

CALENDAR ITEM
C49

MINUTE ITEM
This Calendar Item No. C49
was approved as Minute Item
No. 49 by the State Lands
Commission by a vote of 3
to 0 at its 3/1/95
meeting.

A 57, 58

03/01/95

S 29

W 17098 W 17095

Willard

R. Ludlow

APPROVE CONSENT BY THE CITY OF LONG BEACH
TO THE ASSIGNMENTS OF ALL NON-OPERATING CONTRACTOR'S INTERESTS
IN THE CONTRACTORS' AGREEMENT, AND CONSENT TO THE ASSIGNMENT OF
THE ENTIRE NON-OPERATING CONTRACT INTEREST IN THE TRACT NO.2
AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY, CALIFORNIA

PARTIES

ATLANTIC RICHFIELD COMPANY
ARCO LONG BEACH INC.
STATE LANDS COMMISSION
CITY OF LONG BEACH

BACKGROUND

In April 1965 the City of Long Beach ("City"), as trustee for the State of California, entered into the Contractors' Agreement for the development of the City tidelands portion of the Long Beach Unit, Wilmington Oil field. ARCO Long Beach, Inc. ("ALBI") is currently the Field Contractor and holds an 80% interest in the Contractors' Agreement. ALBI in turn, is a wholly owned subsidiary of Atlantic Richfield Company ("ARCO"). In addition to the Field Contractor's interest, the Contractors' Agreement provides for a 10% non operating interest and four smaller non operating interests totaling another 10%. The four smaller interests are held by Golden West Refining Company ("Golden West") while the 10% interest is held by Hondo Oil and Gas Company ("Hondo").

Shortly after the City entered into the Contractors' Agreement, the State entered into the Tract No. 2 Agreement covering the State Tidelands portion of the Long Beach Unit. The Tract No.2 Agreement is held by Golden West.

(REVISED 02/28/95)

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Golden West is presently in bankruptcy and is unable to meet its obligations under the Contractors' Agreement or the Tract No.2 Agreement, while Hondo wishes to extinguish its obligations under the Contractors Agreement. Both Golden West and Hondo have reached agreement with ALBI to assign their respective interests in the Contractors' Agreement and the Tract No.2 Agreement to ALBI. The assignment of Golden West's interests has been approved by the Bankruptcy Court.

Staff believes that in light of Golden West's bankruptcy and the desire of Hondo to terminate its relationship with the Contractors' Agreement, it is in the best interest of the State to have ALBI assume those interests. By approving the assignments the State will be able to preserve its extremely favorable net profits positions under the assigned interests.

THE PROPOSED AGREEMENTS

There are three agreements necessary to implement the contemplated assignments: an Assignment Consent Agreement for both Hondo and Golden West and a Collection and Payment Agreement relating to the Tract No.2 assignment.

The Hondo Assignment Consent Agreement approves the transfer to ALBI of Hondo's interests in the Contractors' Agreement, the Unit Agreement and the Unit Operating Agreement. ARCO will guarantee ALBI's obligations under the assignment. The effective date of the Hondo Assignment Consent Agreement will be retroactive to August 31, 1994.

The Golden West Assignment Consent Agreement approves the transfer to ALBI of Golden West's interests in the Contractor's Agreement, the Tract No.2 Agreement, the Unit Agreement and the Unit Operating Agreement. In addition, the Golden West Assignment Consent Agreement also amends the Tract No.2 Agreement by increasing the amount of oil the State may take in-kind from 12 1/2% to 35%, decreasing the notice period to take oil in-kind from 180 days to 90 days and coordinates the Tract No.2 Agreement with the Collection and Payment Agreement. ARCO will guarantee ALBI's obligations under the assignment.

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The Collection and Payment Agreement will be entered into between the State and ALBI and is designed to ensure that ALBI receives its share of Tract No.2 net profits during those periods when the State takes oil in-kind.

OTHER PERTINENT INFORMATION

The proposed Assignment Consent Agreements relating to the Contractors' Agreement have been approved by the City of Long Beach.

AB 884:
NA

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 THE CONSENT OF THE CITY OF LONG BEACH, TO THE ASSIGNMENT CONSENT AGREEMENT, FOR HONDO OIL AND GAS COMPANY'S INTEREST IN THE CONTRACTORS' AGREEMENT AND RELATED LONG BEACH UNIT AGREEMENTS, IN SUBSTANTIALLY THE FORM OF THE ASSIGNMENT CONSENT AGREEMENT ON FILE WITH THE COMMISSION.
3. APPROVE THE CONSENT OF THE CITY OF LONG BEACH TO THE ASSIGNMENT CONSENT AGREEMENT, FOR GOLDEN WEST REFINING COMPANY'S INTEREST IN THE CONTRACTORS' AGREEMENT, AND CONSENT TO THE ASSIGNMENT OF GOLDEN WEST REFINING COMPANY'S INTEREST IN THE TRACT NO.2 AGREEMENT AND RELATED LONG BEACH UNIT AGREEMENTS, IN SUBSTANTIALLY THE FORM ON FILE WITH THE COMMISSION.

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4. APPROVE THE COLLECTION AND PAYMENT AGREEMENT, IN SUBSTANTIALLY THE FORM ON FILE WITH THE COMMISSION.
5. AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE TWO ASSIGNMENT CONSENT AGREEMENTS AND THE COLLECTION AND PAYMENT AGREEMENT.

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