

MINUTE ITEM

3/26/70
EGJ

18. APPROVAL OF TEMPORARY GAS SALES AGREEMENT, SUBUNIT ZONES OF THE GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SACRAMENTO AND CONTRA COSTA COUNTIES; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. - W-9104.

After consideration of Calendar Item 11 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE TEMPORARY GAS SALES AGREEMENT DATED NOVEMBER 26, 1969, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND PACIFIC GAS AND ELECTRIC COMPANY, AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF THE GAS PRODUCED FROM THE SUBUNIT ZONES OF A PORTION OF THE GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SUBJECT TO THE EXPRESS CONDITIONS THAT ANY LONG-TERM CONTRACT SUBSEQUENTLY ENTERED INTO SHALL BE SUBJECT TO APPROVAL BY THE COMMISSION, AND THAT THE APPROVAL OF THE TEMPORARY SALES AGREEMENT 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 11 (2 pages)

CALENDAR ITEM

3/70
W-9104
EGJ

11.

APPROVAL OF TEMPORARY GAS SALES AGREEMENT, SUBUNIT ZONES OF THE GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SACRAMENTO AND CONTRA COSTA COUNTIES; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC. - W-9104.

Standard Oil Company of California, Western Operations, Inc., has submitted for approval a gas sales agreement dated November 26, 1969, between Standard Oil Company of California and Pacific Gas and Electric Company, which provides for the sale of gas produced from State lands not presently included in a gas sales agreement.

Gas produced by Standard within the Rio Vista Gas Unit is sold to Pacific Gas and Electric under a blanket contract dated May 16, 1940, and includes only gas produced from the surface to a subsea depth of 5,450 feet. Gas produced from wells lying within the "Sub-unit Production Boundary" and producing from zones lying below the subsea depth of 5,450 feet, not yet unitized, is sold under an agreement dated September 22, 1967.

Standard has now drilled and completed well "Rio Vista State" 13 in a subunit zone approximately two miles southeasterly from the area included in the agreement dated September 22, 1967. Standard now desires to test this well in order to obtain additional information as to the extent of the productive area from which the well is producing; and plans to drill one or more additional wells in the development of the subunit zones in lands covered by Easement No. 415.1.

The proposed agreement provides for a sales price of 30 cents per MCF for gas with a heating value of 1,000 BTU/MCF. The price will be adjusted to the nearest $\frac{1}{2}$ cent per MCF on the basis of actual heating value of the gas. Initial tests indicate the heating value of the gas to be approximately 1,015 BTU. Thus, the estimated price that Standard will receive for the gas is 30.5 cents per MCF. This price is the same as is currently received for gas of like heating value under the agreement dated September 22, 1967. After the well is fully tested and the development program has been completed, a long-term contract will be entered into.

This temporary contract will be of benefit to the State in that it will furnish an immediate incremental outlet for gas in the Rio Vista gas field. Pacific Gas and Electric Company is purchasing this gas over and above its obligations under existing contracts in the Rio Vista area.

The effective date of the agreement is November 26, 1969, and it will be in effect until a long-term contract is entered into.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE TEMPORARY GAS SALES AGREEMENT DATED NOVEMBER 26, 1969, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND PACIFIC GAS AND ELECTRIC COMPANY, AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF CALIFORNIA OF THE GAS PRODUCED FROM THE SUBUNIT ZONES OF A PORTION OF THE GAS LEASE ISSUED

CALENDAR ITEM 11. (CONTD.)

IN EXCHANGE FOR GAS LEASE EASEMENT NO. 415.1, SUBJECT TO THE EXPRESS CONDITIONS THAT ANY LONG-TERM CONTRACT SUBSEQUENTLY ENTERED INTO SHALL BE SUBJECT TO APPROVAL BY THE COMMISSION, AND THAT THE APPROVAL OF THE TEMPORARY SALES AGREEMENT 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.