

MINUTE ITEM

29. FOURTH SUPPLEMENTAL AGREEMENT FOR PROCESSING AND SALE OF NATURAL GAS, BETWEEN CITY OF LONG BEACH, HUMBLE OIL & REFINING COMPANY, AND LOMITA GASOLINE COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,179.

After consideration of Calendar Item 21 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "FOURTH SUPPLEMENTAL AGREEMENT FOR PROCESSING AND SALE OF NATURAL GAS", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; HUMBLE OIL & REFINING COMPANY, AS SECOND PARTY; AND LOMITA GASOLINE COMPANY, AS THIRD PARTY.

Attachment

Calendar Item 21 (2 pages)

CALENDAR ITEM

21.

FOURTH SUPPLEMENTAL AGREEMENT FOR PROCESSING AND SALE OF NATURAL GAS, BETWEEN CITY OF LONG BEACH, HUMBLE OIL & REFINING COMPANY, AND LOMITA GASOLINE COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,179.

The Lomita Gasoline Company has submitted for approval by the State Lands Commission an agreement entitled "Fourth Supplemental Agreement for Processing and Sale of Natural Gas", between the Board of Harbor Commissioners of the City of Long Beach, as first party; Humble Oil & Refining Company, as second party; and Lomita Gasoline Company, as third party. This contract, in general, is similar to those contracts approved by the State Lands Commission on April 25, 1963, Calendar Items 10 and 11, pages 10 to 14, inclusive.

This agreement will amend and extend an existing contract between the same parties for the processing and sale of natural gas produced. The natural gas covered in the proposed amended agreement is allocated to lands to which the State claims title, lying in the Long Beach Harbor District. Since the unitization of Fault Block IV on September 1, 1961, these lands have been designated as Tract 20. Under unitization, all of the wet gas produced from the Fault Block IV Unit is commingled and allocated to the various committed tracts.

Tract 20, Fault Block IV Unit, is subject to a contract for the production of oil and gas under which the City has a 65 percent working interest and Humble has a 35 percent working interest. This contract for the production of oil and gas was amended and extended pursuant to the provisions of Chapter 1551, Statutes of 1959, and approved by the State Lands Commission at its meeting of April 25, 1961 (Minute Item 3, pages 6874-76). The production contract stipulated that Humble should use its best efforts to obtain a purchaser for natural gas produced from, or allocated to, the subject lands.

The proposed agreement is in fulfillment of the above obligation and provides for the processing and sale of the natural gas allocated to lands now known as Tract 20, Fault Block IV Unit.

The terms and conditions in the proposed contract relative to gathering and distribution systems, measurement, quality determination, accounting for natural gas and gas products, and processing operations are in conformance with general practice in the industry. Additionally, it is provided that in the event the gross income to Lomita from processing falls below 115 percent of the processing cost, the working interests shall pay Lomita an amount equal to any calculated deficit. In the event that this deficit, including Lomita's share, exceeds 55 percent of the value of the products produced, the contract may be terminated by either the City or Humble, unless Lomita waive their right to collect this deficit. The City shall have the right to take its share of the resulting dry gas and one-half its share of the natural gasoline and liquefied gas products.

The effective date of this proposed agreement will be retroactive to September 1, 1961, the date of unitization of Fault Block IV. Parties to the

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proposed agreement have been operating as though the agreement had been in effect since that date.

The proposed agreement will continue so long as natural gas is produced from, or allocated to, the subject lands; provided, however, that in no event will this proposed agreement continue after the expiration or sooner termination of the amended drilling and operating contract covering the subject lands, as amended April 27, 1961.

The proposed agreement was approved by the Board of Harbor Commissioners of the City of Long Beach at its meeting on May 6, 1963, and by the City Council of the City of Long Beach at its meeting on May 7, 1963.

The Office of the Attorney General is of the opinion that inasmuch as the State claims title to a portion of the subject Tract 20, Fault Block IV Unit, State Lands Commission approval of the supplemental agreement is required, and that, pursuant to applicable statutes, the Commission in its discretion may approve the proposed agreement amending the contract for sale of natural gas.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "FOURTH SUPPLEMENTAL AGREEMENT FOR PROCESSING AND SALE OF NATURAL GAS", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; HUMBLE OIL & REFINING COMPANY, AS SECOND PARTY; AND LOMITA GASOLINE COMPANY, AS THIRD PARTY.