

MINUTE ITEM

8/25/71
EGJ

9. APPROVAL OF MODIFICATION OF GAS SALES AGREEMENTS; GAS LEASE EASEMENT 415.1, OIL AND GAS LEASE PRC 3743.1, GAS LEASES PRC 714.1 AND PRC 729.1, COMPENSATORY GAS AGREEMENTS PRC 2966.1 AND PRC 3238.1; SACRAMENTO, SOLANO, CONTRA COSTA, AND SAN JOAQUIN COUNTIES - W 9449, E 415.1, PRC 3743.1, PRC 714.1, PRC 729.1, PRC 2966.1, AND PRC 3238.1.

After consideration of Calendar Item 5 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE LETTER AGREEMENT MODIFICATIONS DATED DECEMBER 11, 1970, TO GAS SALES AGREEMENTS BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND PACIFIC GAS AND ELECTRIC COMPANY, AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF THE GAS PRODUCED FROM GAS LEASE EASEMENT 415.1, GAS LEASES PRC 714.1 AND PRC 729.1, OIL AND GAS LEASE PRC 3743.1 AND COMPENSATORY GAS AGREEMENTS PRC 3238.1 AND PRC 2966.1, SUBJECT TO FURTHER WRITTEN APPROVAL OF ALL PRICES AGREED UPON FOR THE PERIOD COMMENCING JULY 1, 1973, AND FURTHER SUBJECT TO THE EXPRESS CONDITION THAT THIS APPROVAL 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 LEASES AND AGREEMENTS AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

Attachment:

Calendar Item 5 (1 page)

CALENDAR ITEM

8/71
W 9449
EGJ

5.

APPROVAL OF MODIFICATION OF GAS SALES AGREEMENTS; GAS LEASE EASEMENT 415.1, OIL AND GAS LEASE PRC 3743.1, GAS LEASES PRC 714.1 AND PRC 729.1, COMPENSATORY GAS AGREEMENTS PRC 2966.1 AND PRC 3238.1; SACRAMENTO, SOLANO, CONTRA COSTA, AND SAN JOAQUIN COUNTIES.

Standard Oil Company of California has negotiated price increases with Pacific Gas and Electric Company for gas sold to it under contracts with Standard. Some of the contracts cover gas produced from State leases and gas allocated to State land under compensatory agreements. Standard Oil Company has submitted for approval Letter Agreements, dated December 11, 1970, between Standard and PG&E that will modify the price provisions of the Gas Sales Agreements covering the State leases and agreements. These and corresponding price changes are listed below:

<u>Lease or Agreement</u>	<u>Field</u>	<u>Agreement Date</u>	<u>Current Price/MCF</u>	<u>New Price/MCF</u>
Easement 415.1	Rio Vista (Unit)	1-1-56	33¢	35¢
"	" " (Deep)	9-22-67	30¢	35¢
"	" " (State No.13)	11-26-69	30¢	35¢
"	Decker Island Unit	6-30-67	31¢	36¢
"	Isleton	1-1-61	31.625¢	33.5¢
PRC 3238.1	Liberty Island	9-4-68	29.5¢	34.5¢
PRCs 714 & 729	River Island	1-1-61	31.625¢	33.5¢
PRC 2966.1	West Thornton	7-18-57	29¢	33.5¢
PRC 3743.1	Ryer Island	11-26-68	31¢	36.5¢

The new prices will be adjusted as provided for in the agreements listed above, based on the average heating value of the gas in BTUs per cubic foot.

It is estimated that the State will receive, as royalty, an additional \$120,000 for the next 12-month period as a result of the price increases.

The effective date of the modified agreements is July 1, 1971, to July 1, 1973, with a price to be mutually agreed upon for each succeeding period, commencing July 1, 1973, as specified in the agreements.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE LETTER AGREEMENT MODIFICATIONS DATED DECEMBER 11, 1970, TO GAS SALES AGREEMENTS BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND PACIFIC GAS AND ELECTRIC COMPANY, AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY OF THE GAS PRODUCED FROM GAS LEASE EASEMENT 415.1, GAS LEASES PRC 714.1 AND PRC 729.1, OIL AND GAS LEASE PRC 3743.1 AND COMPENSATORY GAS AGREEMENTS PRC 3238.1 AND PRC 2966.1, SUBJECT TO FURTHER WRITTEN APPROVAL OF ALL PRICES AGREED UPON FOR THE PERIOD COMMENCING JULY 1, 1973, AND FURTHER SUBJECT TO THE EXPRESS CONDITION THAT THIS APPROVAL 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 LEASES AND AGREEMENTS AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.