

MINUTE ITEM

18. APPROVAL OF CONDENSATE SALES CONTRACT, P.R.C. 2205.1, NAPLES FIELD, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4419.

After consideration of Calendar Item 16 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE CONDENSATE PURCHASE AGREEMENT BETWEEN PHILLIPS PETROLEUM COMPANY AND TIDEWATER OIL COMPANY ENTERED INTO ON JANUARY 20, 1962, AND EFFECTIVE UNTIL TERMINATED BY EITHER PARTY, SUBJECT TO THE CONDITION THAT SUCH APPROVAL SHALL NOT BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF LEASE P.R.C. 2205.1. FURTHER, THE LESSEE SHALL BE REQUIRED TO PAY TO THE STATE A ROYALTY BASED UPON THE HIGHEST PRICE IN THE NEAREST FIELD AT WHICH SUCH NONOIL PRODUCTION OF LIKE QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES, AND SUBJECT TO THE FURTHER 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. 2205.1 AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 16 (1 page)

CALENDAR ITEM

16.

APPROVAL OF CONDENSATE SALES CONTRACT, P.R.C. 2205.1, NAPLES FIELD, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W.O. 4419.

State Oil and Gas Lease P.R.C. 2205.1, covering 3,840 acres of tide and submerged lands, issued on July 25, 1958, to Phillips Petroleum Company and Edwin Pauley, et al., pursuant to competitive public bidding, provides in part that the lessee shall not sell or otherwise dispose of the royalty share of products produced from the lease except in accordance with approved sales contracts or other methods first approved in writing by the State.

The lease also provides that for all nonoil products the current market price at the well shall be determined by the State and shall not be less than the highest price in the nearest field in the State of California at which such nonoil production of like quality is being sold in substantial quantities.

In accordance with the terms of the lease, Phillips Petroleum Company has submitted for approval a condensate purchase agreement dated January 20, 1962, between Phillips Petroleum Company and Tidewater Oil Company, for the sale of not to exceed a maximum of 750 barrels per day of condensate, except at Tidewater's option. The term of the agreement commenced on January 20, 1962, and continues thereafter until terminated by either party on 90 days' written notice to the other. The agreement quotes a price per barrel of 42 U.S. gallons of the product delivered of \$3.33, which is slightly higher than the highest price currently paid for a product of like quality in the nearest field. However, it is possible that with a change in product quality the price in the sales contract might be less than the highest price paid for a product of like quality in the nearest field.

Other terms and conditions of the contract relating to the manner of delivery are in conformance with the lease terms and general practices in industry.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE CONDENSATE PURCHASE AGREEMENT BETWEEN PHILLIPS PETROLEUM COMPANY AND TIDEWATER OIL COMPANY ENTERED INTO ON JANUARY 20, 1962, AND EFFECTIVE UNTIL TERMINATED BY EITHER PARTY, SUBJECT TO THE CONDITION THAT SUCH APPROVAL SHALL NOT BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF LEASE P.R.C. 2205.1. FURTHER, THE LESSEE SHALL BE REQUIRED TO PAY TO THE STATE A ROYALTY BASED UPON THE HIGHEST PRICE IN THE NEAREST FIELD AT WHICH SUCH NONOIL PRODUCTION OF LIKE QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES; AND SUBJECT TO THE FURTHER 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. 2205.1 AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.