

MINUTE ITEM

4/27/72
EGJ

12. AUTHORIZATION FOR ISSUANCE OF COMPENSATORY GAS AGREEMENT, TIDE AND SUBMERGED LANDS, STATEN ISLAND AREA, SAN JOAQUIN COUNTY; TEXACO, INC., AND UNION OIL COMPANY OF CALIFORNIA - W 9211, PRC 4660.1.

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

THE COMMISSION, PURSUANT TO SECTION 6815 OF THE PUBLIC RESOURCES CODE (IN LIEU OF DRILLING OFFSET WELLS ON STATE LAND), AUTHORIZES THE ISSUANCE OF A COMPENSATORY GAS AGREEMENT TO TEXACO, INC., AND UNION OIL COMPANY OF CALIFORNIA COVERING LANDS IN THE STATEN ISLAND AREA, SO AS TO PROTECT THE STATE'S INTEREST IN PORTIONS OF THE BED OF THE SOUTH FORK MOKELUMNE RIVER AND BEAVER SLOUGH, SAN JOAQUIN COUNTY, AS PROVIDED FOR IN SAID AGREEMENT ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.

Attachment:

Calendar Item 11 (2 pages)

CALENDAR ITEM

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EGJ

W 9211

11.

COMPENSATORY GAS AGREEMENT

APPLICANTS: Texaco, Inc., and Union Oil Company of California.

LOCATION: Staten Island area, San Joaquin County.

TYPE OF LAND: Tide and Submerged.

PERTINENT INFORMATION:

A compensatory gas agreement is proposed whereunder the State would be compensated for both past and future drainage of gas from State sovereign lands by wells drilled by Texaco and Union on uplands adjoining the State lands within the Staten Island area (as shown on Exhibit "A" attached). The State lands include portions of the bed of South Fork Mokelumne River and Beaver Slough. Section 6815 of the Public Resources Code provides:

"Whenever it appears to the commission that wells drilled upon private lands are draining or may drain oil or gas from lands owned by the State or where the provisions of Section 6827 are deemed by the commission to be impractical in the particular case by reason of the small size or irregular configuration of the property, or its inaccessibility from surface drillsites reasonably available or obtainable, the commission, in lieu of following the provisions of Section 6827, may negotiate and enter into agreements with the owners or operators of such wells on private lands for the payment of compensation to the State for such drainage, or may negotiate and enter into leases for the development of the State lands through drilling from adjoining lands only"

Three wells have been drilled in the Staten Island area that are draining gas from adjoining State lands. For the purpose of computing royalties, the Division has reviewed all well data, and the State's equity share has been determined. The State land percentage participation is based on the ratio that the affected State land within a 160-acre circle circumscribed around each well bears to the effective drainage area of the well.

Under the proposed compensatory agreement, Texaco, Inc., and Union Oil Company agree to account for and to pay in

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money to the State on gas produced and saved since April 18, 1968, on the three wells and any well hereafter drilled within the Staten Island area that will drain gas from adjoining State land, in accordance with the following schedule:

1. 16-2/3% of the sale value of all gas allocated to State lands or 15% royalty for all gas allocated to State lands in the event that it is necessary to compress the gas for delivery to a transmission line;
2. 16-2/3% of the sale or use value of all gasoline and other products extracted from the quantity of gas allocated to State lands.

It is the opinion of the Office of the Attorney General that the agreement will comply with the requirements of Public Resources Code Section 6815, and with the provisions of the law and the Rules and Regulations of the Commission, and will adequately protect the interests of the State. Further, the Office of the Attorney General has advised that no environmental impact report is required pursuant to the Public Resources Code Section 6371 as the agreement does not allow any wells to be drilled into or to be bottomed in State-owned lands, and does not allow any other use of the surface or subsurface of such lands.

On recommendation of the Attorney General, a notice has been sent to those who otherwise would receive an environmental impact report, informing them of the Compensatory Gas Agreement, its terms and purposes, its beneficial effect on the environment as an alternative to a lease, and that the agreement will be considered by the Commission at a public meeting, giving the time and place.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 6815 OF THE PUBLIC RESOURCES CODE (IN LIEU OF DRILLING OFFSET WELLS ON STATE LAND), AUTHORIZE THE ISSUANCE OF A COMPENSATORY GAS AGREEMENT TO TEXACO, INC., AND UNION OIL COMPANY OF CALIFORNIA COVERING LANDS IN THE STATEN ISLAND AREA, SO AS TO PROTECT THE STATE'S INTEREST IN PORTIONS OF THE BED OF THE SOUTH FORK MOKELUMNE RIVER AND BEAVER SLOUGH, SAN JOAQUIN COUNTY, AS PROVIDED FOR IN SAID AGREEMENT ON FILE IN THE OFFICE OF THE COMMISSION AND BY REFERENCE MADE A PART HEREOF.