

MEMORANDUM OF UNDERSTANDING  
by and between  
CITY OF HERMOSA BEACH  
and  
CALIFORNIA STATE LANDS COMMISSION

This Memorandum of Understanding ("Memorandum") is entered into this 11 day of May, 1993, by and between the CITY OF HERMOSA BEACH, a California municipal corporation (hereinafter the "City") and the CALIFORNIA STATE LANDS COMMISSION, a commission of the State of California (hereinafter the "Commission").

This Memorandum is executed by the parties in reliance upon the following facts:

A. Since September 21, 1985, the City has had on file before the Commission an application for approval of an oil and gas lease for the exploration and production of hydrocarbon products from the tidelands area owned by the City and held in trust (the "tidelands").

B. In response to comments and direction from the Commission in December 1985, the City has subsequently reviewed and certified an environmental impact report for and approved and executed that certain Oil and Gas Lease No. 2 (hereinafter the "Lease") with Windward Associates and GLG Energy, L.P. (hereinafter together the "Operator") to, undertake the exploration and production of hydrocarbon products in both the tidelands and the uplands area within the jurisdiction of the City.

C. In response to further comments from the Commission regarding the Lease, City and Commission desire to enter into this Memorandum to set forth the understanding of each respective party for the City's implementation of and performance under the Lease.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Commission has determined that there is drainage from the City tidelands and that the City has substantially complied with the bidding provisions as required under the California Public

Resources Code. Therefore, in accordance with Section 7061 of the Public Resources Code, the Commission hereby determines that it would be impractical to require the City to conduct further bidding procedures and hereby exempts the City in issuance of the Lease from further compliance with Sections 7058.5 and 7059 of said Code.

2. City shall make available, in a timely manner, to the Commission all plans, specifications, reports, studies and other related documents, as required by City for subsequent permits to be issued by City for oil and gas exploration and production, prior to issuance of any such permit by City in order to provide Commission a fair opportunity for comment and advice. Such information shall include, but is not limited to, a hazard footprint and proposed conditions under a conditional use permit.

3. The Commission acknowledges and approves that royalty revenue from the tidelands due and payable under the Lease to the City, shall be allocated seven percent (7%) to the City General Fund for use of the drill site and eleven and two thirds percent (11 2/3%) to the Special Tidelands Trust Account.

4. City shall establish a Special Tidelands Trust Fund for deposit of all royalty revenues resulting from the production of oil and gas from the tidelands for allowable use in accordance with Chapter 479, Statutes 1919, or as it may be amended.

5. The parties acknowledge and agree that the Minimum Royalty, as provided in Section 2.b.(1) of the Lease, is to secure Operator's timely performance of exploration and production of oil and gas in both the tidelands and the uplands. The Lease, in Section 2.b.(2), further limits Operator's source of funds for payment of the Minimum Royalty from restricted royalty to a maximum of \$281,250 in each year. To the extent that the City receives payment of Minimum Royalty which is a direct result of production from the tidelands, City shall deposit all such revenue into its Special Tidelands Trust Fund.

6. The Commission shall have access to the records related to Operator's performance under the Lease through the City. In accordance with the terms of Section 14 of the Lease, the City has

the right to release information received from the Operator to "any governmental agency needing the data or information to regulate the leased lands or adjacent lands." The City has a vested interest in insuring the accuracy of these reports and will assiduously review and monitor the reports and records. The City shall fully cooperate in making relevant information available to Commission to allow the Commission to carry out its mandated oversight duties.

7. The City's intent under Section 13.d.(4) is to prorate the repayment of the Advance from all sources of royalty revenue as received. City hereby agrees that the repayment of the Advance, as provided in Section 13.d.(4), shall be prorated on the basis of a 70/30 allocation from City's receipts of royalty revenue from the tidelands and uplands, respectively, to the extent that such royalty revenues from each source are available. This provision shall not be construed to alter or change the repayment obligation of the City to Operator to apply 50% of all royalty revenue due to City to the Advance as provided therein.

8. The City shall request that Operator name the Commission as an additional insured on insurance coverage provided by Operator under the Lease provided such additional coverage does not increase Operator's insurance premiums thereby.

9. The City shall fund its contribution to the Emergency Trust Fund under Section 18.d.(3) based upon a 70/30 allocation of royalty revenues received from the tidelands and uplands, respectively. To the extent that funds are released from the Emergency Trust Fund in accordance with the terms of the Lease, City shall deposit into the Special Tidelands Trust Fund such released funds as are attributable to royalty revenue from the tidelands plus a prorata portion of interest accrued thereto.

10. The Commission and the City agree that the mean high tide line, as surveyed and described on that certain "Plat of the State Tidelands Boundary Along the Shore of the Pacific Ocean Within the City of Hermosa Beach, Los Angeles County, California, dated December 13, 1957 and signed by F. J. Hortig and prepared under W.O. 2771, shall serve as the base line for the allocation of production between the tidelands trust and all other lands. The City further acknowledges that the mean high tide line is not a fixed boundary and that the City shall survey the mean high tide line from time to time in order to accurately allocate production between the tidelands and all other lands.

11. The parties acknowledge that certain amendments to the Lease will be or are agreed to between the City and Operator to address comments and concerns of the Commission.

IN WITNESS, WHEREOF, the parties hereto have executed this Memorandum of Understanding as of the date and year first above written.

"City"

CITY OF HERMOSA BEACH, a California municipal corporation

By:

*Ludmila R. Turner*  
City Manager

Approved as to Form:  
City Attorney  
Oliver, Barr & Vose

By:

*[Signature]*

"Commission"

CALIFORNIA STATE LANDS COMMISSION

By:

*Paula Wauer*  
Executive Officer

Approved as to Form:  
Staff Counsel

By:

*James Frey*