFICATION OF THE 1972-1973 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT;
- F. TERMINATION AGREEMENT, BETWEEN THE CITY OF LONG BEACH, A MUNICIPAL CORPORATION, AND LOMITA-SIGNAL-WILMINGTON ASSOCIATES;
- G. AWARD OF THE STRETFORD PROCESS TREATING AGREEMENT FOR REMOVAL OF HYDROGEN SULFIDE FROM NATURAL GAS (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND PARCEL "A") TO THE HIGHEST QUALIFIED BIDDER AS SET FORTH IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF;
- H. AWARD OF THE CONTRACT FOR SALE OF LIQUID HYDROCARBON PRODUCTS RESULTING FROM TREATMENT OF NATURAL GAS (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND PARCEL "A") TO THE HIGHEST QUALIFIED BIDDER AS SET FORTH IN EXHIBIT "A";
- I. TERMINATION OF NATURAL GAS PROCESSING AGREEMENT, TRACT NO. 2, LONG BEACH UNIT, BETWEEN ATLANTIC RICHFIELD COMPANY AND LOMITA GASOLINE COMPANY;
- J. AMENDMENT TO TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, BETWEEN THE STATE OF CALIFORNIA, ACTING BY AND THROUGH THE STATE LANDS COMMISSION, AND ATLANTIC RICHFIELD COMPANY;

AND (3) AUTHORIZES THE ACTING EXECUTIVE OFFICER TO EXECUTE ANY NECESSARY DOCUMENTS.

Attachment:
Calendar Item 18 (5 pages)

CALENDAR ITEM

4/73
CVB

18.

APPROVAL OF VARIOUS AGREEMENTS NECESSARY FOR
CONSOLIDATION OF NATURAL GAS GATHERING AND TREATING FACILITIES,
LONG BEACH TIDELANDS, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach, pursuant to the provisions of Chapter 29, Statutes of 1956, 1st E.S., and Chapter 138, Statutes of 1964, 1st E.S., has requested Commission approval of certain documents required for the consolidation of natural gas gathering and treating in the Wilmington Field.

These documents are:

- A. First Amendment to Contractors' Agreement, Long Beach Unit, Wilmington Oil Field, California, between the City of Long Beach, a municipal corporation, and the Contractors named in the Contractors' Agreement.
- B. Natural Gas Treating Agreement (Stretford Process), between Petrolane-Lomita Gasoline Company and the City of Long Beach as Unit Operator of the Long Beach Unit.
- C. Stretford Plant Lease-Purchase Agreement between the City of Long Beach, as Unit Operator of the Long Beach Unit, and the City of Long Beach as trustee of the Long Beach granted tidelands.
- D. Stretford Plant Lease Agreement between the City of Long Beach as trustee of the Long Beach granted tidelands and Petrolane-Lomita Gasoline Company.
- E. Thirteenth Modification of the 1972-1973 Plan of Development and Operations and Budget, Long Beach Unit changing the Plan to provide for (1) the contract treatment of Unit gas as a Unit expense; (2) the sale of the Unit's Stretford gas treating plant to the City of Long Beach, as tideland trustee, together with the payment schedule to the Unit; and (3) the exchange of a Unit gas separator for a gas transmission line.
- F. Termination Agreement, between the City of Long Beach, a municipal corporation, and Lomita-Signal-Wilmington Associates.

In addition to the request for approval of the above documents, the City of Long Beach has requested Commission approval of the award of the following Agreement and Contract to the highest responsible bidder as set forth on the attached Exhibit "A". The notices inviting bids, bid forms, treating agreement and sales agreement were approved by the Commission at its meeting of February 22, 1973.

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- G. Stretford Process Treating Agreement for Removal of Hydrogen Sulfide from Natural Gas (Long Beach Harbor Department Tidelands Parcel and Parcel "A").
- H. Contract for Sale of Liquid Hydrocarbon Products Resulting from Treatment of Natural Gas (Long Beach Harbor Department Tidelands Parcel and Parcel "A").

Two additional documents relating to the consolidation of gas gathering and treating cover the Alamitos Beach State Park lands, the minerals of which are not included in the Long Beach granted tidelands. These park lands are included in the Long Beach Unit as Tract 2. Commission approval pursuant to the Public Resources Code is required for these documents.

- I. Termination of Natural Gas Processing Agreement, Tract No. 2, Long Beach Unit, between Atlantic Richfield Company and Lomita Gasoline Company.
- J. Amendment to Tract No. 2 Agreement, Long Beach Unit, between the State of California, acting by and through the State Lands Commission, and Atlantic Richfield Company.

DISCUSSION

In recent years the content of hydrogen sulfide in the natural gas produced from the Wilmington Field, has increased sharply. Several hydrogen sulfide removal methods have been used by various operators. These methods proved too expensive and resulted in the plugging of pipelines and other facilities. In some cases, hydrogen sulfide removal costs were increasing at the rate of 100% per year.

The City of Long Beach, the State, and contractors for the Long Beach Unit conducted an extensive search for an economic hydrogen sulfide removal process. A process developed and used by the Northwest Gas Board of Manchester, England, appeared to be the best choice. Accordingly, the Long Beach Unit built the first Stretford hydrogen sulfide removal plant in the United States to treat its natural gas. After two years of operation, the Stretford process has proved to be economically and environmentally advantageous over all other processes.

The hydrogen sulfide content of natural gas produced from the prior developed tideland area of the Wilmington Field has increased beyond the limit of solubility. Since the Stretford treatment plant has considerable excess capacity for the next eight to ten years, the prior development tidelands gas has been treated at the Stretford plant on a trial basis. Results from this trial testing period indicate that the prior developed uplands area can be also served economically by the Long Beach Unit's Stretford treating plant.

This present proposal will consolidate the entire Wilmington Field gas gathering into a single system with treatment for hydrogen sulfide removal occurring at the Stretford plant. This proposal has several advantages:

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1. Stretford processing will aid the environment because hydrogen sulfide is reduced to a harmless slurry that is easily disposed of in approved facilities.
2. It is an economical process which will result substantially in increased City-State tideland oil revenue.
3. Leasing the excess capacity of the Stretford plant to others for eight to ten years will expedite the Long Beach Unit's return on their plant investment.

Under the provisions of the California Environmental Quality Act, the City of Long Beach has prepared a Statement of No Impact, covering this proposed consolidation.

The City Council of the City of Long Beach approved this consolidation and treating proposal on April 17, 1973, together with all necessary documents and requested Commission approval of the appropriate documents.

The Division has reviewed this proposed consolidation and treating proposal, together with the necessary documentation and finds that implementation of the proposal will result in the maximizing of environmental protection, and a substantial increase in tideland oil revenue, and is in the best interest of the State.

IT IS RECOMMENDED THAT THE COMMISSION (1) FIND THAT THE PROPOSED CONSOLIDATION OF THE NATURAL GAS GATHERING AND TREATING FACILITIES IS IN THE BEST INTEREST OF THE STATE AND THAT THE PROPOSAL WILL BE ENVIRONMENTALLY BENEFICIAL, AND (2) PURSUANT TO THE PROVISIONS OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., AND CHAPTER 138, STATUTES OF 1964, 1ST E.S., AND THE PUBLIC RESOURCES CODE APPROVE:

- A. FIRST AMENDMENT TO CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA, BETWEEN THE CITY OF LONG BEACH, A MUNICIPAL CORPORATION, AND THE CONTRACTORS NAMED IN THE CONTRACTORS' AGREEMENT;
- B. NATURAL GAS TREATING AGREEMENT (STRETTFORD PROCESS), BETWEEN PETROLANE-LOMITA GASOLINE COMPANY AND THE CITY OF LONG BEACH AS UNIT OPERATOR OF THE LONG BEACH UNIT;
- C. STRETTFORD PLANT LEASE-PURCHASE AGREEMENT BETWEEN THE CITY OF LONG BEACH, AS UNIT OPERATOR OF THE LONG BEACH UNIT, AND THE CITY OF LONG BEACH AS TRUSTEE OF THE LONG BEACH GRANTED TIDELANDS;
- D. STRETTFORD PLANT LEASE AGREEMENT BETWEEN THE CITY OF LONG BEACH, AS TRUSTEE OF THE LONG BEACH GRANTED TIDELANDS AND PETROLANE-LOMITA GASOLINE COMPANY;
- E. THIRTEENTH MODIFICATION OF THE 1972-1973 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT;

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- F. TERMINATION AGREEMENT, BETWEEN THE CITY OF LONG BEACH, A MUNICIPAL CORPORATION, AND LOMITA-SIGNAL-WILMINGTON ASSOCIATES;
- G. AWARD OF THE STRETFORD PROCESS TREATING AGREEMENT FOR REMOVAL OF HYDROGEN SULFIDE FROM NATURAL GAS (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND PARCEL "A") TO THE HIGHEST QUALIFIED BIDDER AS SET FORTH IN EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF;
- H. AWARD OF THE CONTRACT FOR SALE OF LIQUID HYDROCARBON PRODUCTS RESULTING FROM TREATMENT OF NATURAL GAS (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND PARCEL "A") TO THE HIGHEST QUALIFIED BIDDER AS SET FORTH IN EXHIBIT "A";
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- J. AMENDMENT TO TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, BETWEEN THE STATE OF CALIFORNIA, ACTING BY AND THROUGH THE STATE LANDS COMMISSION, AND ATLANTIC RICHFIELD COMPANY;

AND (3) AUTHORIZE THE ACTING EXECUTIVE OFFICER TO EXECUTE ANY NECESSARY DOCUMENTS.

EXHIBIT "A"

BIDS RECEIVED AND RECOMMENDATION, STRETFORD PROCESS
TREATING AGREEMENT FOR REMOVAL OF HYDROGEN SULFIDE
FROM NATURAL GAS (LONG BEACH HARBOR)
DEPT. TIDELANDS AND PARCEL "A")

<u>Bidder</u>	<u>Cash Bonus Bid \$</u>	<u>Recommendation</u>
Petrolane-Lomita Gasoline Company	None	Accept-Only qualified bidder

BIDS RECEIVED AND RECOMMENDATION, CONTRACT FOR SALE
OF LIQUID HYDROCARBON PRODUCTS RESULTING FROM
TREATMENT OF NATURAL GAS (LONG BEACH HARBOR)
DEPARTMENT TIDELANDS PARCEL AND PARCEL "A")

<u>Bidder</u>	<u>Cash Bonus Bid \$</u>	<u>Recommendation</u>
Macmillian Ring-Free Oil Co., Inc.	\$20,100	Accept-Highest qualified bidder
Petrolane, Inc.	\$16,000	Reject-Lower Bid
Standard Oil Company of California	None	Reject-Lower Bid