

MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No. 25 by the State Lands
Commission by a vote of 2
to 1 at its 9/26/85
meeting.

CALENDAR ITEM

A 26

25

S 5

09/26/85
PRC 6498
W 40480
Hamilton

APPROVAL OF STOCKTON GAS UNIT AND
EXTENSION OF INITIAL DRILLING TERM OF
STATE OIL AND GAS LEASE PRC 6498
SAN JOAQUIN COUNTY

LESSEE:

Chevron U.S.A. Inc.
Attn: Mr. A. R. Boehm, Jr.
P. O. Box 5050
San Ramon, California 94583-0905

AREA, TYPE LAND AND LOCATION:

State Oil and Gas Lease PRC 6498 is a
subsurface lease that was issued by the
Commission to Chevron U.S.A., Inc. on
September 28, 1983 and contains approximately
112 acres of State-owned lands that underlie
the Stockton State Hospital in the City of
Stockton, San Joaquin County, California.

LEASE INFORMATION:

State Oil and Gas Lease PRC 6498 is presently
under the original drilling term of two years
which will expire September 28, 1985. Chevron
has requested, pursuant to Paragraph 1 of the
lease, that the Commission extend the drilling
term an additional year to continue its
exploratory program. Chevron has also
requested, pursuant to Paragraph 23 of the
lease, that the Commission approve the pooling
of a portion of the leased lands with other
private lands in the area to form the Stockton
Gas Unit. The remaining unpooled leased lands
will be subject to the drilling requirements of
the lease and will be drilled upon, added to
the Unit at a later time, or surrendered
(quitclaimed) back to the State, if not held by
production.

CALENDAR ITEM NO. 25 (CONT'D)

UNIT INFORMATION:

Chevron U.S.A. Inc. has advised the State that it has completed the drilling of three gas wells on private leased lands located within the City of Stockton. Chevron has also declared its intention to pool, combine and unitize the leased lands within the productive boundaries of the three wells which is 775.02 acres, more or less, including a portion (46.49 acres) of State lands under State Oil and Gas Lease PRC 6498. Chevron has designated this area as the Stockton Gas Unit.

Chevron has submitted for the State's approval a unit agreement entitled "Declaration of Pooling - Stockton Gas Unit". This agreement covers only that specific portion (46.49 acres) of State lands under State Lease PRC 6498 and provides for the allocation to the portion of each lease included in the unit, a fractional part of all production from any part of the unit based upon the ratio between the acreage of the portion of each lease included in the Unit and the total of all acreage included in the Unit. Royalties payable on production so allocated to a pooled lease shall be determined and paid on the basis prescribed in each lease. For State Oil and Gas Lease PRC 6498, the State's production allocation will be approximately six percent (46.49 acres/775.02 acres) of all oil, gas, and other hydrocarbons produced from the Stockton Gas Unit.

Staff has conducted an analysis of the proposed unit, and finds that the geologic data indicate that pooling will be in the best interests of the State in development of its subsurface oil and gas lease and in conservation of the resource.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C. Div. 6, Parts 1 and 2;
Sections 6829.1 and 6832.
- B. Paragraph 1 and 23 of State Oil and Gas
Lease PRC 6498.

AB 884:

N/A.

CALENDAR ITEM NO. 25 (CONT'D)

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal Adm. Code 15378).

- EXHIBITS:
- A. Location Map.
 - B. Site Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IS NOT A PROJECT AS DEFINED BY PRC 21065 AND 14 CAL. ADM. CODE 15378.
2. DETERMINE THAT THE POOLING OF A PORTION OF THE STATE LANDS UNDER STATE OIL AND GAS LEASE PRC 6498 IS IN THE BEST INTEREST OF THE STATE, AND APPROVE THE CHEVRON U.S.A. INC. DECLARATION OF POOLING - STOCKTON GAS UNIT WHICH CONTAINS 46.49 ACRES, MORE OR LESS, OF STATE LANDS UNDER STATE OIL AND GAS LEASE PRC 6498, ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.
3. APPROVE A ONE YEAR EXTENSION TO SEPTEMBER 28, 1986, OF THE INITIAL DRILLING TERM FOR THE UNPOOLED/NON-UNITIZED STATE LANDS UNDER STATE OIL AND GAS LEASE PRC 6498; ALL OTHER TERMS AND CONDITIONS OF THE LEASE ARE TO REMAIN IN FULL FORCE AND EFFECT.

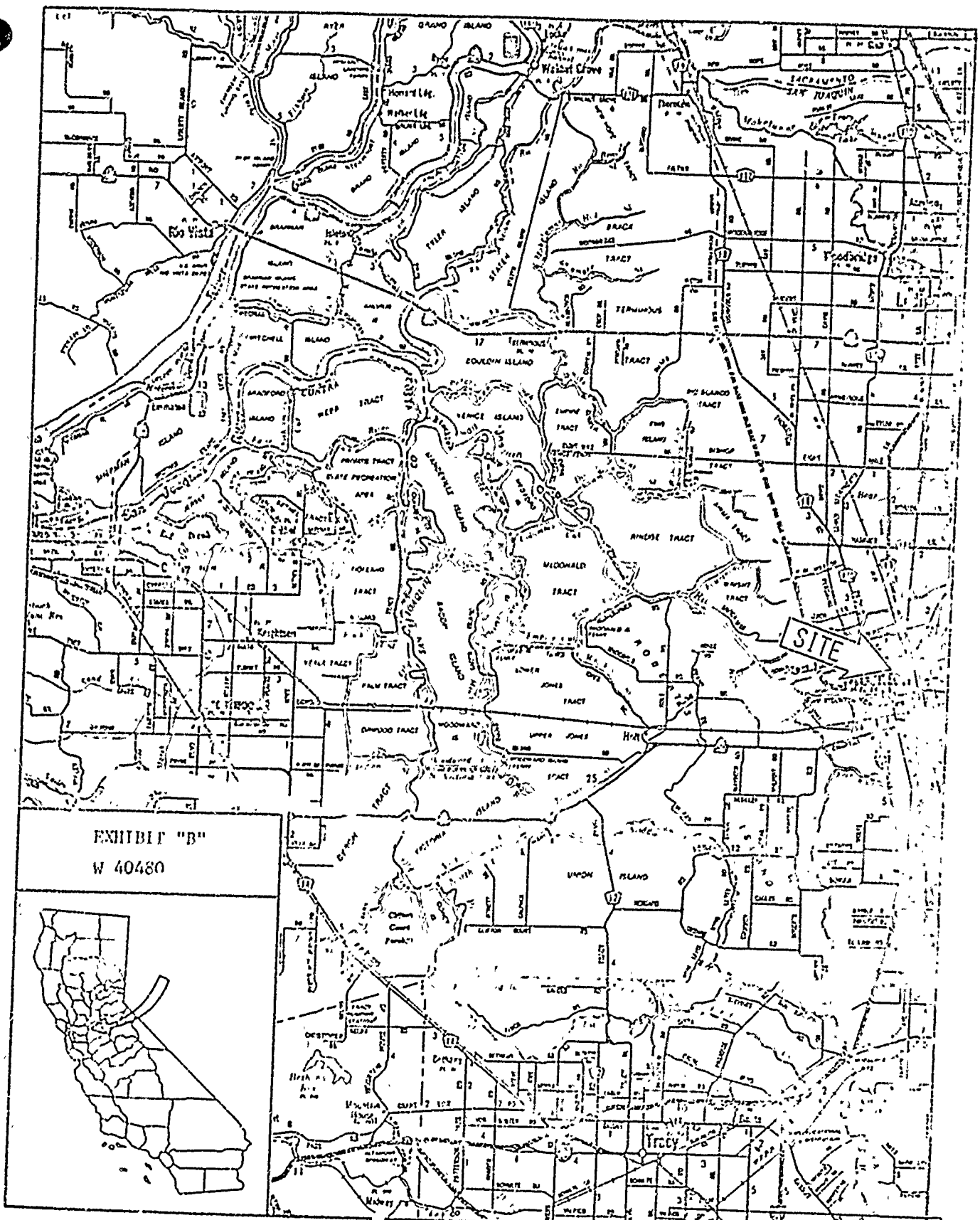


EXHIBIT "B"
W 40480



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