

MINUTE ITEM

23. AMENDMENT 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. 10,163.

After consideration of Calendar Item 20 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 10(b), CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVES, AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "AMENDMENT 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 20 (2 pages)

CALENDAR ITEM

20.

AMENDMENT 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. 10,163.

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 "Amendment to Crude Oil Sale Contract, between the Board of Harbor Commissioners of the City of Long Beach, as Seller, and Signal Oil and Gas Company, as Buyer", covering the purchase of oil produced from and allocated to the six consolidated Long Beach Oil Development Company tideland parcels.

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.

The original contract called for payment by the "Buyer" on or before the twentieth day of the month for all oil taken between the first and the fifteenth day of the month, and on or before the fifth of the following month for all oil taken between the sixteenth and the last day of the month. It also authorizes and directs the "Buyer" to pay to Long Beach Oil Development Company all or such portion of 55.55% of the oil price as is necessary to reimburse Long Beach Oil Development Company for two thirds of allowable costs.

The unitization of Fault Block IV has so complicated the scheduling of crude oil shipments and the allocating of oil to the City's account that Signal has found it necessary to make payments on an estimated basis for oil received during the first half of the month.

The proposed amendment will eliminate the estimated payment by requiring the purchaser to make a single monthly payment on or before the twentieth day of the following calendar month and will bring the sales contract into conformity with the consolidated Long Beach Oil Development Company Drilling and Operating Contract which provides for monthly payments to the contractor on or before the twentieth day of the following month. It also provides for the "Buyer" to reimburse Long Beach Oil Development Company for the full amount up to 55.55% of the oil price as is necessary for its allowable costs.

The consolidation of the six Long Beach Oil Development Company Drilling and Operating Contracts was approved by the State Lands Commission at its meeting of September 29, 1960 (Minute Item 31, Minute Page 6339).

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Additionally, the proposed amendment will bring the names and addresses of certain companies up to date, eliminate the requirement of making payments separately to each Long Beach Oil Development Company parcel since all these parcels are now consolidated, and eliminate a reference to another crude oil purchase arrangement which no longer prevails.

The effective date of this amendment shall be the date when executed by the principal parties. The term will run concurrently with the Long Beach Oil Development Company Drilling and Operating Contract, which expires March 20, 1964.

The performance bond for the original contract shall apply to the contract as amended.

The Board of Harbor Commissioners adopted a motion approving the proposed amendment, in principle, at its meeting of April 9, 1962, and the City Council adopted a similar motion at its meeting of May 1, 1962.

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

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 10(b), CHAPTER 2, STATUTES OF 1956, 1ST E.S., APPROVE, AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "AMENDMENT 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.