

31. DRILLING AND OPERATING CONTRACTS, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - LBWO 10,171.

After consideration of Calendar Item 4 attachment, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS:

A. THAT THE DRILLING AND OPERATING CONTRACT OF 1968, LOS ANGELES HARBOR DEPARTMENT, PATTEN-BLINN AND MOBIL-ISCO PARCELS 2 AND 3, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, AND DRILLING AND OPERATING CONTRACT OF 1968, LOS ANGELES HARBOR DEPARTMENT, MOBIL-TERMINAL PARCELS 1 AND 4, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, PROVIDE THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH THE GRANTED TIDE AND SUBMERGED LANDS ARE SUBJECT IS PROHIBITED.

B. THAT BRING INTO AND THE PERFORMANCE OF THE SUBJECT CONTRACTS IS IN THE PUBLIC INTEREST.

2. APPROVES THE SUBJECT DRILLING AND OPERATING CONTRACTS ON BEHALF OF THE STATE, PURSUANT TO SECTIONS 6879 AND 7060 OF THE PUBLIC RESOURCES CODE.

Attachment

Calendar Item 4 (2 pages)

4.

DRILLING AND OPERATING CONTRACTS, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - LBWO 10,171.

The City of Los Angeles has requested State Lands Commission approval of two drilling and operating contracts between the Los Angeles Board of Harbor Commissioners and Mobil Oil Corporation in order to facilitate the unitization of Fault Block I, Wilmington Oil Field.

The State Lands Commission, at its meeting of August 28, 1968, approved the Unit Agreement and Unit Operating Agreement, Fault Block I, Terminal Unit, Wilmington Oil Field, and the Drilling and Operating Contract between the Los Angeles Board of Harbor Commissioners and Humble Oil & Refining Company and Continental Oil Company.

The presently proposed drilling and operating contracts with Mobil Oil Corporation will replace existing oil and gas permits and will allow the commitment to the Terminal Unit of additional granted tide and submerged lands under the jurisdiction of the Los Angeles Board of Harbor Commissioners.

The permits under which Mobil now holds the subject lands, issued in 1954 and 1958, provide for a weighted average royalty of 27% plus. This present sliding-scale gross royalty would become economically prohibitive to the lessee under secondary recovery operations, so the revised contracts provide for a flat 16-2/3% royalty, plus 16-2/3% of the net profits.

The City has furnished studies from an independent consultant and from Mobil which indicate that under the proposed secondary recovery program the City will receive considerably more revenue than if primary recovery operations are continued under the terms of the existing permits.

The Board of Harbor Commissioners and the City Council of the City of Los Angeles have made the required statutory finding that the unit development of the portion of tide and submerged lands covered by the proposed drilling and operating contracts will increase the ultimate recovery of oil and gas and will protect the oil and gas in said lands from unreasonable waste.

The subject documents have been reviewed by the Office of the Attorney General, with the conclusion that, upon making of the requisite findings, the State Lands Commission may approve these documents.

The staff has reviewed the proposed contracts and has found their terms reasonable and equitable and that implementation of the provisions of these contracts will substantially increase the ultimate amount of economically recoverable oil.

CALENDAR ITEM 4. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND:

- a. THAT THE DRILLING AND OPERATING CONTRACT OF 1968, LOS ANGELES HARBOR DEPARTMENT, PATTEH-BLINN AND MOBIL-ISCO PARCELS 2 AND 3, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, AND DRILLING AND OPERATING CONTRACT OF 1968, LOS ANGELES HARBOR DEPARTMENT, MOBIL-TERMINAL PARCELS 1 AND 4, FAULT BLOCK I, TERMINAL UNIT AREA, WILMINGTON OIL FIELD, PROVIDE THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH THE GRANTED TIDE AND SUBMERGED LANDS ARE SUBJECT IS PROHIBITED.
  - b. THAT ENTERING INTO AND THE PERFORMANCE OF THE SUBJECT CONTRACTS IS IN THE PUBLIC INTEREST.
2. APPROVE THE SUBJECT DRILLING AND OPERATING CONTRACTS ON BEHALF OF THE STATE, PURSUANT TO SECTIONS 6879 AND 7060 OF THE PUBLIC RESOURCES CODE.