

MINUTE ITEM

6/22/67

25. APPROVAL OF GAS SALES AGREEMENTS, P.R.C. 410.1 AND P.R.C. 1466.1, VENTURA COUNTY; ATLANTIC RICHFIELD COMPANY - W.O. 5947.

After consideration of Calendar Item 24 attached, and upon motion duly made and carried, the following resolution was adopted:

THE EXECUTIVE OFFICER IS AUTHORIZED TO APPROVE THE DRY GAS SALES AGREEMENT DATED MAY 15, 1959, BETWEEN RICHFIELD OIL CORPORATION AND SOUTHERN CALIFORNIA EDISON COMPANY, AND THE DRY GAS SALES AGREEMENT DATED NOVEMBER 1, 1964, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, AS THE BASES FOR SALE BY ATLANTIC RICHFIELD, 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. 410.1 AND P.R.C. 1466.1; PROVIDED, HOWEVER, THAT FOR ALL ROYALTY GAS SOLD TO SOUTHERN CALIFORNIA EDISON COMPANY UNDER SAID CONTRACT DATED MAY 15, 1959, ROYALTY WILL BE PAID AT THE HIGHER OF THE BORDER PRICE OR THE EDISON CONTRACT PRICE LESS FOUR CENTS PER MCF.

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 OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASES P.R.C. 410.1 AND P.R.C. 1466.1 AND THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 24 (2 pages)

24.

APPROVAL OF GAS SALES AGREEMENTS, P.R.C. 410.1 AND F.R.C. 1466.1, VENTURA COUNTY; ATLANTIC RICHFIELD COMPANY - W.O. 5947.

Atlantic Richfield Company has submitted for approval a gas sales agreement dated May 15, 1959, between Richfield Oil Corporation and Southern California Edison Company, and a gas sales agreement dated November 1, 1964, between Richfield Oil Corporation and Pacific Lighting Gas Supply Company, which provide for the sale of gas produced by Atlantic Richfield from tide and submerged lands in the Santa Barbara Channel area (as indicated on Exhibit "A").

Oil and gas leases issued by the Commission in the area that will be affected by these agreements include Leases P.R.C. 410.1 and P.R.C. 1466.1. Section 2 of Lease P.R.C. 410.1 and Section 3 of Lease P.R.C. 1466.1 provide, in part, that the lessee shall pay 20 percent of the gross market value at Rincon, California, on 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.

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 effective dates of the agreements with Southern California Edison Company and Pacific Lighting Gas Supply Company are May 15, 1959, and November 1, 1964, respectively, for terms of 25 years and 35 years, respectively. The price provided under the Edison contract is the border price plus four cents per Mcf. or the price paid by Edison to any gas supplier furnishing more than one million cubic feet of natural gas per day to Edison, whichever is higher. However, under this contract, all gas must be delivered by Atlantic Richfield to the Edison Mandalay Steam Electric Generating Plant south of Ventura. The delivery cost is currently four cents per Mcf. The sales price for gas sold under the Pacific Lighting agreement, an alternate sales outlet, is the border price. The border price is the average of the adjusted base prices in effect on the first day of each month that said Pacific Lighting Company would pay for out-of-state gas, assuming a one-hundred percent (100%) load factor, weighted on a volume basis and computed to the nearest one-hundredth (.01) of a cent per Mcf., using a pressure base of 14.73 pounds per square inch, absolute, at a temperature of sixty degrees (60°) Fahrenheit. The border price shall be recomputed whenever there is a change in any price or volume of out-of-state gas used in computing the last border price, and such recomputed border price shall become effective on the first day of the month following the month in which such change occurs.

Atlantic Richfield has agreed to pay the State for its royalty share of dry gas sold under the Edison agreement from the subject leases at the higher of the border price or the Edison contract price less four cents per Mcf.

CALENDAR ITEM 24. (CONED.)

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO APPROVE THE DRY GAS SALES AGREEMENT DATED MAY 15, 1959, BETWEEN RICHFIELD OIL CORPORATION AND SOUTHERN CALIFORNIA EDISON COMPANY, AND THE DRY GAS SALES AGREEMENT DATED NOVEMBER 1, 1964, BETWEEN RICHFIELD OIL CORPORATION AND PACIFIC LIGHTING GAS SUPPLY COMPANY, AS THE BASES FOR SALE BY ATLANTIC RICHFIELD, 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. 410.1 AND P.R.C. 1466.1; PROVIDED, HOWEVER, THAT FOR ALL ROYALTY GAS SOLD TO SOUTHERN CALIFORNIA EDISON COMPANY UNDER SAID CONTRACT DATED MAY 15, 1959, ROYALTY WILL BE PAID AT THE HIGHER OF THE BORDER PRICE OR THE EDISON CONTRACT PRICE LESS FOUR CENTS PER MCF.

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 OF THE TERMS AND CONDITIONS OF OIL AND GAS LEASES P.R.C. 410.1 AND P.R.C. 1466.1 AND THE RULES AND REGULATIONS OF THE COMMISSION.