

MINUTE ITEM

19. APPROVAL OF DRY GAS SALES CONTRACT, SIGNAL OIL AND GAS COMPANY; OIL AND GAS LEASES 392, P.R.C. 163, P.R.C. 425, P.R.C. 426, HUNTINGTON BEACH FIELD, ORANGE COUNTY - W.O. 4829.

After consideration of Calendar Item 25 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE DRY GAS SALES CONTRACT OF MAY 1, 1963, BETWEEN SIGNAL OIL AND GAS COMPANY AND THE CITY OF LONG BEACH, AS A BASIS FOR SALE AND DELIVERY BY SIGNAL OIL AND GAS COMPANY OF ALL DRY GAS MARKETED FROM OIL AND GAS LEASES 392, P.R.C. 163, P.R.C. 425, AND P.R.C. 426, HUNTINGTON BEACH, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL THE TERMS AND CONDITIONS OF THE AFORESAID LEASES, RESPECTIVELY, AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

Attachment  
Calendar Item 25 (1 page)

CALENDAR ITEM

25.

APPROVAL OF DRY GAS SALES CONTRACT, SIGNAL OIL AND GAS COMPANY; OIL AND GAS LEASES 392, P.R.C. 163, P.R.C. 425, P.R.C. 426, HUNTINGTON BEACH FIELD, ORANGE COUNTY - W.O. 4829.

Oil and Gas Leases 392; P.R.C. 163, P.R.C. 425 and P.R.C. 426, currently held by Signal Oil and Gas Company, provide that in the event the State shall elect to take royalty in money instead of in kind, the lessee shall not sell or otherwise dispose of the products of the lease except in accordance with a sales contract or other methods first approved in writing by the State. Pursuant to this provision, Signal Oil and Gas Company has submitted for approval a copy of a dry gas sales agreement, dated May 1, 1963, between Signal Oil and Gas Company and the City of Long Beach, to cover the delivery of all dry gas marketed from the subject leases.

The dry gas sales contract is for a term of five years commencing May 1, 1963, and terminating April 30, 1968. The contract provides for an initial effective price of 34 cents per M.C.F. for dry gas with a heating value of 1000 B.T.U.s per cubic foot. In the event the heating value of the dry gas is greater or less than 1000 B.T.U.s per cubic foot, the effective price shall be multiplied by a factor obtained by dividing the actual B.T.U. content of the gas by 1000. On January 1, 1964, and on the first day of each succeeding July and January, the then effective price shall increase or decrease by an amount equal to the difference of the weighted average price, adjusted to 1000 B.T.U. per cubic foot, paid by Southern California Edison Company to the City of Long Beach for natural gas purchased for its use in the Los Angeles Basin during the two immediately preceding six-month periods. The effective price shall in no event increase or decrease by an amount more than one cent per M.C.F. at any one time, and, in the event a one-cent-per M.C.F. decrease at any one time would violate a 32-cent-per-M.C.F. price level, then the decrease would be limited to 0.5 cents per M.C.F. at that time. The unused portion of this price change will be applied to the effective price on the succeeding change date, subject to the aforementioned limitations. The general terms and conditions of the contract relating to delivery, price, and measurement of gas are in conformance with the respective lease terms and with general practice in the Huntington Beach Field.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE DRY GAS SALES CONTRACT OF MAY 1, 1963, BETWEEN SIGNAL OIL AND GAS COMPANY AND THE CITY OF LONG BEACH, AS A BASIS FOR SALE AND DELIVERY BY SIGNAL OIL AND GAS COMPANY OF ALL DRY GAS MARKETED FROM OIL AND GAS LEASES 392, P.R.C. 163, P.R.C. 425, AND P.R.C. 426, HUNTINGTON BEACH, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL THE TERMS AND CONDITIONS OF THE AFORESAID LEASES, RESPECTIVELY, AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.