

MINUTE ITEM

This Calendar Item No. 26
approved as Minute Item
26 by the State Lands
Commission by a vote of 3
to 0 at its 9/28/83
meeting.

CALENDAR ITEM

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9/28/83
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Pace

CONSENT TO AMENDMENT
TO CITY OF LONG BEACH
NATURAL GAS LIQUIDS SALES CONTRACT,
LONG BEACH HARBOR DEPARTMENT TIDELANDS
• PARCEL AND PARCEL "A",
LONG BEACH TIDELANDS

Pursuant to the oil operating contracts for the Long Beach Harbor Department Tidelands Parcel and Parcel "A", all natural gas produced and saved is to be delivered to the designee of the City of Long Beach for credit to the City. Liquids are extracted from the gas in the designee's processing plant, and the money received by the City from its sale of these gas liquids is payable to the State as oil revenue under Chapter 138, Statutes of 1964, 1st E.S.

On May 25, 1973, the City entered into a long-term contract with Macmillan Ring-Free Oil Co. under which the City sells and Macmillan purchases all of the liquids extracted from the gas produced and saved from the Long Beach Harbor Department Tidelands Parcel and Parcel "A". The contract provided that Macmillan shall pay the arithmetic average of the posted prices for natural gas liquids in certain named fields or if there are no postings, the market price generally prevailing for gas liquids. Since the contract became effective, the posting of prices for gas liquids in the named fields has stopped, and the demand for such liquids, which are high in sulfur, has diminished. Macmillan does not have the facilities to receive the liquids, so it resells the liquids to Chevron, USA, which is the only purchaser in the area. A dispute arose between the City and Macmillan as to the generally prevailing market price. The parties have agreed that the contract should specify that the price to be paid to the City is the price received by Macmillan from Chevron and that this price should be effective July 1,

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1982. The parties have also agreed that the contract should provide a mutual right of termination upon 90 days' written notice. An amendment making these changes has been approved by both the City and Macmillan.

The staff has reviewed the amendment, a copy of which is on file in the Commission's office, and has found it to be consistent with the State's financial interests.

Under section 10(b) of Chapter 29, Statutes of 1956, 1st E.S., any amendment to a contract between the City of Long Beach and another person or entity relating to the disposition of hydrocarbons from the Long Beach tidelands must receive the advance consent of the State Lands Commission in order to be effective.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION, ACTING PURSUANT TO 10(b) OF CHAPTER 29, STATUTES OF 1956, 1ST E.S.:

1. CONSENT TO THE AMENDMENT RELATING TO PRICE AND TERM TO THE CONTRACT BETWEEN THE CITY OF LONG BEACH AND MACMILLAN RING-FREE OIL COMPANY FOR THE CITY'S SALE AND MACMILLAN'S PURCHASE OF THE LIQUIDS EXTRACTED FROM THE NATURAL GAS PRODUCED AND SAVED FROM THE LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND PARCEL "A", LONG BEACH TIDELANDS.