

MINUTE ITEM

9/26/66

33. DRY GAS MARKET VALUE, CITY OF LONG BEACH, LONG BEACH TIDELANDS, LOS ANGELES COUNTY - W.O. 3262.

After consideration of Calendar Item 19 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION APPROVES, PURSUANT TO SECTION 6, CHAPTER 29, STATUTES OF 1956, 1ST E.S., THE PAYMENT OF \$2,181,142.82 AS THE REASONABLE WHOLESALE MARKET VALUE OF TIDELAND DRY GAS RECEIVED BY THE MUNICIPAL GAS DEPARTMENT OF THE CITY OF LONG BEACH DURING THE PERIOD JULY 1, 1959, THROUGH JANUARY 31, 1963.

Attachment

Calendar Item 19 (2 pages)

DRY GAS MARKET VALUE, CITY OF LONG BEACH, LONG BEACH TIDELANDS, LOS ANGELES COUNTY - W.O. 3262.

Chapter 29, Statutes of 1956, 1st E.S., provides that the City of Long Beach shall account for and pay over to the State monthly all dry gas revenue received by the City from granted tide and submerged lands on and after February 1, 1956. Section 1(d) of Chapter 29 provides: "'Dry gas revenue' means the reasonable wholesale market value of dry gas derived from, or attributable to production from, said Long Beach tidelands and received into the system of Municipal Gas Department of the City of Long Beach and the net receipts to the City of Long Beach from the sale of tideland dry gas as such and which is not received into said system." Section 6 provides that "...the City of Long Beach shall receive into the system of its municipal gas department all dry gas derived from the Long Beach tidelands which can be economically utilized by said department and which is not required for oil field injection or repressuring operations in said tidelands. The stipulation shall also provide that the reasonable wholesale market value of said dry gas shall be determined from time to time jointly by the City of Long Beach and the State Lands Commission in the light of prices for processed dry gas prevailing from time to time at absorption plants where wet gas produced in the Los Angeles Basin is being processed."

On November 15, 1960 (Minute Item 15, page 6464), the Commission approved the price of \$0.2348 per Mcf as the reasonable wholesale market value of tideland dry gas received by the Municipal Gas Department of the City of Long Beach during the period November 31, 1956, through June 30, 1959, and approved the price of \$0.2348 per Mcf as the minimum price to be paid until further price negotiations have been completed.

As the result of a detailed study by representatives of the City and of the State of all factors that affected the value of dry gas and their influence on the wholesale market value of tideland dry gas for the period July 1, 1959, through January 31, 1963, it was concurred that the average monthly price received by producers for processed dry gas produced in the Los Angeles Basin should be adjusted for application to tideland gas. This adjustment was made in consideration of the lower heating value of Long Beach tideland dry gas, which is due largely to the presence of air and other diluents, compared with the average heating value of Basin processed dry gas. During January 1963, due to declining gas production, dry gas deliveries to the Long Beach Gas Department were terminated.

The total amount of dry gas received by the City during the period July 1, 1959, through January 1, 1963, was 8,600,633 Mcf for which, under the base price of \$0.2348, the City had paid over to the State \$2,019,429.82. As a result of the negotiations, an additional payment of \$161,713 will be made by the City for a total payment of \$2,181,142.82 as the reasonable wholesale market value of the gas received by the City. This represents an average price of \$0.2531 per Mcf, or an adjustment of .9102 of the average price received by producers in the Los Angeles Basin.

CALENDAR ITEM 19. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION APPROVE, PURSUANT TO SECTION 6, CHAPTER 29, STATUTES OF 1956, 1ST E.S., THE PAYMENT OF \$2,181,142.82 AS THE REASONABLE WHOLESALE MARKET VALUE OF TIDELAND DRY GAS RECEIVED BY THE MUNICIPAL GAS DEPARTMENT OF THE CITY OF LONG BEACH DURING THE PERIOD JULY 1, 1959, THROUGH JANUARY 31, 1963.