

MINUTE ITEM

5/28/70  
EGJ

32. APPROVAL OF GAS SALES AGREEMENTS, GAS SALES PRICE, AND CONDENSATE SALES PRICE, P.R.C. 3743.1, SOLANO COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND SHELL OIL COMPANY - W-7222.

After consideration of Calendar Item 21 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE APPROVAL OF:

1. GAS SALES AGREEMENTS DATED NOVEMBER 26, 1968, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND PACIFIC GAS AND ELECTRIC COMPANY, AND SHELL OIL COMPANY AND PACIFIC GAS AND ELECTRIC COMPANY AS A BASIS FOR THE SALE AND DELIVERY BY STANDARD OIL COMPANY AND SHELL OIL COMPANY OF THE GAS PRODUCED IN EXCESS OF THE REQUIREMENTS OF THEIR REFINERIES FROM STATE OIL AND GAS LEASE P.R.C. 3743.1, SUBJECT TO THE EXPRESS CONDITION THAT ANY PRICE MODIFICATION SUBSEQUENT TO JANUARY 1, 1972, SHALL NOT BE OF ANY EFFECT UNTIL APPROVED IN WRITING BY THE STATE;
2. A PRICE NOT LESS THAN 31 CENTS PER MCF FOR THAT PORTION OF GAS PRODUCED FROM THE STATE LEASE WHICH IS BEING USED BY STANDARD OIL COMPANY AND SHELL OIL COMPANY IN THEIR REFINERIES;
3. A PRICE NOT LESS THAN \$3.56 PER BARREL FOR CONDENSATE PRODUCED FROM THE STATE LEASE;

SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF ITEMS 1, 2, AND 3 SHALL NOT BE CONSTRUED TO MODIFY OR TO AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEES WITH ALL OF THE TERMS AND CONDITIONS OF THE LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.

Attachment

Calendar Item 21 (2 pages)

CALENDAR ITEM

5/70  
EGJ

21.

APPROVAL OF GAS SALES AGREEMENTS, GAS SALES PRICE, AND CONDENSATE SALES PRICE, P.R.C. 3743.1, SOLANO COUNTY; STANDARD OIL COMPANY OF CALIFORNIA, WESTERN OPERATIONS, INC., AND SHELL OIL COMPANY - W-7222.

Standard Oil Company of California, Western Operations, Inc., and Shell Oil Company have submitted for approval gas sales agreements dated November 26, 1968, between the respective oil companies and Pacific Gas and Electric Company, which provide for the sale of a portion of the gas produced from the Ryer Island Gas Field, which includes State Oil and Gas Lease P.R.C. 3743.1. State Lease P.R.C. 3743.1 is jointly owned by Standard Oil Company and Shell Oil Company. Under a Joint Operating Agreement between the two companies, Standard has been designated as operator of the Ryer Island Gas Field, and, accordingly, is accounting to the State for all gas produced from the State lease on the basis of 31 cents per MCF.

Standard is using part of its share of dry gas produced from the Ryer Island Field in its Richmond refinery, and is selling its share of gas in excess of its refinery requirements to Pacific Gas and Electric Company. Shell's share of production is being used in part at its Martinez refinery, and its share of excess gas also is being sold to Pacific Gas and Electric Company.

The agreements provide for a sales price of 31 cents per MCF for gas having a heating value of 1025 BTU or more, 30 cents per MCF for gas having a heating value of 1000 to 1025 BTU, and 29 cents per MCF for gas having a heating value of less than 1000 BTU. After January 1, 1972, the price may be redetermined by mutual agreement and shall remain in effect for a period of not less than 3 years thereafter. Gas currently produced under the subject lease has a heating value of 1049 BTU. Pacific Gas and Electric is now paying 31 cents per MCF for gas produced from the Ryer Island Field.

In addition to approval of the Pacific Gas and Electric contract, Standard Oil Company of California and Shell Oil Company are requesting that the State Lands Commission approve a price of 31 cents per MCF for the gas which is being used in their respective refineries.

A considerable amount of gas condensate also is being produced from the Ryer Island Field. Standard's share of the condensate is being taken by Shell under an exchange agreement. Standard Oil Company of California and Shell Oil Company have requested that the Commission approve a price of \$3.56 per barrel for condensate produced from the State lease. The condensate is comparable in quality to, and the price is the same as, that received for Decker Island Unit condensate under the condensate sales contract approved by the Commission on March 28, 1968 (Calendar Item 11, page 273).

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE APPROVAL OF:

1. GAS SALES AGREEMENTS DATED NOVEMBER 26, 1968, BETWEEN STANDARD OIL COMPANY OF CALIFORNIA AND PACIFIC GAS AND ELECTRIC COMPANY, AND SHELL OIL COMPANY AND PACIFIC GAS AND ELECTRIC COMPANY AS A BASIS FOR THE

CALENDAR ITEM 21. (CONTD.)

SALE AND DELIVERY BY STANDARD OIL COMPANY AND SHELL OIL COMPANY OF THE GAS PRODUCED IN EXCESS OF THE REQUIREMENTS OF THEIR REFINERIES FROM STATE OIL AND GAS LEASE P.R.C. 3743.1, SUBJECT TO THE EXPRESS CONDITION THAT ANY PRICE MODIFICATION SUBSEQUENT TO JANUARY 1, 1972, SHALL NOT BE OF ANY EFFECT UNTIL APPROVED IN WRITING BY THE STATE;

2. A PRICE NOT LESS THAN 31 CENTS PER MCF FOR THAT PORTION OF GAS PRODUCED FROM THE STATE LEASE WHICH IS BEING USED BY STANDARD OIL COMPANY AND SHELL OIL COMPANY IN THEIR REFINERIES;
3. A PRICE NOT LESS THAN \$3.56 PER BARREL FOR CONDENSATE PRODUCED FROM THE STATE LEASE;

SUBJECT TO THE EXPRESS CONDITION THAT THE APPROVAL OF ITEMS 1, 2, AND 3 SHALL NOT BE CONSTRUED TO MODIFY OR TO AFFECT IN ANY MANNER ANY OF THE LEASE TERMS, INCLUDING FULL COMPLIANCE BY THE LESSEES WITH ALL OF THE TERMS AND CONDITIONS OF THE LEASE AND THE RULES AND REGULATIONS OF THE STATE LANDS COMMISSION.