

MINUTE ITEM NO. 16
APPROVED 12/11/75

CALENDAR ITEM

12/75
CVB

16.

FIRST AMENDMENT TO THE STRETFORD PROCESS TREATING
AGREEMENT FOR REMOVAL OF HYDROGEN SULFIDE
FROM NATURAL GAS (LONG BEACH HARBOR
DEPARTMENT TIDELANDS PARCEL AND PARCEL "A"),
CITY OF LONG BEACH, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The City of Long Beach, pursuant to the provisions of Section 10(b), Chapter 29/1956 1st E.S., has requested Commission approval of the First Amendment to the Stretford Process Treating Agreement for Removal of Hydrogen Sulfide from Natural Gas (Long Beach Harbor Department Tidelands Parcel and Parcel "A").

This Stretford Process Treating Agreement for Removal of Hydrogen Sulfide from Natural Gas provides for the treating of gas produced from the prior development portion of the Long Beach granted tidelands for environmental protection and to make the gas saleable to consumers and was approved by the Commission at its meeting of April 26, 1973. The Agreement became effective May 25, 1973 between Petrolane-Lomita Gasoline Company, dba Lomita Gasoline Company, as Treater, and the City of Long Beach, as Producer. The purpose of this First Amendment is to clarify and expand the wording of the Agreement and to set forth more detailed accounting procedures and thereby strengthen economic controls.

The original Agreement does not recognize both unitized and nonunitized properties or the existence of the pipeline system for the return of gas for use as fuel in oil operations. The proposed Amendment sets up a cost center for the Field Gathering and Return System and divides the system into segments according to ownership of the various pipelines. Additionally, the Amendment clarifies the abandonment funding provisions of the Agreement whereby an ultimate amount of \$538,167 is being accumulated at 3 cents per mcf as an Abandonment Charge to fund the abandoning of the field gas gathering and return pipeline system. Both the Agreement and the Amendment provide for increasing the Abandonment Charge up to 5 cents per mcf upon approval of the three principal operators in the Wilmington Oil Field (City of Long Beach, Mobil Oil Corporation and Champlin Petroleum Company). To ensure the complete funding of \$538,167 for abandonment costs, the three principal operators have agreed to increase the Abandonment Charge rate to 5 cents per mcf. At this increased rate, the funding is estimate to be fulfilled by 1978.

A 52, 57, 58
S 27, 31

1389

CALENDAR ITEM NO. 16. (CONTD)

This acceleration in funding is a necessity because of recent events at the Federal level relative to price control on crude oil and natural gas. It is indicated that extension of price controls may force early abandonment of these oil properties. Therefore, acceleration of payments to the abandonment fund must be provided. This need for acceleration in itself compounds the problem of early abandonment in that it adds further to the cost and cause of premature abandonment.

The Division has reviewed the proposed First Amendment and finds that the revised wording clarifies the intent of the original Agreement and provides improved accounting procedures.

The Office of the Attorney General has advised that the proposed First Amendment is legally sufficient and may be approved by the Commission.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 10(b), CHAPTER 29/1956 1ST E.S., APPROVE THE FIRST AMENDMENT TO THE STRETFORD PROCESS TREATING AGREEMENT FOR REMOVAL OF HYDROGEN SULFIDE FROM NATURAL GAS (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND PARCEL "A").