

MINUTE ITEM

4/29/71
EGJ

14. APPROVAL OF MODIFICATION OF GAS SALES AGREEMENT; DECKER ISLAND UNIT OF GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT 415.1, SACRAMENTO AND SOLANO COUNTIES.

After consideration of Calendar Item 12 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF THE LETTER AGREEMENT MODIFICATION DATED DECEMBER 17, 1970, TO SALES AGREEMENT DATED JUNE 30, 1967, 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 CALIFORNIA OF ITS SHARE OF THE GAS PRODUCED FROM THE DECKER ISLAND UNIT OF GAS LEASE E 415.1, SUBJECT TO THE EXPRESS CONDITIONS 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 LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

Attachment:

Calendar Item 12 (1 page)

CALENDAR ITEM

4/71
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12.

APPROVAL OF MODIFICATION OF GAS SALES AGREEMENT; DECKER ISLAND UNIT OF GAS LEASE ISSUED IN EXCHANGE FOR GAS LEASE EASEMENT 415.1, SACRAMENTO AND SOLANO COUNTIES.

On September 25, 1967 (Minute Item 40, page 1009), the State Lands Commission authorized the approval of the Gas Sales Agreement dated June 30, 1967, and of a letter of understanding dated June 30, 1967, between Standard Oil Company of California and Pacific Gas and Electric Company, which provides for the sale of gas from State land within the Decker Island Unit. By the terms of the agreement, Pacific Gas and Electric Company is not obligated to purchase gas having a heating value of less than 1020 BTU per cubic foot. Recent tests have shown that the heating value of one of the Decker Island Unit wells is below 1020 BTU per cubic foot.

Standard Oil Company of California has now submitted for approval a Letter Agreement dated December 17, 1970, between Standard Oil Company and Pacific Gas and Electric Company, that would modify the Gas Sales Agreement dated June 30, 1967.

The modified Agreement, to be effective January 1, 1971, provides for a sales price of 31 cents per MCF for gas having a heating value of not less than 1020 BTU per cubic foot, to be reduced by 1/2 cent per MCF for gas having a heating value of less than 1020 BTU per cubic foot but not less than 1008 BTU per cubic foot, and 1 cent per MCF for gas having a heating value of less than 1008 BTU per cubic foot.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF THE LETTER AGREEMENT MODIFICATION DATED DECEMBER 17, 1970, TO SALES AGREEMENT DATED JUNE 30, 1967, 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 CALIFORNIA OF ITS SHARE OF THE GAS PRODUCED FROM THE DECKER ISLAND UNIT OF GAS LEASE E 415.1, SUBJECT TO THE EXPRESS CONDITIONS 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 LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.