

MINUTE ITEM

11. AGREEMENTS AMENDING CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN CITY OF LONG BEACH, LOMITA GASOLINE COMPANY, SIGNAL OIL AND GAS COMPANY, AND LONG BEACH DOCK AND TERMINAL COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,173.

After consideration of Calendar Item 11 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 FOLLOWING AGREEMENTS:

- A. "SECOND AGREEMENT AMENDING CONTRACT FOR SALE OF NATURAL GAS", BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, AS FIRST PARTIES; LOMITA GASOLINE COMPANY, AS SECOND PARTY; SIGNAL OIL AND GAS COMPANY, AS THIRD PARTY; AND LONG BEACH DOCK AND TERMINAL COMPANY, AS FOURTH PARTY.
- B. "FIRST AGREEMENT AMENDING CONTRACT FOR SALE OF NATURAL GAS (PHARR 'G-1' WELL)", BETWEEN THE BOARD OF HARBOR COMMISSIONERS OF THE CITY OF LONG BEACH, AS FIRST PARTY; LOMITA GASOLINE COMPANY, AS SECOND PARTY; AND SIGNAL OIL AND GAS COMPANY, AS THIRD PARTY.

Attachment

Calendar Item 11 (2 pages)

CALENDAR ITEM

11.

AGREEMENTS AMENDING CONTRACTS FOR SALE OF NATURAL GAS, BETWEEN CITY OF LONG BEACH, LOMITA GASOLINE COMPANY, SIGNAL OIL AND GAS COMPANY, AND LONG BEACH DOCK AND TERMINAL COMPANY, WILMINGTON OIL FIELD - L.B.W.O. 10,173.

The Lomita Gasoline Company has submitted for approval by the State Lands Commission two agreements designated and entitled as follows:

- A. "Second Agreement Amending Contract for Sale of Natural Gas," between the City of Long Beach and its Board of Harbor Commissioners, as first parties; Lomita Gasoline Company, as second party; Signal Oil and Gas Company, as third party; and Long Beach Dock and Terminal Company, as fourth party.
- B. "First Agreement Amending Contract for Sale of Natural Gas (Pharr 'G-1' Well)", between Board of Harbor Commissioners of the City of Long Beach, as first party; Lomita Gasoline Company as second party; Signal Oil and Gas Company, as third party.

These agreements will amend and extend existing contracts between the same parties for the processing and sale of natural gas. The natural gas covered in the proposed amendments is allocated to lands referred to as "Compromise Lands" in the Long Beach Harbor District. Since the unitization of Fault Block IV on September 1, 1961, these lands have been designated as Tract No. 28 (Item A mentioned above) and Tract No. 29 (Item B mentioned above).

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 Tract 28 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. These contracts, approved by the State Lands Commission at its meeting of August 28, 1961 (Minute Item 22, pp. 7204, 7213, 7214, 7215, and 7216), provide that the Contractor shall provide a purchaser for the natural gas produced from, or allocated to, the subject lands.

The proposed agreements amending and extending contracts for the processing and sale of natural gas are in fulfillment of this obligation and are necessary in order that the City may commit the subject lands to the Fault Block IV Unit Agreement. The agreements cover 23.9692 percent of the wet gas allocated to Tract 28 and all of the wet gas allocated to Tract 29. The City's working interest in Tract 28 is 65 percent; the City's working interest in Tract 29 is 38 percent.

In general, terms and conditions in the proposed contracts relative to gathering and distribution systems, measurements, quality determinations, 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

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115 percent of the processing cost, the working interest shall pay to the purchaser an amount equal to any calculated deficit. In the event that this amount, including the purchaser's share of products, exceeds 55 percent of the value of the products produced, the contract may be terminated by either party, unless the 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 the proposed agreement will be retroactive to September 1, 1961, the date of the unitization of Fault Block IV. Parties to the proposed amendments have been operating as though the agreements had been in effect since that date.

The term of agreement, Item A, shall be for ten years and so long thereafter as natural gas is produced from, or allocated to, the "Compromise Lands", whichever is longer; provided that in no event shall it continue after the expiration of the drilling and operating contract dated January 10, 1939, as amended in 1961.

The term of agreement, Item B, shall continue until March 6, 1966 and so long thereafter as natural gas is allocated to Tract 29; provided, however, that in no event shall the term of this proposed contract continue after the expiration or sooner termination of the drilling and operating contract covering the subject lands dated March 6, 1941, as amended in 1961.

The proposed agreement amendments have 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 FOLLOWING AGREEMENTS:

- A. "SECOND AGREEMENT AMENDING CONTRACT FOR SALE OF NATURAL GAS," BETWEEN THE CITY OF LONG BEACH AND ITS BOARD OF HARBOR COMMISSIONERS, AS FIRST PARTIES; LOMITA GASOLINE COMPANY, AS SECOND PARTY; SIGNAL OIL AND GAS COMPANY, AS THIRD PARTY; AND LONG BEACH DOCK AND TERMINAL COMPANY, AS FOURTH PARTY.
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