

7. (Termo Company, Huntington Beach Easement No. 272, Well No. Fee 5, Oil Purchase Agreement) The Executive Officer advised the Commission relative to the oil purchase contract tentatively agreed to between the State's Grantee (Termo Company) and the Texas Company, as the purchaser of the crude from this State lease. The Commission was informed that the agreement contained a provision whereunder the purchaser could terminate the contract if the Grantee failed to comply with any production program which might be determined by operators producing more than one-half of the production in the Huntington Beach new field; and that if the State were to approve this contract in that form, it would have the practical effect of modifying Termo's easement agreement to the extent that the State would no longer be in a position to determine the reasonable allowable production for Termo's well. Therefore, the purchase agreement in its present form was highly inimical to the interests of the State. The Executive Officer advised the Commission further that conferences relative to this provision had been held with the State's Grantee, and that there were indications that the purchase contract could be amended or modified, in order to eliminate such objectionable features.

The Executive Officer pointed out further that the Grantee had an obligation to produce under his agreement, and that a portion of the production belonged to the State, and that in the absence of any approved agreement, the Grantee was actually marketing the State's royalty share of the oil without the State's consent; and that the Executive Officer was accordingly requesting authority from the Commission to approve the contract ONLY when the contract was finally presented in proper form and without the objectionable features.

Upon motion duly made and unanimously carried, the Executive Officer was authorized to negotiate with the State's Grantee, with the objective of removing the objectionable features contained in the oil purchase contract submitted to the State for approval. The Executive Officer was specifically instructed to bring the contract back to the Commission for formal approval.

8. (Termo Company, Huntington Beach Easements Nos. 272, (Excluding Well No. Fee 5), 312, 337 and 352) The Executive Officer advised the Commission relative to the oil purchase contracts tentatively agreed to between the State's Grantee (Termo Company) and the McCallon Refining Company, as the purchaser of the crude from these State leases. The Commission was informed that the agreements contained a provision whereunder the purchaser could terminate these contracts if the Grantee failed to comply with any production program which might be determined by operators producing more than one-half of the production in the Huntington Beach new field; and that if the State were to approve these contracts in that form, it would have the practical effect of modifying Termo's easement agreements to the extent that the State would no longer be in a position to determine the reasonable allowable production for Termo's wells. Therefore, the purchase agreements in their present form were highly inimical to the interests of the State. The Executive Officer advised the Commission further that conferences relative to this provision had been held with the State's Grantee, and that there were indications that the purchase contracts could be amended or modified, in order to eliminate such objectionable features.