

MINUTE ITEM

3/28/68

11. APPROVAL OF CONDENSATE SALES CONTRACT; DECKER ISLAND UNIT OF GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SACRAMENTO AND SOLANO COUNTIES - W.O. 6874.

After consideration of Calendar Item 6 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE CONDENSATE SALES CONTRACT DATED DECEMBER 1, 1967, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND SHELL OIL COMPANY AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF ITS SHARE OF CONDENSATE PRODUCED UNDER THE DECKER ISLAND UNIT OF GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR TO AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL THE TERMS AND CONDITIONS OF THE LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

Attachment

Calendar Item 6 (1 page)

6.

APPROVAL OF CONDENSATE SALES CONTRACT; DECKER ISLAND UNIT OF GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SACRAMENTO AND SOLANO COUNTIES - W.O. 6874.

Standard Oil Company of California, Western Operations, Inc., has submitted for approval a condensate sales contract dated December 1, 1967, between Standard Oil Company of California, Western Operations, Inc., and Shell Oil Company, which provides for the sale of condensate produced from State land within the Decker Island Unit (Minute Item 21, page 12,995, meeting of August 8, 1966) (shown on Exhibit "A"). The Decker Island Unit is a portion of the lands included within Gas Lease Issued in Exchange for Gas Lease Easement No. 415.1.

Gas currently produced by Standard from State land within the Decker Island Unit is sold to Pacific Gas and Electric Company under a contract dated June 30, 1967 (Minute Item 40, page 1009, meeting of September 25, 1967). In conjunction with the production and processing of the gas produced from this Unit, some condensate will be produced. Standard has negotiated a contract with Shell Oil Company for the sale of Standard's share of the condensate.

Gas Lease 415.1 provides that royalties paid for gasoline or other products shall be based upon the market value, which is defined as the value calculated at the price currently paid by a purchaser of substantial quantities of such natural gasoline or other products extracted from gas produced from the Rio Vista Gas Field, but such value shall not be less than the reasonable market value as determined by the Commission.

The contract provides that for all 40.0° API to 50.0° API gravity condensate delivered the sales price shall be the price posted for Kettleman Hills 40.0° API gravity crude oil. The contract further provides that in the event the condensate is not within the 40.0° API - 50.0° API gravity range, the price for such condensate shall be negotiated. The net price for 40.0° API to 50.0° API gravity condensate is more than the price paid for other condensate sales from the Rio Vista Gas Field.

The effective date of this contract is December 1, 1967, and it will remain in full force and effect until terminated by either party.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE CONDENSATE SALES CONTRACT DATED DECEMBER 1, 1967, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND SHELL OIL COMPANY AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF ITS SHARE OF CONDENSATE PRODUCED UNDER THE DECKER ISLAND UNIT OF GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF THE SALES CONTRACT SHALL NOT BE CONSTRUED TO MODIFY OR TO AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEE WITH ALL THE TERMS AND CONDITIONS OF THE LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.