

MINUTE ITEM

2/27/69

23. APPROVAL OF GAS SALES AGREEMENT, P.R.C. 3133.1, SANTA BARBARA COUNTY;
HUMBLE OIL & REFINING COMPANY - W.O. 7255.

After consideration of Calendar Item 44 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE DRY GAS SALES AGREEMENT DATED DECEMBER 27, 1965, BETWEEN HUMBLE OIL & REFINING COMPANY AND THE PACIFIC LIGHTING SERVICE AND SUPPLY COMPANY, AS A BASIS FOR SALE AND DELIVERY OF HUMBLE'S SHARE OF THE DRY GAS MARKETED FROM STATE OIL AND GAS LEASE P.R.C. 3133.1, SANTA BARBARA COUNTY, 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 LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

Attachment

Calendar Item 44 (1 page)

44.

APPROVAL OF GAS SALES AGREEMENT, P.R.C. 3133.1, SANTA BARBARA COUNTY; HUMBLE OIL & REFINING COMPANY - W.O. 7255.

The State Lands Commission, on October 27, 1966 (Minute Item 24, pg. 13,236), approved a gas sales agreement dated December 27, 1965, between Humble Oil & Refining Company and Pacific Lighting Service and Supply Company, that provided for the sale of gas produced by Humble from tide and submerged lands in the Santa Barbara and San Pedro Channel area. Oil and gas leases issued by the Commission in the area that were affected at that time by the agreement included State Oil and Gas Leases P.R.C. 91.1, P.R.C. 186.1, P.R.C. 919.1, P.R.C. 920.1, E. 400.1, and E. 401.1, Orange County; and P.R.C. 1824.1 and P.R.C. 2207.1, Santa Barbara County.

Humble has requested that the approval now include the recent discovery and production under State Oil and Gas Lease P.R.C. 3133.1, Santa Barbara County (Exhibit "A").

The effective date of the agreement is January 1, 1966, and it is to continue until terminated by either party. The price provisions therein are in conformance with the respective lease terms. The price, to be effective January 1, 1966, is the average of the adjusted base prices in effect on the first day of each month that 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-hundredths (.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 price (border price) is to 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 is to 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 December 14, 1959, to Monterey Oil Company (interests assigned to Humble March 1, 1961), agreeing to enter into a long-term contract where the border price was recomputed on January 1 of each year.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE DRY GAS SALES AGREEMENT DATED DECEMBER 27, 1965, BETWEEN HUMBLE OIL & REFINING COMPANY AND THE PACIFIC LIGHTING SERVICE AND SUPPLY COMPANY, AS A BASIS FOR SALE AND DELIVERY OF HUMBLE'S SHARE OF THE DRY GAS MARKETED FROM STATE OIL AND GAS LEASE P.R.C. 3133.1, SANTA BARBARA COUNTY, 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 LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.