

MINUTE ITEM

5/27/65

28. PROPOSED OIL AND GAS CONTRACT, ALAMITOS BEACH PARK LAND, WILMINGTON OIL FIELD; LOS ANGELES COUNTY - L.B.W.O. 10,155, W.O. 5200.5.10.

During consideration of Calendar Item 37 attached, the Executive Officer reported that a draft form of a proposed method for contracting had been prepared in the Office of the Attorney General. Although this has not been adopted by the Commission and will not be adopted until further report at the next meeting, copies will be available to anyone in the industry for review and discussion with the Division and the Attorney General's Office before it is recommended for final adoption.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION:

1. APPROVES IN PRINCIPLE THE OFFER FOR THE DEVELOPMENT OF OIL AND GAS FROM THE ALAMITOS BEACH PARK LANDS, UTILIZING A NET PROFITS CONTRACT WITH A SPECIFIED MINIMUM OF 16-2/3 PERCENT OF THE ALLOCATED GROSS PRODUCTION AND WITH PROVISIONS FOR ADVANCE PAYMENTS, AS DETERMINED BY THE STAFF AND THE STATE'S CONSULTANTS;
2. AUTHORIZES THE EXECUTIVE OFFICER TO PREPARE NOTICE INVITING BIDS, BID FORM, AND THE TRACT NO. 2 CONTRACTORS' AGREEMENT COVERING THE ALAMITOS BEACH PARK LANDS, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.
3. DIRECTS THE EXECUTIVE OFFICER TO SUBMIT THE DOCUMENTS IN THEIR PROPOSED FINAL FORM FOR APPROVAL BY THE STATE LANDS COMMISSION.

Attachment

Calendar Item 37 (2 pages)

CALENDAR ITEM

37.

PROPOSED OIL AND GAS CONTRACT, ALAMITOS BEACH PARK LAND, WILMINGTON OIL FIELD; LOS ANGELES COUNTY - L.B.W.O. 10,155, W.O. 5200.5.10.

On October 9, 1964 (Minute Item 2, pages 10,546-548), the Commission, in accordance with the requirements of the Public Resources Code, approved the Unit Agreement and Unit Operating Agreement providing for the unitization of all oil, gas, and other hydrocarbons produced from the Long Beach Unit, Wilmington Oil Field (see Exhibit "A").

On March 2, 1965 (Minute Item 1, pages 10,980-983), the Commission, in accordance with the provisions of Section 3, Chapter 138, Statutes of 1964, 1st E.S., approved execution by the City Manager of the City of Long Beach, on behalf of the City, as Trustee for the State of California and award of the Contractors' Agreement to the highest responsible bidders as Field Contractor and as Nonoperating Contractor's respectively. The Commission further approved the City's directing the successful bidders to complete execution of the Contractors' Agreement, the Unit Agreement and the Unit Operating Agreement on or before March 8, 1965.

In accordance with the provisions of Section 13.3 of the Unit Agreement, the effective date of the Unit was April 1, 1965. Exhibit "D" of the Unit Agreement provides for full membership and participation by the State in the Unit with respect to Tract 2 (Alamitos Beach Park Lands), provided that Tract 2 is committed before April 1, 1966.

Chapter 138, Statutes of 1964, 1st E.S., Section 3 (j) provides, in part:

"The State Lands Commission may lease the Alamitos Beach Park Lands (or the estimated productive portion thereof) for the production of oil, gas and other hydrocarbons in accordance with Section 6827 and other applicable provisions of the Public Resources Code, or in the event the State Lands Commission shall determine that it is in the best interests of the State, it may, in lieu of issuing a lease, offer the Alamitos Beach Park Lands (or the estimated productive portion thereof) for bid under a net profits agreement for the production of oil, gas and other hydrocarbons. Any such net profits agreement relating to the Alamitos Beach Park Lands or any part thereof shall be awarded to the highest responsible bidder upon terms and conditions determined by the State Lands Commission to be in the best interests of the State, and shall provide that the State Lands Commission shall have the unilateral right, without the necessity of obtaining the consent of the successful bidder, to commit said lands to the unit encompassing the undeveloped portion of the Long Beach tidelands."

The Staff of the Division and the State's consultants (DeGolyer & MacNaughton), have evaluated the probable results of offering Tract 2 under the various authorized methods, and it has been determined that it would be in the best interests of the State to offer Tract 2 under the following conditions:

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A net profits contract with a minimum of 16-2/3 percent of the gross production specified, and with advance production payments to be worked out after consultation between the staff, the Office of the Attorney General, the Consultants and their tax counsel.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE IN PRINCIPLE, THE OFFER FOR THE DEVELOPMENT OF OIL AND GAS FROM THE ALAMITOS BEACH PARK LANDS, UTILIZING A NET PROFITS CONTRACT WITH A SPECIFIED MINIMUM OF 16-2/3 PERCENT OF THE ALLOCATED GROSS PRODUCTION AND WITH PROVISIONS FOR ADVANCE PAYMENTS, AS DETERMINED BY THE STAFF AND THE STATE'S CONSULTANTS;
2. AUTHORIZE THE EXECUTIVE OFFICER TO PREPARE NOTICE INVITING BIDS, BID FORM, AND THE TRACT NO. 2 CONTRACTORS' AGREEMENT COVERING THE ALAMITOS BEACH PARK LANDS, LONG BEACH UNIT, WASHINGTON OIL FIELD, LOS ANGELES COUNTY.
3. DIRECT THE EXECUTIVE OFFICER TO SUBMIT THE DOCUMENTS IN THEIR PROPOSED FINAL FORM FOR APPROVAL BY THE STATE LANDS COMMISSION.