

MINUTE ITEM

30. APPROVAL OF PERFORMANCE BONDS, CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.C. 10,155.

Following consideration of Calendar Item 27 attached, the Executive Officer, in response to an inquiry by Commissioner Champion, reported that the question of possible reduction or elimination of the bonds was under study, but that it was going to require considerable legal research to determine the earliest date at which a modification could be undertaken safely.

Commissioner Cranston called attention to the opinion of the Commission's consultants, DeGolyer and MacNaughton, that the requirement for performance bonds is not necessary in view of the standing of the successful bidders together with the fact that the bidders are jointly and severally responsible for their specific bids. In addition, the consultants are of the opinion that the spirit of a performance bond is defeated when essentially all the cost will be borne by the State.

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

THE COMMISSION, PURSUANT TO THE TERMS OF THE CONTRACTORS' AGREEMENT, APPROVES AS TO THE SURETY AND OTHERWISE AS TO THE SUFFICIENCY THEREOF, THE BONDS DETAILED IN EXHIBIT "A" ATTACHED HERETO AND HEREBY MAKES A PART HEREOF.

Attachment  
Calendar Item 27 (2 pages)

SUPPLEMENTAL CALENDAR ITEM

27.

APPROVAL OF PERFORMANCE BONDS, CONTRACTORS' AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,155.

The City of Long Beach has transmitted the copies of the performance bonds, detailed in Exhibit "A", for State Lands Commission approval, pursuant to Article 32 of the Contractors' Agreement, Long Beach Unit, Wilmington Oil Field.

In accordance with the provisions of Article 32 of the Contractors' Agreement, each Contractor is required to furnish to the City of Long Beach, concurrently with the execution of the Agreement, a bond in the specified principal sum. On March 2, 1965, concurrently with the execution of the Contractors' Agreement, each Contractor submitted a bond in the amount specified to the City of Long Beach.

The Agreement further provides that each bond shall be conditioned for the faithful performance by the Contractor of all and singular terms, covenants, and conditions of the Contractors' Agreement on the part of said Contractor to be done and performed, including, as to the Field Contractors' bond, the full payment of liens of all mechanics, laborers and materialmen furnishing labor and/or material for the work done and the services performed by Field Contractor pursuant to the terms of this Agreement, as said liens are provided for in the Code of Civil Procedures of the State of California, or may hereinafter be provided for by any law of the State of California.

The City Manager, with the approval of the State, may in the future, at his sole discretion, order the amount of any of the aforesaid surety bonds to be reduced. The actual cost of each Contractor's bond, not to exceed 1% per year of the principal amount thereof, shall be charged to such Contractor's net profit account.

The Contract further provides each such bond must be approved as to surety and otherwise as to the sufficiency thereof by the City Manager and by the State, and as to form thereof by the City Attorney and by the Attorney General of the State of California.

As required, the bonds have been approved as to surety and sufficiency by the City Manager of the City of Long Beach, and as to form by the City Attorney of the City of Long Beach.

The Office of the Attorney General has approved each bond as to form, and has advised that the State Lands Commission may, if it is satisfied as to the surety and otherwise as to the sufficiency of each bond, approve each bond.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO THE TERMS OF THE CONTRACTORS' AGREEMENT, APPROVE AS TO THE SURETY AND OTHERWISE AS TO THE SUFFICIENCY THEREOF, THE BONDS DETAILED IN EXHIBIT "A" ATTACHED HERETO AND HEREBY MADE A PART HEREOF.

Attachment  
Exhibit "A"

EXHIBIT "A"Field Contractor with 80% Undivided Share

Bond No. 463974, Humble Oil and Refining Company, Shell Oil Company, Socony Mobil Oil Company, Inc., Texaco Inc., and Union Oil Company of California, as Principals, and American Casualty Company of Reading, Pennsylvania, American Re-insurance Company, and North American Reinsurance Corporation, as Sureties, and the City of Long Beach, as Obligees, in the sum of eight million dollars (\$8,000,000.00).

Nonoperating Contractor with 10% Undivided Share

Bond No. 463975, Pauley Petroleum Inc., and Allied Chemical Corporation, as Principals, American Casualty Company of Reading, Pennsylvania, as Surety, and the City of Long Beach, as Obligees, in the sum of one million, five hundred thousand dollars (\$1,500,000.00).

Nonoperating Contractor with 5% Undivided Share

Bond No. 254989, Richfield Oil Corporation and Standard Oil Company of California, as Principal, Pacific Indemnity Company, as Surety, and the City of Long Beach, as Obligees, in the sum of seven hundred fifty thousand dollars (\$750,000.00).

Nonoperating Contractor with 2 1/2% Undivided Share

Bond No. 254988, Richfield Oil Corporation and Standard Oil Company of California, as Principal, Pacific Indemnity Company, as Surety, and the City of Long Beach, as Obligees, in the sum of three hundred seventy-five thousand dollars (\$375,000.00).

Nonoperating Contractor with 1 1/2% Undivided Share

Bond No. 254990, Richfield Oil Corporation and Standard Oil Company of California, as Principal, Pacific Indemnity Company, as Surety, and the City of Long Beach, as Obligees, in the sum of two hundred twenty-five thousand dollars (\$225,000.00).

Nonoperating Contractor with 1% Undivided Share

Bond No. 254991, Richfield Oil Corporation and Standard Oil Company of California, as Principal, Pacific Indemnity Company, as Surety, and the City of Long Beach, as Obligees, in the sum of one hundred fifty thousand dollars (\$150,000.00).