MINUTE ITEM
This Calendar Item No. 31
was approved as Minute Item
No. 31 by the State Lands
Commission by a vote of 2
to 0 at its 10-30-80
meeting.

CALENDAR ITEM

31.

10/80
W 9738
Willard
LSE 415 CH5-1938
PRC 714
PRC 729
PRC 3743
PRC 3896

APPROVAL OF CHEVRON U.S.A. INC. GAS SALES AGREEMENTS WITH PACIFIC GAS AND ELECTRIC COMPANY

Chevron U.S.A. Inc. has negotiated price increases under their gas sales contracts with Pacific Gas and Electric Company (PG&E). Some of the contracts cover gas produced from State leases and gas allocated to State lands under compensatory agreements.

Copies of letters of the agreement dated June 30, 1980, between Chevron and PG&E, modifying the price provisions of sales contracts covering those State leases and agreements in which Chevron holds an interest, have been filed with the Commission. Each letter and the contract it modifies covers only Chevron's share of gas produced from or allocated to the respective leases and agreements. The State leases subject to these modified gas sales contracts include Agreement for Easement No.415 in the Rio Vista, Sherman Island (Decker Island Unit) and Isleton Gas Fields; Gas Leases PRC 714 and PRC 729 in the River Island Gas Field; and State Oil and Gas Leases PRC 3743.1 and PRC 3896.1 in the Ryer Island Gas Field. Each of these agreements provides that the Commission shall approve any sales contract or other arrangement by which the lessee disposes of the gas produced under the lease. The Rio Vista and Ryer Island leases, but not the River Island leases, permit the Commission to determine the reasonable market value or current market price of the gas for purposes of determining the State's royalty.

The price modification covers a two-year period commencing July 1, 1980, and ending at such time as Federal ceiling prices cease to apply. The modifications provide for increases in the contract prices effective July 1, 1980, January 1, 1981, and July 1, 1981. Effective January 1, 1982, the price shall then be revised each month to the price equal to the highest applicable price per one million BTU permitted under (1) Section 102 of the Federal Natural Gas Policy Act of 1978 (NGPA) or any successor legislation, or (2) any legislation enacted by the State of California, whichever establishes a lower price. The new pricing shall be as follows:

A 5, 9, 10, 12

S 4, 6, 7

Effective Date	Price Per Mcf
July 1, 1980	$2.30
January 1, 1981	$2.50
July 1, 1981	$2.70

All above prices shall apply to gas delivered at 33-1/3% load factor and having a heating value of 1,000 BTU's per cubic foot. The prices provided for above shall be adjusted by the applicable percentage shown below for deliveries at load factors other than 33-1/3%:

Load Factor	Price Reduction
45%	3.5%
50%	4.5%
100%	15.0%

It is understood that essentially all of the Northern California gas producers have agreed to sales contracts with PG&E at prices identical to those in Chevron contracts.

EXHIBIT: A. Summary of Modification of Gas Sales Contracts.
B. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE LETTER AGREEMENT MODIFICATIONS DATED JUNE 30, 1980, TO GAS SALES AGREEMENTS BETWEEN CHEVRON U.S.A. INC. AND PACIFIC GAS AND ELECTRIC COMPANY AS A BASIS FOR THE SALE AND DELIVERY BY CHEVRON OF THEIR SHARE OF THE GAS PRODUCED UNDER AGREEMENT FOR EASEMENT NO.415; GAS LEASES PRC 714 AND PRC 729; AND OIL AND GAS LEASES PRC 3743.1 AND PRC 3896.1

2. STIPULATE THAT THE APPROVALS ARE SUBJECT TO THE EXPRESS CONDITION THAT THEY 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 LEASES, AND THE RULES AND REGULATIONS OF THE COMMISSION.

EXHIBIT "A"

SUMMARY OF MODIFICATION OF GAS SALES CONTRACTS

STATE LEASES	GAS FIELDS	PG&E CONTRACT DATE	LOAD FACTOR	FORMER PRICE	PRICE EFFECTIVE 7/1/80	PRICE EFFECTIVE 1/1/81	PRICE EFFECTIVE 7/1/81	PRICE EFFECTIVE 1/1/82
E 415	Sherman Island	6/30/67	50%	$1.70	$2.196	$2.388	$2.578	95.5% of ceiling price
E 415	Rio Vista and Isleton	1/01/56	33-1/3%	$1.78	$2.30	$2.50	$2.70	100.0% of ceiling price
E 415	Rio Vista Deep	9/22/67	50%	$1.70	$2.196	$2.388	$2.578	95.5% of ceiling price
PRC 714 and PRC 729	River Island	1/01/61	45%	$1.72	$2.220	$2.412	$2.606	96.5% of ceiling price
PRC 3743.1 and PRC 3896.1	Ryer Island	11/26/68	33-1/3%	$1.78	$2.30	$2.50	$2.70	100.0% of ceiling price

The above prices are based on gas deliveries of 1,000 BTU per cubic foot and will be adjusted for the heat content of gas actually delivered.

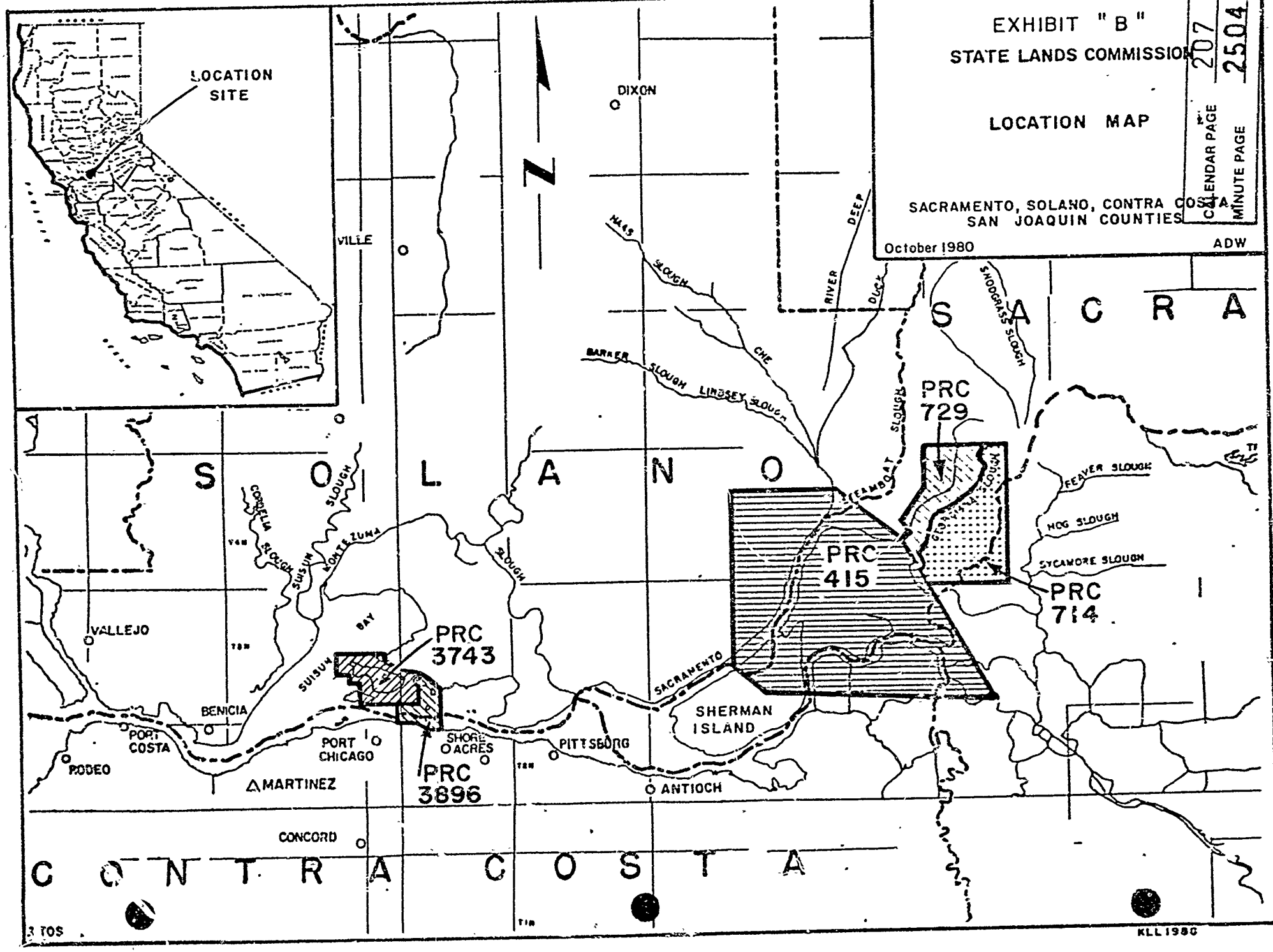
EXHIBIT "B"
STATE LANDS COMMISSION
LOCATION MAP
SACRAMENTO, SOLANO, CONTRA COSTA, SAN JOAQUIN COUNTIES
October 1980
ADW
CALENDAR PAGE 207
MINUTE PAGE 2504
LOCATION SITE
DIXON
VILLE
SOLANO
SACRA
CONTRA COSTA
PRC 729
PRC 415
PRC 714
PRC 3743
PRC 3896
SHERMAN ISLAND
VALLEJO
BENICIA
PORT COSTA
RODEO
MARTINEZ
PORT CHICAGO
SHORE ACRES
PITTSBURG
ANTIOCH
CONCORD
SUISUN BAY
SUISUN SLOUGH
CORDELIA SLOUGH
MONTEZUMA SLOUGH
SACRAMENTO
FEAMBOAT SLOUGH
GEORGIANA SLOUGH
FEAVER SLOUGH
HOG SLOUGH
SYCAMORE SLOUGH
SHODGRASS SLOUGH
RIVER DEEP
DUCK
HAAS SLOUGH
CHE
BARKER SLOUGH
LINDSEY SLOUGH
KLL 1980