

MINUTE ITEM

6. APPROVAL OF AMENDMENT OF GAS SALES AGREEMENT; P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, SANTA BARBARA COUNTY; RICHFIELD OIL CORPORATION - W.O. 5474.

After consideration of Calendar Item 11 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE AMENDMENT DATED OCTOBER 1, 1964, EFFECTIVE NOVEMBER 1, 1964, TO THE GAS SALES AGREEMENT DATED JUNE 11, 1962, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, WHICH PROVIDES FOR THE SALE BY RICHFIELD, A JOINT LESSEE, IN COMPLIANCE WITH THE CONDITIONS OF THE RESPECTIVE LEASES, OF THE STATE'S ROYALTY SHARE OF DRY GAS PRODUCED UNDER OIL AND GAS LEASES P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, ALLOCATED TO RICHFIELD OIL CORPORATION.

THIS APPROVAL IS NOT TO BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF SAID LEASES, NOR DOES IT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH THE TERMS AND CONDITIONS OF OIL AND GAS LEASES P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 11 (2 pages)

CALENDAR ITEM

11.

APPROVAL OF AMENDMENT OF GAS SALES AGREEMENT; P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, SANTA BARBARA COUNTY; RICHFIELD OIL CORPORATION - W.O. 5474.

On August 29, 1963 (Minute Item 28, page 9212), and on March 26, 1964 (Minute Item 17, page 9753), the Commission authorized the Executive Officer to approve conditionally a sales agreement dated June 11, 1962, and an amendment thereto dated July 2, 1963, between Richfield Oil Corporation and Pacific Lighting Gas Supply Company, effective through December 31, 1983. The agreement as amended provides for the sale of gas produced by Richfield from tide and submerged lands in the Santa Barbara Channel area lying west of a north-south line drawn through State Coordinate X = 1,480,000, as indicated on Exhibit "A".

Oil and gas leases issued by the Commission in the area that will be affected by this agreement as to Richfield's interest include Leases P.R.C. 308.1, P.R.C. 309.1, and P.R.C. 2793.1.

Sections 2 of Lease P.R.C. 308.1 and of Lease P.R.C. 309.1 provide: "The lessee also agrees to pay to the State, at the times and in the manner herein specified for payment of royalty on oil, twenty (20) percentum of the gross market value, at Elwood Oil and Gas Field, California, of all dry gas, natural gasoline and other products extracted and saved from the gas produced from the demised premises. The gross market value shall be the reasonable market value as fixed by the State, unless such dry gas, natural gasoline and other products are sold pursuant to a sales contract approved by the State."

Section 3 of Lease P.R.C. 2793.1 provides: "The lessee agrees to account for and pay to the State in money as royalty on dry gas..., except gas used for lease use or reinjection into the leased lands (said dry gas, natural gasoline, and other products, subject to said exception being hereinafter sometimes referred to as 'non-oil production') sixteen and two-thirds (16-2/3) percent of the current market price at the well of, and of any premium or bonus paid on, all such nonoil production removed or sold from leased lands. 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 non-oil production of like quality is being sold in substantial quantities."

Each lease also provides that the lessee shall not sell or otherwise dispose of the royalty share of the products produced except in accordance with approved sales contracts or other methods first approved in writing by the State.

The Richfield Oil Corporation has now submitted for approval an amendment to the agreement, dated October 1, 1964, effective November 1, 1964. The amended agreement provides for the payment of the "Border Price" for gas purchased that has a BTU value of 1075; for BTU values below 1075 the price shall be reduced by the same percentage that the weighted gross heating value was reduced below 1075. The "Border Price" and the price currently paid for dry gas sold at the Elwood Oil and Gas Field is 31.22 cents per MCF.

CALENDAR ITEM 11. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE AMENDMENT DATED OCTOBER 1, 1964, EFFECTIVE NOVEMBER 1, 1964, TO THE GAS SALES AGREEMENT DATED JUNE 11, 1962, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, WHICH PROVIDES FOR THE SALE BY RICHFIELD, A JOINT LESSEE, IN COMPLIANCE WITH THE CONDITIONS OF THE RESPECTIVE LEASES, OF THE STATE'S ROYALTY SHARE OF DRY GAS PRODUCED UNDER OIL AND GAS LEASES P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, ALLOCATED TO RICHFIELD OIL CORPORATION.

THIS APPROVAL IS NOT TO BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF SAID LEASES, NOR DOES IT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH THE TERMS AND CONDITIONS OF OIL AND GAS LEASES P.R.C. 308.1, P.R.C. 309.1, AND P.R.C. 2793.1, AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.