

20. TERMINATION OF CRUDE OIL SALES CONTRACT, STATE OIL AND GAS LEASE P.R.C. 1824.1, SANTA BARBARA COUNTY; HUMBLE OIL & REFINING COMPANY (JOINT LESSEE WITH STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC.) - W-9069.

After consideration of Calendar Item 27 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE TERMINATION OF THE CRUDE OIL SALES CONTRACT DATED OCTOBER 17, 1959, BETWEEN HUMBLE OIL & REFINING COMPANY AND STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., EFFECTIVE JULY 1, 1969, SUBJECT TO THE EXPRESS CONDITION THAT HUMBLE OIL & REFINING COMPANY WILL CONTINUE TO PAY ROYALTY AT THE HIGHEST PRICE AT WHICH OIL OF LIKE GRAVITY AND QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES IN THE SUMMERLAND FIELD, SANTA BARBARA COUNTY, CALIFORNIA; AND FURTHER SUBJECT TO THE CONDITION THAT SUCH APPROVAL DOES NOT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASE P.R.C. 1824.1 AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 27 (1 page)

TERMINATION OF CRUDE OIL SALES CONTRACT

APPLICANT: Humble Oil & Refining Company (joint lessee with Standard Oil Company of California under State Oil and Gas Lease P.R.C. 1824.1).

LOCATION: P.R.C. 1824.1, Summerland Offshore Field, Santa Barbara County.

PERTINENT INFORMATION:

The crude oil sales contract entered into and effective on October 17, 1959, between Humble Oil & Refining Company and Standard Oil Company of California, Western Operations, Inc., covering the sale of Humble's 50% share of the oil produced from the lease, was approved by the Commission on May 24, 1960 (Minute Item 8, page 5955). The sales contract was terminated by mutual agreement between the companies on July 1, 1969.

Section 3 of the lease provides in part: "When paid in money the royalty on oil shall be calculated on the current market price of the production removed or sold from the leased land, together with any premium or bonus paid thereon. The current market price, as determined by the State, shall not be less than the highest price at which oil of like gravity and quality is being sold in substantial quantities in the Summerland Field, Santa Barbara County, California."

The terminated sales contract was based on the posted price schedule of Standard Oil Company of California for the Summerland Offshore Field, which is the highest price at which oil is being sold in the Summerland Field.

An exchange agreement between both parties has been in effect since July 1, 1969, whereby Humble exchanges its 50% of the crude oil to Standard and receives an equivalent quantity and quality of crude oil at another location. Humble will continue to pay the State the highest posted price for crude oil of like gravity and quality in the Summerland Field. The current price schedule is posted by Standard under schedule number 148 dated March 1, 1969.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE TERMINATION OF THE CRUDE OIL SALES CONTRACT DATED OCTOBER 17, 1959, BETWEEN HUMBLE OIL & REFINING COMPANY AND STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., EFFECTIVE JULY 1, 1969, SUBJECT TO THE EXPRESS CONDITION THAT HUMBLE OIL & REFINING COMPANY WILL CONTINUE TO PAY ROYALTY AT THE HIGHEST PRICE AT WHICH OIL OF LIKE GRAVITY AND QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES IN THE SUMMERLAND FIELD, SANTA BARBARA COUNTY, CALIFORNIA; AND FURTHER SUBJECT TO THE CONDITION THAT SUCH APPROVAL DOES NOT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASE P.R.C. 1824.1 AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.