

MINUTE ITEM

9. REQUEST FOR THE ISSUANCE OF A NEW LEASE IN EXCHANGE FOR GAS LEASE AGREEMENT FOR EASEMENT NO. 415.1, RIO VISTA GAS FIELD, COUNTIES OF CONTRA COSTA, SACRAMENTO, SAN JOAQUIN, AND SOLANO; STANDARD OIL COMPANY OF CALIFORNIA - W.O. 4888; E. 415.1.

After consideration of Calendar Item 8 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE ISSUANCE OF A NEW LEASE IN EXCHANGE FOR AGREEMENT FOR EASEMENT NO. 415.1, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE LESSEE, STANDARD OIL COMPANY OF CALIFORNIA, FOR A TERM OF FIVE YEARS AND FOR SO LONG THEREAFTER AS GAS IS PRODUCED IN PAYING QUANTITIES, OR LESSEE SHALL BE CONDUCTING PRODUCING, DRILLING, DEEPENING, REPAIRING, REDRILLING OR OTHER NECESSARY LEASE OR WELL MAINTENANCE OPERATIONS ON THE LEASED LAND.

Attachment

Calendar Item 8 (2 pages)

CALENDAR ITEM

8.

REQUEST FOR THE ISSUANCE OF A NEW LEASE IN EXCHANGE FOR GAS LEASE AGREEMENT FOR EASEMENT NO. 415.1, RIO VISTA GAS FIELD, COUNTIES OF CONTRA COSTA, SACRAMENTO, SAN JOAQUIN, AND SOLANO - STANDARD OIL COMPANY OF CALIFORNIA - W.C. 4888.

Agreement for Easement No. 415.1, covering tide and submerged land areas in the beds of the Sacramento and San Joaquin Rivers and other inland waters in Contra Costa, Sacramento, San Joaquin, and Solano Counties, was issued on June 3, 1940, pursuant to the State Lands Act of 1938, for a term of 20 years. Section 1 of the agreement provides, in part, for the extension at the expiration of the original term with "...the option in the grantee to continue the term of this agreement as to all wells drilling or producing at the expiration of the original term hereof for so long as gas is produced therefrom". The lessee has exercised this option.

Section 6827 of the Public Resources Code states, in part: "... the commission may issue a new lease in exchange for any lease issued for a term of 20 years, or any renewal or extension thereof; such new lease shall be issued at the same royalty and upon the same terms and conditions as the lease for which it is exchanged, unless the commission and the lessee shall otherwise agree, except that such exchange lease shall be for a term of five years and for so long thereafter as oil or gas is produced in paying quantities, or lessee shall be conducting producing, drilling, deepening, repairing, redrilling or other necessary lease or well maintenance operations on the leased land."

An application has been received from the lessee for the issuance of a new lease in exchange for Agreement for Easement No. 415.1, as authorized by Division 6 of the Public Resources Code. The lease has been fully explored and developed, and the lessee has performed all the obligations under the original agreement. The proposed new lease would permit unitization with the consent of the State Lands Commission, and provides the basis for determining the State's royalty and net profits interests on an allocation of production to State lands in the event unitization takes place. A unit agreement, which will include within its boundaries a greater part of the lands covered by State Easement No. 415.1, is currently being prepared to permit more efficient operating and production practices in the Rio Vista Field. The issuance of an exchange lease containing the provisions referred to above is a necessary step prior to the implementation of any plan for unitizing the field.

The proposal for unitization, if and when submitted, can be authorized under Section 6832 of the Public Resources Code, which provides: "For the purpose of more properly conserving the natural resources of any oil or gas pool or field, or any part thereof, lessees hereunder and their representatives may unitewith each other jointly or separately, or jointly or separately with others owning or operating lands not belonging to the State, including lands belonging to the United States, in collectively adopting and operating under a cooperative or unit plan of development or operation of the pool or field,

CALENDAR ITEM 8. (CONTD.)

or any part thereof, whenever it is determined by the commission to be necessary or advisable in the public interest. The commission may, with the consent of the holders of leases involved, establish, alter, change, and revoke any drilling and production requirements of such leases, permit apportionment of production, and may make such regulations with reference to such leases, with like consent on the part of such lessees, in connection with the institution and operation of any such cooperative or unit plan, as the commission deems necessary or proper to secure the proper protection of the interests of the State."

In the opinion of the office of the Attorney General, the proposed gas lease to be issued in exchange for gas lease Easement 415.1 is in compliance with applicable statutes, and rules and regulations of the Commission, and the proposed lease may be considered for approval by the State Lands Commission.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE ISSUANCE OF A NEW LEASE IN EXCHANGE FOR AGREEMENT FOR EASEMENT NO. 415.1, IN ACCORDANCE WITH THE PROVISIONS OF SECTION 6827 OF THE PUBLIC RESOURCES CODE, AS REQUESTED BY THE LESSEE, STANDARD OIL COMPANY OF CALIFORNIA, FOR A TERM OF FIVE YEARS AND FOR SO LONG THEREAFTER AS GAS IS PRODUCED IN PAYING QUANTITIES. THE LESSEE SHALL BE CONDUCTING PRODUCING, DRILLING, DEEPENING, REPAIRING, REDRILLING OR OTHER NECESSARY LEASE OR WELL MAINTENANCE OPERATIONS ON THE LEASED LAND.