

MINUTE ITEM

10/22/70  
JWY

22. APPROVAL OF AMENDMENT TO NATURAL GASOLINE SALES CONTRACT, P.R.C. 293<sup>2</sup>.1, MOLINO FIELD, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY - W-9262.

After consideration of Calendar Item 26 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION APPROVES THE AMENDMENT TO THE NATURAL GASOLINE SALES CONTRACT DATED AUGUST 21, 1970, BETWEEN PHILLIPS PETROLEUM COMPANY AND NEWHALL REFINING COMPANY, INC., AS A BASIS FOR THE SALE OF THE STATE'S ROYALTY SHARE OF NONOIL PRODUCTION UNDER LEASE P.R.C. 2933.1, SANTA BARBARA COUNTY.

Attachment:

Calendar Item 26 (1 page)

## CALENDAR ITEM

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26.

APPROVAL OF AMENDMENT TO NATURAL GASOLINE SALES CONTRACT, P.R.C. 2933.1, MOLINO FIELD, SANTA BARBARA COUNTY; PHILLIPS PETROLEUM COMPANY.

State Oil and Gas Lease P.R.C. 2933.1, covering 4,250 acres of tide and submerged lands, issued on October 25, 1962, to Phillips Petroleum Company and Pauley Petroleum, Inc., pursuant to competitive public bidding, provides in part that the lessee shall not sell or otherwise dispose of the royalty share of products produced from the lease except in accordance with approved sales contracts or other methods first approved in writing by the State.

On November 17, 1966, the State Lands Commission approved a natural gasoline sales contract between Phillips Petroleum Company and Newhall Refining Company, Inc. (Minute Item 20, page 13,350).

The contract provided for a term and price as follows:

Term: April 1, 1966, through January 1, 1968, and thereafter on a year-to-year basis unless canceled by either party.

Price: \$3.11 per barrel of 42 U.S. gallons delivered into Newhall's trucks at the onshore gas-processing facilities of Lease P.R.C. 2933.1. Subject to an adjustment, upward or downward, by 1 cent per barrel for each 0.1 cent per gallon change in the Los Angeles regular (90 Octane) gasoline price as published in the Oil and Gas Journal, and further subject to an adjustment downward by 3 cents per barrel for each 1 per cent contaminant (bitumen) content.

Phillips has now submitted a letter of agreement dated August 21, 1970, amending the natural gasoline contract of February 23, 1966. This agreement has been made necessary due to the fact that the Oil and Gas Journal, on February 11, 1970, changed the Los Angeles regular (90 Octane) gasoline price to a Los Angeles regular (91 Octane) gasoline price. This resulted in a price of 11.00 cents per gallon for 90 Octane (extrapolated), or a net change of 0.5 cent per gallon from the contract reference price of 11.5 cents per gallon. Therefore, effective February 11, 1970, through July 31, 1970, the contract base price of \$3.11 per barrel was reduced by \$0.05 per barrel.

The agreement further provides that beginning August 1, 1970, and continuing thereafter, the price will increase or decrease based on the California (rack) for the Los Angeles regular (91 Octane) gasoline price as published in the Oil and Gas Journal. The rack price for 91 Octane gasoline, published on August 1, 1970, was 11.25 cents per gallon and has remained firm to date. The resultant deviation of 2.5 cents per gallon from the reference price (11.5 cents per gallon) reduces the base price (\$3.11 per barrel) by \$0.025 to \$3.085 per barrel.

IT IS RECOMMENDED THAT THE COMMISSION:

APPROVE THE AMENDMENT TO THE NATURAL GASOLINE SALES CONTRACT DATED AUGUST 21, 1970, BETWEEN PHILLIPS PETROLEUM COMPANY AND NEWHALL REFINING COMPANY, INC., AS A BASIS FOR THE SALE OF THE STATE'S ROYALTY SHARE OF NONOIL PRODUCTION UNDER LEASE P.R.C. 2933.1, SANTA BARBARA COUNTY.