

MINUTE ITEM

22. SUPPLEMENT TO CRUDE OIL SALE CONTRACT BETWEEN BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND SIGNAL OIL AND GAS COMPANY - WILMINGTON OIL FIELD - L.B.W.O. 10,167.

After consideration of Calendar Item 10 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 10(b), CHAPTER 19, STATUTES OF 1956, 1ST E.S., APPROVES, AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "SUPPLEMENT TO CRUDE OIL SALE CONTRACT DATED JULY 16, 1940, BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS SELLER, AND SIGNAL OIL AND GAS COMPANY, AS BUYER", HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE CITY COUNCIL OF THE CITY OF LONG BEACH.

Attachment

Calendar Item 10 (2 pages)

CALENDAR ITEM

10.

SUPPLEMENT TO CRUDE OIL SALE CONTRACT BETWEEN BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND SIGNAL OIL AND GAS COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,167.

The City of Long Beach, in accordance with the provisions of Section 10(b), Chapter 29, Statutes of 1956, 1st E.S., has submitted for approval by the State Lands Commission an agreement entitled "Supplement to Crude Oil Sale Contract Dated July 16, 1940, as Amended, between the Board of Harbor Commissioners of the City of Long Beach, as Seller, and Signal Oil and Gas Company, as Buyer," to provide for the purchase by Signal of oil received by the City as payment for excess costs advanced by the City in conjunction with the development of repressuring facilities for the Fault Block II, III and IV Units.

The original Crude Oil Sale Contract was entered into on July 16, 1940, to provide a purchaser for the oil produced from Parcels "W", "X", "Y" and "Z". The contract was amended on May 20, 1943, to include the purchase of oil produced from the new Parcel "Z-1", and was amended again on January 25, 1945, to include the new Parcel "J".

On January 26, 1961, the State Lands Commission approved an additional amendment (Minute Item 16, Minute Page 6660) which permitted Signal to take allocated oil in addition to produced oil where City tidelands have been committed to unit operation, and provided for the merger of Hancock Oil Company with Signal Oil and Gas Company.

On June 28, 1952, the State Lands Commission approved another amendment (Minute Item 28, Minute Page 8097) covering the purchase of oil produced from and allocated to the six consolidated Long Beach Oil Development Company tideland parcels.

The amendment of 1961 provided that Signal purchase all oil allocated to unitized portions of the combined parcels; however, Signal was not obligated to purchase any oil delivered as reimbursement for unit costs in excess of the City's unit share or for goods and services furnished to a Unit by the City.

The City as working interest owner has borne unit costs in excess of their allocated share and is entitled to receive in kind certain quantities of increased oil production derived from the unitized formations, which increased production would otherwise be delivered to working interest owners who have borne less than their allocated share of costs.

The City anticipates it will soon be receiving approximately 50,000 barrels of crude oil per month as reimbursement for their excess costs. The State of California will be credited with 50% of the net proceeds derived from the sale of all such oil.

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Under this proposed agreement, the City agrees to sell and Signal agrees to purchase and take delivery of all the increased oil production received by the City as reimbursement for excess costs advanced by the City.

Signal also agrees to pay for all such oil, whichever is determined to be higher, either, (a) the highest well price posted and paid by major oil companies in the Wilmington Field for oil of like grade and gravity on the day of delivery, or (b) the non-posted market price offered by a financially responsible purchaser for oil of like grade and gravity in the Wilmington Field on the day of delivery, whichever is higher.

The Long Beach Oil Development Company is not entitled to participate in any of the proceeds paid for such increased production.

The effective date of this agreement shall be coincident with the initial date of entitlement by the City to receive and dispose of increased production from either the Fault Block II or III Units, and the terms shall remain in effect until March 20, 1964, or until the sooner termination of the consolidated Drilling and Operating Contract.

The bond securing the performance of obligations under the original Crude Oil Sale Contract shall apply to said contract as supplemented and amended by this agreement.

The Board of Harbor Commissioners adopted a motion approving the proposed amendment, in principle, at its meeting of August 20, 1962, and the City Council adopted a similar motion at its meeting of August 21, 1962.

The office of the Attorney General has stated that the proposed supplement is legally proper and may be considered for approval by the Commission.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 10(b), CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVE, AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "SUPPLEMENT TO CRUDE OIL SALE CONTRACT DATED JULY 16, 1940, BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS SELLER, AND SIGNAL OIL AND GAS COMPANY, AS BUYER", HERETOFORE APPROVED BY THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH AND BY THE CITY COUNCIL OF THE CITY OF LONG BEACH.