

MINUTE ITEM
This Calendar Item No. 49
was approved as Minute Item
No. 49 by the State Lands
Commission by a vote of 3
to 0 at its 7/10/89
meeting.

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PRC 2966
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**APPROVAL OF LETTER AMENDMENT TO EXISTING
GAS PURCHASE AND SALES AGREEMENT**

LESSEE AND OPERATOR:

Chevron USA, Inc.
Attention: Arthur R. Boehm, Jr.
P. O. Box 5050
San Ramon, CA 94583-0905

COMMISSION APPROVAL REQUIRED:

Chevron USA, Inc. (Chevron) is lessee and operator of State Oil and Gas Leases E-415, PRC 714, PRC 729, PRC 2966, PRC 3743, PRC 3896, PRC 6498 located in Contra Costa, Sacramento, San Joaquin and Solano Counties. Under the terms of the lease, the lessee is required to submit to the Commission for approval all purchase and sales agreements, including any amendments, which affect the disposition of the State's royalty share of production from the leased lands.

COMMISSION APPROVAL REQUESTED:

Chevron has submitted to the Commission for approval a Letter Amendment, dated December 5, 1988, (Exhibit "A"), amending the price paragraphs of certain Chevron and Pacific Gas and Electric Company (PG&E) gas purchase and sales agreement, which are on file in the Long Beach office of the Commission.

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Approval of this Letter Amendment would permit Chevron to sell to PG&E the State's share of gas produced from State Oil and Gas Leases E-415, PRC 714, PRC 729, PRC 2966, PRC 3243, PRC 3896 and PRC 6498 at the Chevron and PG&E agreed upon Fair Market Price of \$1.85 per MMBtu effective January 1, 1989 (two months prior to the contractual price redetermination date of March 1, 1989) to May 1, 1990, the next price determination date.

LAST COMMISSION APPROVAL

On April 12, 1988, the Commission approved a Letter Amendment, dated November 9, 1987, to permit Chevron to sell to PG&E the State's share of the gas produced from State Oil and Gas Leases E-415, PRC 714, PRC 729, PRC 2966, PRC 3243, PRC 3896 and PRC 6498 at the Chevron and PG&E agreed upon Fair Market Price of \$1.70 per MMBtu effective January 1, 1988 until March 1, 1989.

OTHER PERTINENT INFORMATION:

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

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

AB 884: N/A.

EXHIBIT: A. Letter Amendment from PG&E to Chevron USA, Inc. dated December 5, 1988.

IT IS RECOMMEND THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.

- 2. APPROVE THE LETTER AMENDMENT DATED DECEMBER 5, 1988, AMENDING A CERTAIN GAS PURCHASE AND SALES AGREEMENT BETWEEN CHEVRON USA, INC. (CHEVRON) AND PACIFIC GAS AND ELECTRIC COMPANY (PG&E) AND PERMIT CHEVRON TO SELL TO PG&E THE STATE'S SHARE OF GAS PRODUCED FROM STATE OIL AND GAS LEASES E-415, PRC 714, PRC 729, PRC 2966, PRC 3743, PRC 3896, PRC 6498 AT THE CHEVRON AND PG&E AGREED UPON FAIR MARKET PRICE OF \$1.85 PER MMBTU EFFECTIVE JANUARY 1, 1989.
- 3. AUTHORIZE THE EXECUTION OF ANY DOCUMENT NECESSARY TO EFFECT THE COMMISSION'S ACTION.

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Pacific Gas and Electric Company245 Market Street, Room 1218
San Francisco, CA 94106
415/973-6500
Fax 415/973-9213Gene Sairap
Manager
Gas Supply Management

December 5, 1988

Chevron U.S.A. Inc.
Room E1094
P.O. Box 5043
San Ramon, CA 94583-0943

Gentlemen:

Please refer to the Gas Purchase and Sales Agreement(s), as amended, (Agreement(s)) between Chevron U.S.A. Inc. (Seller) and Pacific Gas and Electric Company (Buyer), as listed on the attached Exhibit A, and specifically to the PRICE paragraph therein.

Buyer desires to amend the PRICE paragraph of the Agreement(s) effective January 1, 1989. Specifically, Buyer proposes to redetermine the Fair Market Price under the Agreement(s) to One Dollar and Eighty-five Cents (\$1.85) per MMBtu, change the effective date of the next price redetermination from March 1, 1989 to May 1, 1990, and that the parties to the Agreement(s) effect this accord by January 27, 1989. In return for these changes, Buyer offers to pay Seller \$1.85 per MMBtu effective January 1, 1989, for gas sold under the Agreement(s).

Accordingly, effective January 1, 1989, the parties to said Agreement(s) hereby agree to the following:

1. Exhibit A attached hereto referencing pertinent pricing paragraphs and contract terms on all of the listed contracts between the Buyer and Seller is hereby incorporated in and made a part of the Agreement(s).
2. Buyer agrees to pay and Seller agrees to accept a Fair Market Price of One Dollar and Eighty-five Cents (\$1.85) per MMBtu for Seller's share of natural gas production sold and purchased at the wellhead pursuant to the Agreement(s). Buyer agrees to pay such \$1.85 per MMBtu for Seller's share of natural gas production during the months of January and February 1989, two months prior to the contractual redetermination date, in consideration for extension of the price redetermination provision in the Agreement(s) pursuant to Paragraph 3 below and execution of this Letter Amendment by January 27, 1989.
3. Subparagraph (b) of the PRICE paragraph as listed on Exhibit A hereto is deleted in its entirety and the following like-numbered subparagraph shall be substituted therefor:

Chevron U.S.A. Inc.
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(b) "Either party may make a written request within thirty days prior to May 1, 1990, and thereafter at any time but no sooner than the number of years shown for this contract in the 'Redetermination Period (Years)' column of Exhibit A after the effective date of the most recently redetermined price hereunder, that the price to be paid for Seller's gas effective May 1 of such contract year shall no longer be based on subparagraph (a) of the PRICE paragraph shown for this contract in the 'Price Paragraph' column of Exhibit A but shall be based on the Fair Market Price of the gas at the wellhead as mutually determined by the parties or as established through arbitration in accordance with the arbitration section of the attached General Conditions, which section is referenced in the 'Arbitration Paragraph' column of Exhibit A.

Seller and Buyer further agree that, except as appearing in this Letter Amendment to the Agreement, all other terms and conditions of the Agreement shall remain in full force and effect.

By execution hereof, Seller accepts the Price terms and provisions described above. Seller will evidence acceptance by executing in the space provided and returning both originals to Buyer's office by 5:00 p.m., Pacific Standard Time, January 27, 1989. Buyer will then return a fully executed original to Seller.

Sincerely,

PACIFIC GAS AND ELECTRIC COMPANY

By *Cine Jones*
Manager, Gas Supply Management
Department

ACCEPTED AND AGREED TO:

CHEVRON U.S.A. INC.

By *R. A. Kallikman*

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EXHIBIT A

Attachment to that certain Letter Amendment dated
 December 5, 1988, between PACIFIC GAS AND ELECTRIC COMPANY
 and CHEVRON U.S.A. INC.

<u>Field</u>	<u>Contract Date</u>	<u>PG&E Contract Number</u>	<u>PRICE Paragraph Number</u>	<u>ARBITRATION Paragraph Number</u>	<u>Redetermination Period (Years)</u>
Arbuckle	09/01/57	205	10	PARA. 15	1
Beehive Bend-Willows	01/20/85	844	7	SEC. 6	1
Bounde Creek	09/01/83	1022	7	SEC. 6	1
Buckeye Kirk	01/01/82	297	7	SEC. 6	1
Crossroads	07/01/78	648	8	SEC. 6	2
Durham	01/01/88	1058	8	SEC. 6	2
Dutch Slough	01/01/86	938	7	SEC. 6	1
Grimes	07/21/64	373	7	SEC. 6	1
Grimes	06/15/79	683	7	SEC. 6	2
Grimes	06/03/81	1021	7	SEC. 6	2
Grimes	06/23/80	1050	7	SEC. 6	2
Lathrop	01/01/86	991	7	SEC. 6	1
Rio Vista Deep	09/22/67	451	7	SEC. 6	2
Rio Vista Deep, S.L.	09/22/67	453*	7	SEC. 6	2
Rio Vista Deep Isl	01/01/56	174	12	PARA. 16	1
Rio Vista SL	05/16/40	100*	15	PARA. 24	1
Rio Vista Unit	01/01/56	239*	13	PARA. 19	2
River Islands-Isleton	01/20/85	845*	7	SEC. 6	1
Ryer Island	11/26/68	480*	10	PARA. 15	3
Sherman Island	06/30/67	449*	7	SEC. 6	2
Stockton	08/19/85	874*	7	SEC. 6	1
Tulare Lake	12/17/82	807	7	SEC. 6	2
Van Sickle Island	10/23/69	493	6	SEC. 6	2
West Grimes	08/11/61	295	7	SEC. 6	1
Zamora	07/01/78	640	7	SEC. 6	2

* State Royalty Share Contracts' Being Amended.

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