

MINUTE ITEM

This Calendar Item No. C115
was approved as Minute Item
No. 115 by the State Lands
Commission by a vote of 3
to 0 at its 11/15/94
meeting.
S 29

CALENDAR ITEM

C115

11/15/94
W 17000.1
R. Ludlow

**CONSIDERATION OF AGREEMENTS
BETWEEN THE CITY OF LONG BEACH, ARCO LONG BEACH, INC.
AND THE STATE LANDS COMMISSION
ENABLING FULL IMPLEMENTATION OF THE OPTIMIZED
WATERFLOOD PROGRAM FOR THE LONG BEACH UNIT**

PARTIES

State Lands Commission
City of Long Beach
ARCO Long Beach, Inc.

BACKGROUND

In April of 1965 the City of Long Beach ("City"), as trustee for the State of California, acting by and through the State Lands Commission ("State") entered into a Contractors Agreement with Certain Contractors for the development of the Long Beach Unit, Willmington Oil field. ARCO Long Beach, Inc. ("ALBI") is currently the Field Contractor. ALBI in turn, is a wholly owned subsidiary of Atlantic Richfield Company ("ARCO"). At approximately the same time that the City entered into the Contractors Agreement, the State entered into the Tract No. 2 Agreement with certain contractors. Tract No. 2 is also part of the Long Beach Unit.

In November of 1991 the City, the State and ALBI entered into an Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit (the "OWPA"). The purpose of the OWPA is to increase the production and profitability of the Unit.

Pursuant to Article 3 of the OWPA, in January of 1995, the City may be required to offer to extend the existing term of the Contractors Agreement to each Contractor, and the State may be required to offer to extend the existing term of the Tract No. 2 Agreement to the Contractor. Article 3 of the OWPA provides that should any Contractor or person comprising a Contractor under the Contractors Agreement or the Tract No. 2 Agreement, other than ARCO, refuse the offered extension of an interest in these Agreements, ARCO is required to take over that interest for its extended term. Effective October 18, 1994, ARCO assigned to ALBI all of its rights and obligations under the OWPA to own or take over each interest under the Contractors Agreement and Tract No. 2 Agreement that ARCO held pursuant to Article 3.

CALENDAR ITEM NO. C115 (CONT'D)

THE PROPOSED AGREEMENTS

Exhibits E and F of the OWPA constitute the forms of amendment to the Contractors Agreement and the Tract No. 2 Agreement to be used to extend the terms of these agreements. The proposed action finalizes the forms of these amendments and substitutes ALBI for ARCO as the party to hold the extended interests under the Contractors Agreement and the Tract No. 2 Agreement. In addition the proposed agreements would clarify under what circumstances ALBI would be able to terminate its participation under the Contractors Agreement and the Tract no. 2 Agreement.

AB 884:

N/A

OTHER PERTINENT INFORMATION:

The proposed agreements were approved by the City of Long Beach at its City Council meeting on November 1, 1995.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P. R. C. 21065 AND CAL. CODE REGS. 15378.
2. APPROVE EXECUTION BY THE EXECUTIVE OFFICER OF THE "AGREEMENT TO WAIVE CONDITION PRECEDENT IN ARTICLE 6 OF THE TRACT NO. 2 AGREEMENT" AND THE "AMENDMENT OF EXHIBITS E AND F OF THE AGREEMENT FOR IMPLEMENTATION OF AN OPTIMIZED WATERFLOOD PROGRAM FOR THE LONG BEACH UNIT" IN SUBSTANTIALLY THE FORM ON FILE WITH THE COMMISSION.
3. APPROVE EXECUTION BY THE CITY OF LONG BEACH OF THE "AGREEMENT TO WAIVE CONDITION PRECEDENT IN ARTICLE 8 OF THE CONTRACTORS AGREEMENT" IN SUBSTANTIALLY THE FORM ON FILE WITH THE COMMISSION.