

MINUTE ITEM

17. APPROVAL OF AMENDMENT 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

After consideration of Calendar Item 16 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE AMENDMENT DATED JULY 2, 1963, EFFECTIVE JUNE 13, 1963, TO THE GAS SALES AGREEMENT DATED JUNE 11, 1962, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, WHICH PROVIDES 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; THAT 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 WITH 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 WITH THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 16 (2 pages)

CALENDAR ITEM

16.

APPROVAL OF AMENDMENT 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.

On August 29, 1963 (Minute Item 28, page 9212), the Commission authorized the Executive Officer to approve conditionally a sales agreement dated June 11, 1962, between Richfield Oil Company and Pacific Lighting Gas Supply Company, effective for a period of one year after June 13, 1962. The agreement provides for the sale of gas produced by Richfield, as a joint lessee, from the 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 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, as to Richfield's interest.

Section 2 of Leases P.R.C. 308.1 and P.R.C. 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 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 Richfield Oil Corporation has now submitted for approval an amendment to the agreement, dated July 2, 1963, retroactively effective June 13, 1963. Under the amendment, the term of the agreement is extended to December 31, 1983. The amended agreement provides for the payment during

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the period June 13, 1963, through June 12, 1965, a price of 30 cents per Mcf for gas purchased (subject to any adjustment for deficiency in heating values). The price per Mcf for all gas purchased thereafter shall be the price paid by Pacific Lighting Gas Supply Company to Standard Oil Company of California for normal deliveries of oil well gas (exclusive of any premium paid for increased seasonal or daily deliveries, less 2 cents per Mcf), subject to any adjustment in the price to be paid by virtue of a deficiency in heating value. The price currently being paid for dry gas sold at the Elwood Oil and Gas Field and being received by joint lessees in the same lease is 31.22 cents per Mcf.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE AMENDMENT DATED JULY 2, 1963, EFFECTIVE JUNE 13, 1963, TO THE GAS SALES AGREEMENT DATED JUNE 11, 1962, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, WHICH PROVIDES 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; THAT UNDER LEASE P.R.C. 2793.1, FC. 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 WITH 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 WITH THE RULES AND REGULATIONS OF THE COMMISSION.