

MINUTE ITEM

8/8/66

14. APPROVAL OF GAS SALES AGREEMENT; P.R.C. 1343.1, P.R.C. 3095.1, ORANGE COUNTY; P.R.C. 735.1, VENTURA COUNTY; P.R.C. 1824.1, P.R.C. 2199.1, P.R.C. 2894.1, AND P.R.C. 3150.1, SANTA BARBARA COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. - W.O. 3400.

After consideration of Calendar Item 23 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 AGREEMENT DATED JULY 1, 1959, AS MODIFIED BY LETTER DATED NOVEMBER 23, 1964, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND THE PACIFIC LIGHTING GAS SUPPLY COMPANY, AS A BASIS FOR SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF ALL DRY GAS MARKETED FROM OIL AND GAS LEASES P.R.C. 735.1, P.R.C. 1343.1, P.R.C. 1824.1, P.R.C. 2199.1, P.R.C. 2894.1, P.R.C. 3095.1, AND P.R.C. 3150.1, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES AGREEMENT 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 23 (2 pages.)

23.

APPROVAL OF GAS SALES AGREEMENT; P.R.C. 1343.1, P.R.C. 3095.1, ORANGE COUNTY; P.R.C. 735.1, VENTURA COUNTY; P.R.C. 1824.1, P.R.C. 2199.1, P.R.C. 2894.1, AND P.R.C. 3150.1, SANTA BARBARA COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. - W.O. 3400.

Standard Oil Company of California, Western Operations, Inc., has submitted for approval a gas sales agreement dated July 1, 1959, and a letter modification dated November 23, 1964, between Standard Oil Company of California and Pacific Lighting Gas Supply Company, which provides for the sale of gas produced by Standard from tide and submerged lands in the Santa Barbara and San Pedro Channel area (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. 735.1, P.R.C. 1343.1, P.R.C. 1824.1, P.R.C. 2199.1, P.R.C. 2894.1, P.R.C. 3095.1 and P.R.C. 3150.1

Each lease 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 effective date of the agreement is July 1, 1959, and the agreement shall continue until terminated by either party. The price provisions of the contract are in conformance with the respective lease terms. The border price, to be effective January 1, 1965, is the average of the adjusted base prices in effect on the first day of each month that said Pacific Lighting Company would pay for out-of-state gas, assuming a one hundred per cent (100%) load factor, weighted on a volume basis and computed to the nearest one-hundredth (.01) of a cent per Mcf, using a pressure base of 14.73 pounds per square inch, absolute, at a temperature of sixty degrees (60°) Fahrenheit. The border price shall be recomputed whenever there is a change in any price or volume of out-of-state gas used in computing the last border price, and such recomputed border price shall become effective on the first day of the month following the month in which such change occurs. This is in contrast to the price provisions of Pacific Lighting's Letter of Intent, dated October 29, 1958, to Standard, agreeing to enter into a long-term contract where the border price was recomputed on January 1 of each year. However, the letter modification dated November 23, 1964, provides that for State royalty gas Pacific Lighting is required to pay Standard the greater of: (1) the price provisions of the subject long-term contract, or (2) the price at which Standard is required, by the State, to account for royalty gas, but in no event will such price exceed the provisions of the Letter of Intent agreement. Therefore, the State will receive royalties from the affected leases at the border price calculated on the monthly or yearly basis, whichever is the higher.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE DRY GAS SALES AGREEMENT DATED JULY 1, 1959, AS MODIFIED BY

CALENDAR ITEM 23. (CONTD.)

LETTER DATED NOVEMBER 23, 1964, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND THE PACIFIC LIGHTING GAS SUPPLY COMPANY, AS A BASIS FOR SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF ALL DRY GAS MARKETED FROM OIL AND GAS LEASES P.R.C. 735.1, P.R.C. 1343.1, P.R.C. 1824.1, P.R.C. 2199.1, P.R.C. 2894.1, P.R.C. 3095.1, AND P.R.C. 3150.1, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES AGREEMENT 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.