

MINUTE ITEM

15. DRY GAS MARKET VALUE, LONG BEACH TIDELANDS - W.O. 3262.

After consideration of Calendar Item 13 attached, and upon motion duly made and carried, the following resolution was adopted:

THE STATE LANDS COMMISSION APPROVES, PURSUANT TO SECTION 6 OF CHAPTER 29, STATUTES OF 1956, 1ST E.S.:

1. THE ADJUSTED AVERAGE PRICE OF \$0.21205 PER MCF AS THE REASONABLE WHOLESALE MARKET VALUE OF TIDELAND DRY GAS RECEIVED BY THE MUNICIPAL GAS DEPARTMENT OF THE CITY OF LONG BEACH DURING THE PERIOD NOVEMBER 1, 1956, THROUGH JUNE 30, 1959;
2. A TENTATIVE PRICE OF \$0.2348 PER MCF AS THE REASONABLE WHOLESALE MARKET VALUE OF TIDELAND DRY GAS RECEIVED BY SAID MUNICIPAL GAS DEPARTMENT FROM JULY 1, 1959, UNTIL THE NEXT PRICE DETERMINATION IS MADE, SUBJECT, HOWEVER, TO ADJUSTMENT UPWARD OR DOWNWARD IF THE COMMISSION HEREAFTER FINDS THAT MARKET CONDITIONS WARRANT SUCH REVISION.

Attachment

Calendar Item 13 (2 pages)

CALENDAR ITEM

13.

DRY GAS MARKET VALUE, LONG BEACH TIDELANDS - W.O. 3262.

Chapter 29, Statutes of 1956, 1st E.S., provides that the City of Long Beach shall account for and pay over to the State monthly all dry gas revenue received by said City from granted tide and submerged lands on and after February 1, 1956. Section 1(d) of Chapter 29 provides: "'Dry gas revenue' means the reasonable wholesale market value of dry gas derived from, or attributable to production from, said Long Beach tidelands and received into the system of the municipal gas department of said City of Long Beach, and the net receipts to the City of Long Beach from the sale of tideland dry gas as such and which is not received into said system." Section 6 provides that "...the City of Long Beach shall receive into the system of its municipal gas department all dry gas derived from the Long Beach tidelands which can be economically utilized by said department and which is not required for oil field injection or repressuring operations in said tidelands....also provide that the reasonable wholesale market value of said dry gas shall be determined from time to time jointly by the City of Long Beach and the State Lands Commission in the light of prices for processed dry gas prevailing from time to time at absorption plants where wet gas produced in the Los Angeles Basin is being processed."

On November 19, 1956 (Minute Item 1, pages 2927-28), the Commission approved the price of \$0.1871 per Mcf as the reasonable wholesale market value of tideland dry gas received by the Municipal Gas Department of the City of Long Beach during the period February 1, 1956, through October 31, 1956, and approved the price of \$0.1871 per Mcf as the minimum price to be paid during the months of November and December 1956, subject, however, to upward revision if the Commission finds that the market warrants such upward revision.

As the result of a detailed study by representatives of the City and of the State of all factors that affected the value of dry gas and their influence on the wholesale market value of tideland dry gas for the period November 1, 1956, through June 30, 1959, it was concurred that the average monthly price received by producers for processed dry gas produced in the Los Angeles Basin should be adjusted by the application of a factor of 96.3%. This adjustment was made in consideration of the lower heating value of Long Beach tideland dry gas, which is due largely to the presence of air and other dilutents, compared with the average heating value of Basin-processed dry gas.

The total amount of tideland dry gas received by the City during the subject period (November 1, 1956, through June 30, 1959) was 19,214,204 Mcf. At the adjusted average price of \$0.21205 per Mcf, the State will receive an additional payment of \$479,425.25. It is suggested that dry gas revenue payments due the State for the period beginning July 1, 1959, and until such time as the subject is again reviewed, shall be \$0.2348 per Mcf, the average adjusted price for the period January 1, 1959, through June 30, 1959. This reasonable wholesale market value shall be adjusted

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upward or downward in the future, depending upon the price for processed dry gas prevailing in absorption plants in the Los Angeles basin. This tentative price would result in a current payment to the State of a sum of \$240,220.44 for the period July 1, 1959 through August 31, 1960.

The City Council of the City of Long Beach has approved the above price adjustments, and has approved a payment to the State of \$719,645.69, composed of the following:

Additional Dry Gas Royalty November 1, 1956 through June 30, 1959	\$479,425.25
Settlement based on Tentative Price for the Period July 1, 1959 through August 31, 1960	<u>\$240,220.44</u>
Total Payment	\$719,645.69

This anticipated payment is subject to final audit and verification as to the actual amount of gas for the period November 1, 1956 through June 30, 1959, and to review and revision as may be required for the subsequent period July 1, 1959 through August 31, 1960.

IT IS RECOMMENDED THAT THE STATE LANDS COMMISSION APPROVE, PURSUANT TO SECTION 6 OF CHAPTER 29, STATUTES OF 1956, 1ST E.S.:

1. THE ADJUSTED AVERAGE PRICE OF \$0.21205 PER MCF AS THE REASONABLE WHOLESALE MARKET VALUE OF TIDELAND DRY GAS RECEIVED BY THE MUNICIPAL GAS DEPARTMENT OF THE CITY OF LONG BEACH DURING THE PERIOD NOVEMBER 1, 1956, THROUGH JUNE 30, 1959;
2. A TENTATIVE PRICE OF \$0.2348 PER MCF AS THE REASONABLE WHOLESALE MARKET VALUE OF TIDELAND DRY GAS RECEIVED BY SAID MUNICIPAL GAS DEPARTMENT FROM JULY 1, 1959, UNTIL THE NEXT PRICE DETERMINATION IS MADE, SUBJECT, HOWEVER, TO ADJUSTMENT UPWARD OR DOWNWARD IF THE COMMISSION HEREAFTER FINDS THAT MARKET CONDITIONS WARRANT SUCH REVISION.