

MINUTE ITEM

1/26/73
ADW

10. APPROVAL OF UNIT AGREEMENT PRC 3743.1 AND PRC 3896.1 RYER ISLAND UNIT, CONTRA COSTA AND SOLANO COUNTIES; STANDARD OIL COMPANY OF CALIFORNIA AND SHELL OIL COMPANY - W 7392, PRC 3743.1, PRC 3896.1.

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

THE COMMISSION:

1. FINDS THAT A COOPERATIVE UNIT PLAN OF DEVELOPMENT OF STATE OIL AND GAS LEASES PRC 3743.1 AND PRC 3896.1, RYER ISLAND UNIT AGREEMENT, IS NECESSARY OR ADVISABLE IN THE PUBLIC INTEREST INSOFAR AS THE SAME COVERS NATURAL GAS, CONDENSATE, GASOLINE OR OTHER PRODUCTS EXCLUSIVE OF CRUDE OIL PRODUCED FROM THE RYER ISLAND UNIT;
2. AUTHORIZES APPROVAL OF THE UNIT AGREEMENT, RYER ISLAND UNIT, CONTRA COSTA AND SOLANO COUNTIES, CALIFORNIA, DATED JUNE 14, 1972, AND HEREBY MADE A PART HEREOF BY REFERENCE TO THE OFFICIAL FILES OF THE COMMISSION; AND
3. AUTHORIZES APPROVAL OF THE AGREEMENT BY THE STATE OF CALIFORNIA TO JOINDER TO THE RYER ISLAND UNIT OF CERTAIN LANDS OF THE STATE OF CALIFORNIA SITUATE IN SOLANO COUNTY, CALIFORNIA, SUCH AGREEMENT IS HEREBY MADE A PART HEREOF BY REFERENCE TO THE OFFICIAL FILES OF THE COMMISSION.

ALL OTHER TERMS AND CONDITIONS OF STATE OIL AND GAS LEASES PRC 3743.1 AND PRC 3896.1 EXCEPT AS MODIFIED BY THE RYER ISLAND UNIT AGREEMENT AND JOINDER AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

Attachment:

Calendar Item 8 (3 pages)

CALENDAR ITEM

8.

1/73
ADW
W 7392

REQUEST FOR APPROVAL OF UNIT AGREEMENT PRC 3743.1
AND PRC 3896.1 RYER ISLAND UNIT, CONTRA COSTA AND SOLANO COUNTIES;
STANDARD OIL COMPANY OF CALIFORNIA AND SHELL OIL COMPANY

State Oil and Gas Leases PRC 3743.1 and PRC 3896.1 covering tide and submerged land areas in the inland waters of Contra Costa and Solano Counties were issued on April 10, 1967, and January 26, 1968, respectively. The leases are jointly owned by Standard Oil Company of California and Shell Oil Company.

Standard Oil Company of California, as operator under the subject leases, has submitted for approval by the State Lands Commission, in accordance with applicable provisions of law, copies of a Unit Agreement with accompanying exhibits, providing for the unitization of natural gas, gasoline or other products, exclusive of crude oil, in the Ryer Island Gas Field.

The unitization is proposed in accordance with Section 3301 of the Public Resources Code in the interest of the public welfare and to promote conservation, prevent unreasonable waste, and increase the ultimate maximum economic recovery of natural gas, condensate, gasoline or other products, exclusive of crude oil, in the Ryer Island Gas Field.

Section 6832 of the Public Resources Code provides that the Commission may, for the purpose of more properly conserving natural resources of any oil or gas pool or field covering lands belonging to the State, approve a cooperative unit-plan of development or operation of the pool or field whenever the Commission determines that it is 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; may permit apportionment of production; and may make regulations with reference to such leases, with like consent on the part of such lessees in connection with the institution and operation of any cooperative unit-plan as the Commission deems necessary or proper to secure protection of the State's interest.

The lessees, who are the working interest owners under the unit, have determined that unitization of the subsurface portion of the unit area between the surface of the ground and a point 300 feet below the base of the Dom-engine formation will provide conditions most favorable to the ultimate maximum recovery and maintenance of the highest current income.

The Unit Agreement provides that each royalty owner shall continue to be entitled to all information in possession of the unit operator to which such royalty owner has heretofore been entitled. It is also provided that the provisions of the various leases, agreements, or other instruments pertaining to the respective tracts or the production therefrom are amended to the

CALENDAR ITEM NO. 8. (CONTD)

extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

The Unit Agreement will become effective at the time and date as determined by working interest owners owning one hundred percent (100%) of the combined unit participation in all tracts, which time and date shall be after tracts or parts thereof comprising ninety percent (90%) or more of the unit area have been committed and after approval by the appropriate regulatory agency pursuant to the provision of Section 3301 of the Public Resources Code of the State of California.

The term of this agreement shall be for the time that unitized substances are produced in paying quantities or other unit operations are conducted without a cessation of more than ninety (90) consecutive days, unless sooner terminated by one hundred percent (100%) of working interest owners.

Working interest owners are concurrently entering into a Unit Operating Agreement, designating Standard Oil Company of California as the initial Unit Operator. Unit Operator shall have the exclusive right to conduct unit operations, which shall conform to the provisions of the Unit Agreement and the Unit Operating Agreement.

The State Lands Division staff has reviewed all the basic data for the field, including complete records for every well drilled, production and pressure records for each well by month from the beginning of production, and other pertinent data. Structural, isopach and net sand maps for each pool have been prepared, and production pressures and reservoir studies have been made. These studies conclude that the State's equity participation will be 30.6910 percent of the estimated recoverable gas reserves.

The Office of the Attorney General has reviewed the proposed Unit Agreement and has advised that it is in compliance with the applicable sections of the Public Resources Code.

There will be no additional impact on the environment as no new wells have been proposed in the agreement. Future drilling of wells, if required by later studies, will be minimized by the Unit plan of development.

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT A COOPERATIVE UNIT PLAN OF DEVELOPMENT OF STATE OIL AND GAS LEASES PRC 3743.1 AND PRC 3896.1, RYER ISLAND UNIT AGREEMENT, IS NECESSARY OR ADVISABLE IN THE PUBLIC INTEREST INsofar AS THE SAME COVERS NATURAL GAS, CONDENSATE, GASOLINE OR OTHER PRODUCTS EXCLUSIVE OF CRUDE OIL PRODUCED FROM THE RYER ISLAND UNIT;
2. AUTHORIZE APPROVAL OF THE UNIT AGREEMENT, RYER ISLAND UNIT, CONTRA COSTA AND SOLANG COUNTIES, CALIFORNIA, DATED JUNE 14, 1972, AND HEREBY MADE A PART HEREOF BY REFERENCE TO THE OFFICIAL FILES OF THE COMMISSION; AND

CALENDAR ITEM NO. 8. (CONTD)

3. AUTHORIZE APPROVAL OF THE AGREEMENT BY THE STATE OF CALIFORNIA TO JOINDER TO THE RYER ISLAND UNIT OF CERTAIN LANDS OF THE STATE OF CALIFORNIA SITUATE IN SOLANO COUNTY, CALIFORNIA, SUCH AGREEMENT IS HEREBY MADE A PART HEREOF BY REFERENCE TO THE OFFICIAL FILES OF THE COMMISSION.

ALL OTHER TERMS AND CONDITIONS OF STATE OIL AND GAS LEASES PRC 3743.1 AND PRC 3896.1 EXCEPT AS MODIFIED BY THE RYER ISLAND UNIT AGREEMENT AND JOINDER AGREEMENT SHALL REMAIN IN FULL FORCE AND EFFECT.