

MINUTE ITEM

13. THIRD AGREEMENT AMENDING CONTRACT FOR SALE OF NATURAL GAS BETWEEN BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, SUPERIOR OIL COMPANY, HUMBLE OIL & REFINING COMPANY, AND LOMITA GASOLINE COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,184.

After consideration of Calendar 8 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 "THIRD AGREEMENT AMENDING CONTRACT FOR SALE OF NATURAL GAS", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; THE SUPERIOR OIL COMPANY AND HUMBLE OIL & REFINING COMPANY, AS SECOND PARTIES; AND LOMITA GASOLINE COMPANY, AS THIRD PARTY.

Attachment
Calendar Item 8 (2 pages)

CALENDAR ITEM

8.

THIRD AGREEMENT AMENDING CONTRACT FOR SALE OF NATURAL GAS BETWEEN BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, SUPERIOR OIL COMPANY, HUMBLE OIL & REFINING COMPANY, AND LOMITA GASOLINE COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,184.

The Lomita Gasoline Company has submitted for approval by the State Lands Commission an agreement entitled "Third Agreement Amending Contract for Sale of Natural Gas", between the Board of Harbor Commissioners of the City of Long Beach, as First Party; The Superior Oil Company and Humble Oil & Refining Company, as Second Parties; 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, and on June 27, 1963, Calendar Items 21 and 22.

This agreement will amend and extend an existing contract between the same parties for the processing and sale of natural gas entered into on May 23, 1938, and later extended on June 18, 1946, and March 22, 1954. The natural gas covered in the proposed amended agreement is allocated to lands to which the State asserts 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 38.

Tract 38, Fault Block IV Unit, is subject to a contract for the production of oil and gas which 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 22B, page 7203).

Since unitization, all of the wet gas produced from the Fault Block IV Unit is commingled and allocated to the various committed tracts. Under the terms of this proposed agreement, Lomita agrees to accept and process allocated gas in lieu of gas actually produced from Tract 38.

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 Board and Operators (Superior and Humble) will pay Lomita, the Board paying 15.705 percent and the Operators paying 84.295 percent, 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 the City, Superior and Humble, unless Lomita waives its right to collect this deficit.

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

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The term of this proposed agreement shall be for 10 years and so long thereafter 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 oil and gas lease covering the subject lands, as amended August 31, 1961.

The proposed agreement was approved by the Board of Harbor Commissioners of the City of Long Beach at its meeting on July 8, 1963, and by the City Council of the City of Long Beach at its meeting on July 9, 1963.

The Office of the Attorney General is of the opinion that, inasmuch as the State asserts title to a portion of the subject Tract 38, 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 "THIRD AGREEMENT" AMENDING CONTRACT FOR SALE OF NATURAL GAS", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; THE SUPERIOR OIL COMPANY AND HUMBLE OIL & REFINING COMPANY, AS SECOND PARTIES; AND LOMITA GASOLINE COMPANY, AS THIRD PARTY.