

MINUTE ITEM

12. APPROVAL OF GAS SALES AGREEMENT P.R.C. 308.1, P.R.C. 309.1, AND
P.R.C. 2793.1, SANTA BARBARA COUNTY; RICHFIELD OIL CORPORATION - W.O. 4472.

Pursuant to request of the applicant, action on Calendar Item 11 was deferred.

Attachment
Calendar Item 11 (2 pages)

CALENDAR ITEM

11.

APPROVAL OF GAS SALES AGREEMENT P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, SANTA BARBARA COUNTY; RICHFIELD OIL CORPORATION - W.O. 4472.

Richfield Oil Corporation has submitted for approval a gas sales agreement dated June 11, 1962, between Richfield Oil Corporation and Pacific Lighting Gas Supply Company, which provides for the sale of gas produced by Richfield from tide and submerged lands in the Santa Barbara Channel area lying west of a north-south line drawn through State Coordinate X = 1,480,000, as indicated on Exhibit "A".

Oil and gas leases issued by the Commission in the above area that will be affected by this agreement include Leases P.R.C. 308.1, P.R.C. 309.1, and P.R.C. 2793.1. Section 2 of Leases P.R.C. 308.1 and 309.1 provides: "The lessee also agrees to pay to the State, at the times and in the manner herein specified for payment of royalty on oil, twenty (20) percentum of the gross market value, at Elwood Oil and Gas Field, California, of all dry gas, natural gasoline and other products extracted and saved from the gas produced from the demised premises. The gross market value shall be the reasonable market value as fixed by the State, unless such dry gas, natural gasoline and other products are sold pursuant to a sales contract approved by the State". Section 3 of Lease P.R.C. 2793.1 provides: "The lessee agrees to account for and pay to the State in money as royalty on dry gas ..., except gas used for lease use or reinjection into the leased lands (said dry gas, natural gasoline, and other products, subject to said exception being hereinafter sometimes referred to as 'non-oil production'), sixteen and two-thirds (16-2/3) percent of the current market price at the well of, and of any premium or bonus paid on, all such nonoil production removed or sold from the leased lands. The current market price at the well shall be determined by the State and shall not be less than the highest price in the nearest field in the State of California at which such nonoil production of like quality is being sold in substantial quantities."

Each lease also provides that the lessee shall not sell or otherwise dispose of the royalty share of the products produced except in accordance with the approved sales contracts or other methods first approved in writing by the State.

The term of the gas sales agreement is for one year after June 13, 1962, the effective date. The price specified is in the amount of 28 cents per Mcf for all gas produced having a Btu value of 1075; for Btu values below 1075 the price shall be reduced by the same percentage that the weighted gross heating value was reduced below 1075. Gas sold is to be delivered by Richfield at sufficient pressure to enter Pacific Lighting's transmission line. The price currently being paid for dry gas sold at the Elwood Oil and Gas Field and by joint lessees other than Richfield in the same leases is 33.20 cents per Mcf.

CALENDAR ITEM 11 (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE GAS SALES AGREEMENT DATED JUNE 11, 1962, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, EFFECTIVE FOR A PERIOD OF ONE YEAR AFTER JUNE 13, 1962, TO PROVIDE FOR THE SALE BY RICHFIELD, A JOINT LESSEE, IN COMPLIANCE WITH THE CONDITIONS OF THE RESPECTIVE LEASES, OF THE STATE'S ROYALTY SHARE OF DRY GAS PRODUCED FROM OIL AND GAS LEASES P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1; PROVIDED, HOWEVER, THAT UNDER LEASES P.R.C. 308.1 AND P.R.C. 309.1 THE GROSS MARKET VALUE AT ELWOOD OIL AND GAS FIELD OF DRY GAS WILL BE THE BASIS FOR THE DETERMINATION OF THE STATE'S ROYALTY PAYMENTS; UNDER LEASE P.R.C. 2793.1, FOR THE DETERMINATION OF STATE'S ROYALTY, THE CURRENT MARKET PRICE AT THE WELL SHALL BE DETERMINED BY THE STATE AND SHALL NOT BE LESS THAN THE HIGHEST PRICE IN THE NEAREST FIELD IN THE STATE OF CALIFORNIA AT WHICH DRY GAS OF LIKE QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES.

THIS APPROVAL IS NOT TO BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF SAID LEASES, NOR DOES IT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASES P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1 AND THE RULES AND REGULATIONS OF THE COMMISSION.