

MINUTE ITEM

7/27/67

23. APPROVAL OF NATURAL GAS PROCESSING AGREEMENT, P.R.C. 998.1, ORANGE COUNTY, WEST SHORE PETROLEUM COMPANY - W.O. 6638.

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 AUTHORIZE WEST SHORE PETROLEUM COMPANY TO APPROVE A GAS PROCESSING AGREEMENT, SUBMITTED WITH THEIR LETTER OF TRANSMITTAL DATED JUNE 7, 1967, WITH HUMBLE OIL & REFINING COMPANY, TO PROVIDE FOR THE PROCESSING AND SALE OF NATURAL GASOLINE AND DRY GAS EXTRACTED AND SAVED FROM THE GAS PRODUCED UNDER STATE OIL AND GAS LEASE P.R.C. 998.1; PROVIDED THAT, AS THE BASIS FOR THE DETERMINATION OF STATE ROYALTY PAYMENT, THE GROSS MARKET VALUE SHALL BE THE REASONABLE MARKET VALUE AS FIXED BY THE STATE, WHICH SHALL NOT BE LESS THAN THE HIGHEST PRICE IN THE NEAREST FIELD IN THE STATE OF CALIFORNIA AT WHICH DRY GAS AND NATURAL GASOLINE OF LIKE QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES.

THIS APPROVAL IS NOT TO BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF SAID LEASE, 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 STATE OIL AND GAS LEASE P.R.C. 998.1 AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 24 (2 pages)

24.

APPROVAL OF NATURAL GAS PROCESSING AGREEMENT, P.R.C. 998.1, ORANGE COUNTY,
WEST SHORE PETROLEUM COMPANY - W.O. 6638.

West Shore Petroleum Company has submitted for approval, before its execution, a processing agreement between West Shore Petroleum Company and Humble Oil & Refining Company that provides for the processing by Humble of wet gas produced under State Oil and Gas Lease P.R.C. 998.1. The previous processing agreement, dated June 8, 1964, is to be superseded and cancelled by this agreement.

Section 2 of the lease provides, in part, "...if wet gas from the demised premises is delivered by the lessee to a third party for processing on a contract or royalty basis, the royalty provided to be paid hereunder shall be twenty (20) percentum of the market value at the processing plant of the Lessee's proportion of the dry gas, natural gasoline, and other products extracted and saved from the gas produced from the demised premises under such contract."

Under the processing agreement:

- (a) The processor agrees to pay the State's lessee, as royalty, forty per cent (40%) of all marketable gasoline extracted from the wet gas at the price currently offered or paid by Humble to producers for gasoline of like specification and quality in the same vicinity.
- (b) The processor agrees to pay the State's lessee sixty per cent (60%) of the net proceeds of the marketed dry gas.
- (c) The State's lessee agrees that when the gas delivered to Humble tests less than one (1) gallon of liquid hydrocarbon per Mcf of gas, Humble may require the State's lessee to make a connection to its dry gas line. In such event, Humble shall pay the State's lessee fifty per cent (50%) of net proceeds of the delivered marketed dry gas.

This agreement shall become effective the first day of the month following its execution and shall continue in effect until August 2, 1975, and thereafter until terminated by either party.

The general terms and conditions of the contract relating to the testing, measurement, and delivery of gas are in conformance with the lease terms and general practice in the Huntington Beach Field.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO AUTHORIZE WEST SHORE PETROLEUM COMPANY TO APPROVE A GAS PROCESSING AGREEMENT, SUBMITTED WITH THEIR LETTER OF TRANSMITTAL DATED JUNE 7, 1967, WITH HUMBLE OIL & REFINING COMPANY, TO PROVIDE FOR THE PROCESSING AND SALE OF NATURAL GASOLINE AND DRY GAS EXTRACTED AND SAVED FROM THE GAS PRODUCED UNDER STATE OIL AND GAS LEASE P.R.C. 998.1; PROVIDED THAT, AS THE BASIS FOR THE DETERMINATION OF STATE ROYALTY PAYMENT, THE GROSS MARKET VALUE SHALL BE THE

CALENDAR ITEM 24. (CONTD.)

REASONABLE MARKET VALUE AS FIXED BY THE STATE, WHICH SHALL NOT BE LESS THAN THE HIGHEST PRICE IN THE NEAREST FIELD IN THE STATE OF CALIFORNIA AT WHICH DRY GAS AND NATURAL GASOLINE OF LIKE QUALITY IS BEING SOLD IN SUBSTANTIAL QUANTITIES.

THIS APPROVAL IS NOT TO BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF SAID LEASE, 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 STATE OIL AND GAS LEASE P.R.C. 928.1 AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.