

MINUTE ITEM

10. AGREEMENT, AMENDING CERTAIN CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN THE CITY OF LONG BEACH, SOCONY-MOBIL OIL COMPANY, INC., SIGNAL OIL AND GAS COMPANY, AND LONG BEACH DOCK AND TERMINAL COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,172.

After consideration of Calendar Item 10 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION APPROVES AND AUTHORIZES THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "AGREEMENT AMENDING CERTAIN CONTRACTS FOR THE SALE OF NATURAL GAS", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, AS FIRST PARTIES, SOCONY-MOBIL OIL COMPANY, INC., AS SECOND PARTY, SIGNAL OIL AND GAS COMPANY, AS THIRD PARTY, AND LONG BEACH DOCK AND TERMINAL COMPANY, AS FOURTH PARTY.

Attachment

Calendar Item 10 (2 pages)

CALENDAR ITEM

10.

AGREEMENT, AMENDING CERTAIN CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN THE CITY OF LONG BEACH, SOCONY-MOBIL OIL COMPANY, INC., SIGNAL OIL AND GAS COMPANY, AND LONG BEACH DOCK AND TERMINAL COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,172.

The Socony-Mobil Oil Company, Inc., has submitted for approval by the State Lands Commission an agreement entitled "Agreement Amending Certain Contracts for the Sale of Natural Gas" between the City of Long Beach and its Board of Harbor Commissioners, as first parties, Socony-Mobil Oil Company, Inc., as second party, Signal Oil and Gas Company, as third party, and Long Beach Dock and Terminal Company, as fourth party. This agreement will amend and extend several existing contracts between the same parties for the processing and sale of natural gas.

The natural gas covered in the proposed Agreement is allocated to lands referred to as "Compromise Lands", lying in the Turning Basin area of the Long Beach Harbor District. Since the unitization of Fault Block IV on September 1, 1961, these lands have been designated as Tracts 28 and 28-A.

Under unitization, all of the wet gas produced from the Fault Block IV Unit is commingled and allocated to the various committed tracts. For processing, it is necessary to apportion the wet gas allocated to Tracts 28 and 28-A between Socony-Mobil Oil Company, Inc., and Lomita Gasoline Company. The "Compromise Lands" are subject to drilling and operating contracts providing for the production of oil and gas, which contracts have been amended and extended pursuant to the provisions of Chapter 1551, Statutes of 1959. This Agreement Amending Drilling and Operating Contracts dated January 10, 1939 (Amendment of 1961), as approved by the State Lands Commission at its meeting of August 28, 1961 (Minute Item 22, Minute pages 7204 and 7213-14), provides that the contractor will use its best efforts to obtain a purchaser for natural gas produced from or allocated to the subject lands.

This proposed Agreement Amending and Extending Contracts for the Processing and Sale of Natural Gas is in fulfillment of this obligation and is necessary in order that the City may commit the subject lands to the Fault Block IV Unit Agreement.

The agreement covers 76.0308 percent of the wet gas allocated to Tract 28 and all of the wet gas allocated to Tract 28-A. The City's working interest in Tract 28 and in Tract 28-A is 65 percent.

In general, terms and conditions in the proposed contract relative to gathering and distribution systems, measurements, quality determination, accounting for natural gas and gas products, and processing operations are in conformance with general practice in the industry. It is provided that in the event the gross income to the purchaser from processing falls below 115 percent of the processing cost, the working interest shall pay to the purchaser an amount equal to any calculated deficit. In the event this amount, including purchaser's share of products, exceeds 50 percent of the value of the products produced, the contract may be terminated by either party, unless the

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purchaser waives this requirement. The City reserves the right to take all of its share of the resulting dry gas and 50 percent of all of the gasoline or liquefied gas and other products.

The effective date of this proposed agreement will be retroactive to September 1, 1961, the date of unitization of Fault Block IV. Parties to the proposed amendment have been operating as though the agreement had been in effect since that date.

The term of the contract under this proposed amendment shall be for ten (10) years, and for so long thereafter as natural gas is produced from c. allocated to the subject lands, provided that in no event shall the term of this contract continue after the expiration of the Drilling and Operating Contract dated January 10, 1939, as amended in 1961.

This proposed agreement has been approved by the Long Beach City Council and the Board of Harbor Commissioners.

The office of the Attorney General is of the opinion that, inasmuch as the State claims title to these lands, State Lands Commission approval of the amendment is required, and that, pursuant to applicable statutes, the Commission in its discretion may approve the proposed Agreement Amending Contracts for the Sale of Natural Gas.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE AND AUTHORIZE THE EXECUTIVE OFFICER TO CERTIFY APPROVAL OF THE "AGREEMENT AMENDING CERTAIN CONTRACTS FOR THE SALE OF NATURAL GAS", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, AS FIRST PARTIES, SOCONY-MOBIL OIL COMPANY, INC., AS SECOND PARTY, SIGNAL OIL AND GAS COMPANY, AS THIRD PARTY, AND LONG BEACH DOCK AND TERMINAL COMPANY, AS FOURTH PARTY.