

MINUTE ITEM

30. AGREEMENT AMENDING CERTAIN CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN CITY OF LONG BEACH, SOCONY MOBIL OIL COMPANY, INC., AND THE TERMO COMPANY, ET AL., WILMINGTON OIL FIELD - L.B.W.O. 10,180.

After consideration of Calendar Item 22 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 "AGREEMENT AMENDING CERTAIN CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; SOCONY MOBIL OIL COMPANY, INC., AS SECOND PARTY; AND THE TERMO COMPANY, ET AL., AS THIRD PARTY.

Attachment

Calendar Item 22 (2 pages)

CALENDAR ITEM

22.

AGREEMENT AMENDING CERTAIN CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN CITY OF LONG BEACH, SOCONY MOBIL OIL COMPANY, INC., AND THE TERMO COMPANY, ET AL., WILMINGTON OIL FIELD - L.B.W.O. 10,180.

The Socony Mobil Oil Company, Inc., has submitted for approval by the State Lands Commission an agreement entitled "Agreement Amending Certain Contracts for Sale of Natural Gas", between the Board of Harbor Commissioners of the City of Long Beach, as first party; Socony Mobil Oil Company, Inc., as second party; and The Termo Company, et al., as third parties. This contract, in general, is similar to those 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 several existing contracts between the same parties for the processing and sale of natural gas. 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 21. Under unitization, all of the wet gas produced from the Fault Block IV Unit is commingled and allocated to the various tracts.

Tract 21, Fault Block IV Unit, is subject to an amended drilling and operating contract under which the City has a 65 percent working interest and The Termo Company, et al., have 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 August 28, 1961 (Minute Item 22C, Minute page 7204). The amended drilling and operating contract states that Termo, et al., will use their best efforts to obtain a purchaser for natural gas produced from, or allocated to, the subject lands.

This proposed agreement is in fulfillment of the above obligation, and provides for the processing and sale of the natural gas allocated to the lands now known as Tract 21, Fault Block IV Unit.

The terms and conditions of the proposed agreement 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. It is provided that in the event the gross income to Socony Mobil from processing falls below 115 percent of the processing cost, the working interests shall pay Socony Mobil an amount equal to any calculated deficit. In the event this deficit exceeds 50 percent of the value of the dry gas and liquid products produced, the contract may be terminated by either the Board of Harbor Commissioners or Termo, et al., unless Socony Mobil waive their right to collect this deficit. The City shall have the right to take in kind its share of resulting dry gas and one-half of its 65 percent share of all the natural gasoline and liquefied gas products.

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

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

The term of this agreement is for ten years and for so long thereafter as natural gas is produced from, or allocated to, the subject lands, whichever is longer; and in no event will it continue after the expiration or sooner termination of the amended contract for drilling and production of oil and gas entered into August 31, 1961.

The proposed agreement was approved by the Board of Harbor Commissioners of the City of Long Beach at its meeting of May 6, 1963, and by the City Council of the City of Long Beach at its meeting of 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 No. 21, Fault Block IV Unit, State Lands Commission approval of the amendatory agreement is required, and that pursuant to applicable statutes, the Commission in its discretion may approve the proposed agreement amending certain contracts for sale of natural gas.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "AGREEMENT AMENDING CERTAIN CONTRACTS FOR SALE OF NATURAL GAS", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; SOCONY MOBIL OIL COMPANY, INC., AS SECOND PARTY; AND THE TERMO COMPANY, ET AL., AS THIRD PARTY.