

MINUTE ITEM

18. UNIT AGREEMENT, UNIT OPERATING AGREEMENT, EXHIBITS, AND FIELD CONTRACTOR AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,155.

In connection with informative Calendar Item 17 attached, the Executive Officer reported that the Senate Rules Committee had appointed a Special Research Committee of the Senate, Senator O'Sullivan, Chairman, together with six other members, who are proceeding with the study directed by Senate Resolution No. 100.

Upon motion duly made and carried unanimously, a resolution was adopted considering the following letters as having been read into the record:

1. Letter of April 1, 1963, from Pauley Petroleum, Inc., signed by Mr. L. E. Scott.
2. Letter from the Long Beach Chamber of Commerce, dated April 22, 1963, signed by Orville Cole, M.D., President.

Attachment

Calendar Item 17 (3 pages)

SUPPLEMENTAL CALENDAR ITEM

17.

UNIT AGREEMENT, UNIT OPERATING AGREEMENT, EXHIBITS, AND FIELD CONTRACTOR AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.C. 10,155.

Pursuant to a directive from the Commission on March 28, 1963, the State Lands Division staff held public reviews in Los Angeles on April 15 and April 22, 1963, relative to the proposed contracts for development of the Long Beach Unit of the Wilmington Oil Field.

These reviews were full-day sessions and were attended by approximately 100 representatives of the petroleum industry, the City of Long Beach, private citizens, and other interested parties. Full opportunity for discussion resulted in questions, suggestions, and recommendations that will provide factual bases for further staff considerations and coordination with the physical, legal and economic appraisals and recommendations including those that will develop from Senate Resolution 100, which was adopted on April 8, 1963, and reads as follows:

"Senate Resolution No. 100
"Relative to the East Wilmington Oil Field

"WHEREAS, The State Lands Commission is being requested pursuant to law to approve various documents drawn by the City of Long Beach preparatory to offering the so-called E. Wilmington Oil Field within those lands held in trust for the State by the city for bid for the extraction of oil, gas and hydrocarbons therefrom; and

"WHEREAS, Said field contains an estimated 1.5 billion barrels of oil, the largest known oil reserve in the western hemisphere; and

"WHEREAS, Many questions have been raised pertaining to the form of the proposed field contract and unitization agreement relating to the economic effect of such contract and agreement upon the interests of the State and the oil and gas industry; and

"WHEREAS, It is not clear whether information available is sufficient to permit an objective evaluation of the effect of such contract and agreement; now, therefore, be it

"Resolved by the Senate of the State of California, That the State Lands Commission be requested to withhold until May 15th, 1963 its determinations with respect to all of the documents relating to a bid offering by the City of Long Beach for the extraction of oil, gas and hydrocarbons from the East Wilmington Oil Field; and be it further

"Resolved, That the State Lands Commission be encouraged to continue public hearings and reviews by its staff relating to such existing or proposed documents, recognizing the value of such hearings and review to insure maximum participation by all those who may be

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concerned and who may aid in a final determination of the most appropriate approach for such extraction which will be to the maximum equitable benefit to the State, the City of Long Beach, and the industry; and be it further

"Resolved, That the Senate Rules Committee assign this resolution for study to the General Research Committee of the Senate, directing such committee to make a thorough physical, legal and economic appraisal of the proposed oil, gas and hydrocarbon extractions, as expeditiously as possible, and to report its recommendations thereon to the Senate at this session of the Legislature; and be it further

"Resolved, That the Secretary of the Senate be directed to distribute copies of this resolution to each member of the State Lands Commission."

For the further information of the Commission, Assembly H.R. 196, introduced on April 4, 1963, was heard by the Committee on Manufacturing, Oil and Mining Industry, and was voted "do pass" on April 17, 1963, reading as follows:

"House Resolution No. 196
"Relating to the Long Beach tidelands

"WHEREAS, It is estimated that the Long Beach Unit Area contains 1.5 billion barrels of crude oil and is the largest known undeveloped oil and gas reservoir in the United States; and

"WHEREAS, It is estimated that more than 90 percent of the oil and gas reserves in the Long Beach Unit Area underlie tide and submerged lands; and

"WHEREAS, The development of this tremendous reservoir will produce millions of dollars yearly in new revenue to the State; and

"WHEREAS, The development of the Long Beach Unit Area will also provide an important economic stimulus to the oil business of California by creating several hundred new positions and create a new market for oilfield supplies; and

"WHEREAS, City of Long Beach oil engineers with the aid, co-operation and encouragement of state and industry engineers have evolved sound and economic development plans for the Long Beach Unit Area to achieve the maximum ultimate economic production without risking subsidence or the despoilment of the Long Beach shoreline; and

"WHEREAS, The City Council of the City of Long Beach, and the City Manager, City Attorney and their staffs have devoted thousands of hours in developing the foregoing plans for the benefit of the State and City; and

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"WHEREAS, On February 27, 1962, the people of the City of Long Beach at a special election adopted an ordinance to permit the development of the Long Beach Unit Area; and

"WHEREAS, The State, city and private oil companies have drafted a proposed Unit and Unit Operating Agreement, Long Beach Unit, Wilmington Oil Field, California, and presented it for approval to the State Lands Commission in accordance with the Public Resources Code; and

"WHEREAS, The City of Long Beach has prepared a proposed Field Contractor Agreement to be awarded after competitive bid to the company agreeing to pay the State and city the highest percentage of net profits under such agreement and submitted it to the State Lands Commission for approval in accordance with Chapter 29, First Extraordinary Session, Statutes 1956; and

"WHEREAS, Current oil production contracts covering oil operations in the Long Beach Harbor which have yielded approximately 200 millions of dollars to the State for use outside of Long Beach will terminate early in 1964 and new contracts must be offered for competitive bid shortly; and

"WHEREAS, If the proposed Unit and Unit Operating Agreement and Field Contractor Agreement are not approved promptly the city and State will be forced to delay such agreement to avoid the potential damaging effect on bidding of offering these two large oil operations at approximately the same time which could produce confusion among bidders and detract from the ultimate bids; and

"WHEREAS, Every day that passes without the development of the Long Beach Unit Area delays the day when the State will receive a large and sorely needed new income, and needlessly causes the State to lose the present use of this new income at a cost of millions of dollars to the State; now, therefore, be it

"Resolved by the Assembly of the State of California, That the Assembly urges the State Lands Commission to approve promptly the Unit Agreement, Long Beach Unit, Wilmington Oil Field, California, Unit Operating Agreement, Wilmington Oil Field, California, and Field Contractor Agreement, Long Beach Unit, Wilmington Oil Field, California; and be it further

"Resolved, That the Chief Clerk of the Assembly is directed to transmit copies of this resolution to each member of the State Lands Commission and to the Executive Officer of the Commission."