

30. APPROVAL OF CRUDE OIL SALES CONTRACT, LEASE P.R.C. 429.1, CARR AND WRATH, INC., RINCON FIELD, VENTURA COUNTY - W.O. 6839.

After consideration of Calendar Item 5 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE CRUDE OIL SALES CONTRACT BETWEEN CARR AND WRATH, INC., AND SHELL OIL COMPANY, ENTERED INTO NOVEMBER 1, 1967, AND EFFECTIVE UNTIL TERMINATED BY EITHER PARTY, SUBJECT TO THE CONDITION THAT SUCH APPROVAL SHALL NOT BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF LEASE P.R.C. 429.1 AND THAT THE CONTRACT SHALL NOT BE DETERMINATIVE OF FAIR MARKET VALUE FOR ROYALTY PURPOSES UNDER THE PROVISIONS OF SECTION 2 OF THE SAID LEASE, AND SUBJECT TO THE FURTHER CONDITION THAT SUCH APPROVAL DOES NOT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL THE TERMS AND CONDITIONS OF OIL AND GAS LEASE EXTENSION AND RENEWAL P.R.C. 429.1, AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.

Attachment

Calendar Item 5 (2 pages)

5.

REQUEST FOR APPROVAL OF CRUDE OIL SALES CONTRACT, LEASE P.R.C. 429.1, CARR AND WRATH, INC., RINCON FIELD, VENTURA COUNTY - W.O. 6839.

State Oil and Gas Lease Extension and Renewal P.R.C. 429.1 was issued April 21, 1951, to Honolulu Oil Corporation for ten years with options of extension. On October 3, 1961, the lease was assigned to Tidewater Oil Company, excepting and reserving a production payment to Albantu Oil & Gas Corporation, Morlyn Oil Company, and Calprintz Corporation. On November 1, 1965, Morlyn Oil Company assigned its interest in the production payment to Cambrian Oil Company and Tina Minerals Corporation. On October 26, 1967, the State Lands Commission approved the assignment of Tidewater's interest to Carr and Wrath, Inc., with the assignee to be bound by the terms and conditions of the lease to the same extent as the original lessee.

Section 15 of the lease states in part:

"In the event the State should elect to take royalty in money instead of kind, the lessee shall not sell or dispose of the products produced hereunder except in accordance with such sales contracts or other methods first approved in writing by the State."

Section 2 of the lease states in part:

"When paid in money, the royalty shall be calculated upon the reasonable market price of the oil at the well as determined by the State, which price shall not be less than the highest price at which a major oil company then buying oil of like gravity and quality in substantial quantities at the Rincon Field in Ventura County, California, is offering for oil of like gravity and quality at the well..."

In accordance with Section 15 of the lease, Carr and Wrath, Inc., the lessee, has submitted for approval a copy of a crude oil sales contract dated and effective November 1, 1967, between Carr and Wrath, Inc., and Shell Oil Company for the sale of its oil produced from the lease, with the buyer not obligated to accept more than 10,000 barrels of oil in any one month. During September 1967, the lease produced 5,187 barrels of oil from 13 producing wells, with two wells idle the entire month. The contract is to remain in effect until terminated by either party by giving not less than twelve (12) months written notice of termination.

Although the sales contract provides that the price paid for oil shall be the average of posted prices at Rincon, or in the nearest field if not posted at Rincon, the lessee has submitted a letter of understanding, dated December 7, 1967, stating that all oil-royalty payments due the State shall be in accordance with the requirements of Section 2 of the said lease.

Other terms and conditions of the contract relating to the manner of delivery and procedure for testing oil samples are in conformance with the lease terms and with general practice in industry.

CALENDAR ITEM 5. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE CRUDE OIL SALES CONTRACT BETWEEN CARR AND WRATH, INC., AND SHELL OIL COMPANY, ENTERED INTO NOVEMBER 1, 1967, AND EFFECTIVE UNTIL TERMINATED BY EITHER PARTY, SUBJECT TO THE CONDITION THAT SUCH APPROVAL SHALL NOT BE CONSTRUED AS CHANGING THE ROYALTY PAYMENT PROVISIONS OF LEASE P.R.C. 429.1 AND THAT THE CONTRACT SHALL NOT BE DETERMINATIVE OF FAIR MARKET VALUE FOR ROYALTY PURPOSES UNDER THE PROVISIONS OF SECTION 2 OF THE SAID LEASE, AND SUBJECT TO THE FURTHER CONDITION THAT SUCH APPROVAL DOES NOT MODIFY OR AFFECT, IN ANY MANNER, ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL THE TERMS AND CONDITIONS OF OIL AND GAS LEASE EXTENSION AND RENEWAL P.R.C. 429.1, AND WITH THE RULES AND REGULATIONS OF THE COMMISSION.