

MINUTE ITEM

3/31/66

37. REQUEST FOR APPROVAL OF NATURAL GAS PROCESSING AGREEMENT, TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 6099, P.R.C. 3455.1.

After consideration of Supplemental Calendar Item 40 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE THE NATURAL GAS PROCESSING AGREEMENT DATED APRIL 1, 1966, BETWEEN THE ATLANTIC REFINING COMPANY AND LOMITA GASOLINE COMPANY WHICH PROVIDES FOR THE PROCESSING OF ALL NATURAL GAS ALLOCATED TO THE TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD.

Attachment

Supplemental Calendar Item 40 (1 page)

40.

REQUEST FOR APPROVAL OF NATURAL GAS PROCESSING AGREEMENT, TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 6099, P.R.C. 3455.1.

The Atlantic Refining Company, State's lessee under the Tract No. 2 Agreement, has submitted for approval by the State, in accordance with Article 8 of the Tract No. 2 Agreement, a proposed Natural Gas Processing Agreement between The Atlantic Refining Company, and Lomita Gasoline Company, which provides for the processing of all wet gas allocated to Tract No. 2 under the Long Beach Unit.

The proposed processing agreement with Lomita includes the same terms and conditions as agreements entered into for processing wet gas allocated to Atlantic under the Unit, in Tract No. 1 and the Tomlot area from other leases of non-state lands.

The terms and conditions in the proposed agreement relative to gathering and distribution systems, measurement, quality determinations, accounting for natural gas and gas products, and processing operations, are in conformance with general practice in the industry.

The processor agrees to deliver to Atlantic 50% of the wet gas products extracted until November 1, 1969, and 55% thereafter, subject to the right of the processor to elect to take payment in cash on the basis of the highest price posted or paid in the field for natural gasoline of like quality. All residue dry gas remaining after processing and authorized deductions shall be delivered to Atlantic. In accordance with the provisions of the Tract No. 2 Agreement, the State receives 96.25% of the sales price of the extracted products and the average prevailing wholesale price in the Los Angeles Basin of the residue gas allocated to Atlantic after Tract No. 2 dry gas unit requirements have been fulfilled. The effective date of the agreement is April 1, 1966, and the term is to be coextensive with the terms of the Tract No. 2 Agreement; provided that either party may terminate this agreement by giving the other at least two years' written notice of such termination, which notice cannot be given prior to the expiration of 15 years from November 1, 1965. Such provision is desirable in the event the gross income to the processor falls below a certain percentage of the processing costs.

The Office of the Attorney General has reviewed the proposed processing agreement, and has advised that the Commission, at its discretion, may approve the agreement.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE THE NATURAL GAS PROCESSING AGREEMENT DATED APRIL 1, 1966, BETWEEN THE ATLANTIC REFINING COMPANY AND LOMITA GASOLINE COMPANY WHICH PROVIDES FOR THE PROCESSING OF ALL NATURAL GAS ALLOCATED TO THE TRACT NO. 2 AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD.