

MINUTES OF THE
STATE LANDS COMMISSION
SPECIAL MEETING OF
OCTOBER 11, 1978

The following item was the topic of discussion:

Agreement and assignment to provide for partition of the Chevron-Atlantic Richfield jointly held 10% nonoperating contractors' interests in Tract 1, Long Beach Unit; agreement and assignment of the resulting 5% Atlantic Richfield Tract 1 interest and Atlantic Richfield's Tract 2 interest in the Long Beach Unit to Century Resources Development, Inc.; and agreement and assignment of Century's interests in Tracts 1 and 2 to Petro-Lewis Corporation.

STATE OF CALIFORNIA

Minutes of the meeting of the
State Lands Commission
Sacramento, California

APPEARANCES

Commissioners Present:

Kenneth Cory, State Controller, Chairman
Sid McCausland, Deputy Director of Finance,
Alternate for Commissioner Roy M. Bell,
Director of Finance
Betty Jo Smith, Staff Counsel, Alternate for
Commissioner Mervyn M. Dymally, Lieutenant Governor

Staff Members in Attendance:

William F. Northrop, Executive Officer
R. C. Hight, Chief Counsel
W. M. Thompson, Chief, Extractive Development--
Long Beach Operations
D. K. Hayward, Deputy Chief, Extractive Development--
Long Beach Operations

Representing the Office of the Attorney General:

Jan Stevens, Assistant Attorney General
Alan Hager, Deputy Attorney General

Representing the City of Long Beach:

John Parkin, Department of Oil Properties

Representing Atlantic Richfield Company:

Jeffrey Pendegraft, Attorney

Representing Petro-Lewis Corporation:

Kenneth Blancett, Senior Vice President, Acquisition
William D. Watson, Attorney, Holme, Roberts & Owen

Representing Century Resources Development, Inc:

Morris Hodges, President
Nancy Night, Attorney, Sheldon Foreman Law Offices

Representing Century Oil Company:

Everitt "Red" Hodges, President

Minutes of the
State Lands Commission Special Meeting

October 11, 1978

The special meeting of the State Lands Commission was called to order by Chairman Kenneth Cory at 10:06 a.m. Other members present included Commission-Alternate Sid McCausland, representing Commissioner Roy M. Bell, Director of Finance; and Betty Jo Smith, representing Commissioner Mervyn M. Dymally, Lieutenant Governor.

The morning session of the meeting recessed at 11:30 a.m. and reconvened at 1:07 p.m.

The attached 72 pages represents a verbatim transcript of the meeting and is incorporated herein by reference.

At the conclusion of the meeting, the Commission unanimously approved the following resolutions (VOTE 3-0).

1. With respect to the consent and assumption agreement among Partnership Properties Co. ("PP Co.") and Century Resources Development, Inc. ("CRD") and the State as to Tract 1, the following paragraph is added:

AS A FURTHER CONSIDERATION FOR THE GRANTING OF CONSENT BY THE STATE TO THE ASSIGNMENT, PARTNERSHIP PROPERTIES CO. AGREES THAT UPON EXHIBIT "A" BECOMING EFFECTIVE, PARTNERSHIP PROPERTIES CO. WILL PAY TO THE CITY OF LONG BEACH AN AMOUNT EQUAL TO 10 CENTS PER BARREL FOR EVERY BARREL OF CRUDE OIL ALLOCATED TO PARTNERSHIP PROPERTIES CO.'S INTEREST IN THE CONTRACTORS' AGREEMENT IN ADDITION TO THE CITY'S NET PROFITS SHARE OF THE VALUE OF CRUDE OIL AS DETERMINED UNDER ARTICLE IX OF THE CONTRACTORS' AGREEMENT. THE ADDITIONAL 10 CENTS PER BARREL SHALL BE PAID DIRECTLY TO THE CITY AND SHALL NOT BE CREDITED TO PARTNERSHIP PROPERTIES CO.'S NONOPERATING CONTRACTOR'S NET PROFITS ACCOUNT. THE PAYMENT OF THIS ADDITIONAL COMPENSATION SHALL BE MADE ONLY TO THE EXTENT THAT ITS ADDITION TO THE VALUE OF THE CRUDE OIL AS DETERMINED UNDER ARTICLE IX SHALL RESULT IN A PRICE THAT DOES NOT EXCEED ANY APPLICABLE CEILING PRICE FOR THE FIRST SALE OF DOMESTIC CRUDE OIL IMPOSED BY ANY GOVERNMENTAL ENTITY HAVING JURISDICTION AND THAT ANY SUCH GOVERNMENTAL REGULATIONS PERMIT THE RECEIPT IN FULL BY PARTNERSHIP PROPERTIES CO., ON ANY SALE BY IT OF THE CRUDE OIL, OF THE ARTICLE IX VALUE AND THE ADDED COMPENSATION.

It was stipulated for the record that similar language would be incorporated into the Tract 2 consent and assumption agreement among PP Co., CRD and the State.

2. The bonding requirements under the contracts for Tracts 1 and 2 permit a charge to net profits of the actual cost of the bonds not to exceed 1% of the principal amount thereof. PP Co. agrees that with respect to its bonds, it shall charge to net profits only the actual cost of the bonds for Tracts 1 and 2 not to exceed 1/2 of 1% of the principal amount thereof.
3. With regard to the letters of credit, language substantially in the following form shall be put into both the Atlantic Richfield/CRD assignment and the CRD/PP Co. assignment as specific conditions to those assignments which cover both Tracts 1 and 2. The inclusion of such language is a condition to the State's consent.

THIS ASSIGNMENT IS CONDITIONED UPON CENTURY PROVIDING TO THE CITY OF LONG BEACH [STATE OF CALIFORNIA];

- A. AN IRREVOCABLE LETTER OF CREDIT COVERING PAYMENT DUE FROM PARTNERSHIP PROPERTIES CO. AND ITS SUCCESSORS AND ASSIGNS UNDER THE CONTRACTORS' AGREEMENT, [TRACT 2 AGREEMENT] IN THE AMOUNT OF \$625,000 (TRACT 1), [\$375,000 (TRACT 2)] WHICH SHALL BE ISSUED BY A NATIONAL OR STATE CHARTERED BANK QUALIFIED TO CONDUCT BANKING BUSINESS IN THE STATE OF CALIFORNIA. THE OBLIGATIONS UNDER WHICH SHALL BE CONTINUING OBLIGATIONS DURING THE TERM OF THE CONTRACTORS' AGREEMENT [TRACT 2 AGREEMENT]; OR
 - B. THE SUM OF \$625,000 (TRACT 1) [\$375,000 (TRACT 2)] CASH OR BONDS SECURED BY THE FULL FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR THE UNITED STATES PLACED IN AN INTEREST-BEARING BLOCKED ACCOUNT IN A NATIONAL OR STATE CHARTERED BANK QUALIFIED TO CONDUCT BANKING BUSINESS IN THE STATE OF CALIFORNIA, WITH IRREVOCABLE INSTRUCTIONS TO SAID BANK THAT OTHER THAN BY DEMAND OF THE CITY [STATE] AS HEREAFTER PROVIDED NO PORTION OF THE PRINCIPAL AMOUNT OF SAID FUNDS MAY BE WITHDRAWN DURING THE TERM OF THE CONTRACTORS' AGREEMENT [TRACT 2 AGREEMENT] AND THAT UPON NOTICE BY THE CITY [STATE] OF A FAILURE OF PARTNERSHIP PROPERTIES CO. AND ITS SUCCESSORS AND ASSIGNS TO PAY ANY AMOUNT DUE UNDER THE CONTRACTORS' AGREEMENT [TRACT 2 AGREEMENT], SUCH SUMS SHALL BE PAID TO THE CITY [STATE] UPON DEMAND.
4. With regard to the condition concerning the waiver of a portion of the existing notice provision before the State may take its oil in kind or return such oil to the Contractor, the following language will be inserted in the consent and assumption agreement for Tract 2: