

MINUTE ITEM

This Calendar Item No. 20
was approved as Minute Item
No. 20 by the State Lands
Commission by a vote of 3
to 0 at its 1/23/84
meeting.

CALENDAR ITEM

20 4

1/23, 84
P&C 5890
Hamilton

REVISION OF OIL AND GAS
POOLING AGREEMENT

LESSEE: Shell California Production Inc.
P. O. Box 11164
Bakersfield, CA 93389
Attention: Kevin Rupp

AREA, TYPE LAND AND LOCATION:
State Oil and Gas Lease PRC 5890.1 contains
52.50, more or less, acres of tide and
submerged lands underlying a portion of
the bed of the Sacramento River, southwest
of the Sacramento Metropolitan Airport,
Sacramento and Yolo Counties. The Chilton
1-2 River Unit, which surrounds Lease PRC
5890.1, currently contains 151.09, more
or less, acres. The deleted parcel (Tract 15)
is 0.09 acres owned by Sacramento County.

LEASE INFORMATION:
State Oil and Gas Lease PRC 5890.1 was
originally issued to the Shell Oil Company
on May 20, 1981, and contains provisions
that stipulate an annual rental of \$20
per acre and a royalty of 30 percent of
all "non-oil production" removed or sold
from the leased lands. Section 22 of the
lease allows the lessee, with the consent
of the State, to unite with others owning
or operating lands not belonging to the
State in adopting a unit plan of development
of the pool or field.

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CALENDAR ITEM NO. 20 (CONTD)

OLD UNIT INFORMATION:

On April 27, 1982, the Commission approved the pooling agreement titled: "Declaration and Notice of Pooling of Oil and Gas Leases". This agreement created the Chilton 1-2 River Unit that surrounds State Lease PRC 5890.1 (see Exhibit "A"). This unit contains 151.09, more or less, acres of which 52.50, more or less, acres of State lands are under lease to Shell. The State's porporcionate interest in the unit entitles the State to receive a production allocation of 34.76 percent.

NEW UNIT INFORMATION:

On October 18, 1983, Shell California Production Inc. (SCPI), informed the State that the County of Sacramento has declined to lease Tract 15 and has requested that Tract 15 be deleted from the Chilton 1-2 River Unit. The reason for the County's decision is that the small (0.09 acre) parcel and production allocation (0.01 percent) makes it economically impractical for them. A modified unit has therefore been formed, giving the State a new production allocation of 34.77 percent.

PREREQUISITE ITEMS:

1. SCPI, successor in interest to Shell Oil Company, has executed the revised oil and gas pooling agreement entitled: "First Modification of Declaration and Notice of Pooling of Oil and Gas Leases", which deletes Tract 15 of the County of Sacramento and is on file at the Long Beach and Sacramento offices of the Commission.
2. Staff Counsel has reviewed the above unit agreement for legal sufficiency and has found it to be adequate.

STATUTORY AND OTHER REFERENCES:

1. P.R.C.: Sections 6829.2 and 6832.
2. Section 22 of State Oil and Gas Lease PRC 5890.1.
3. 14 Cal. Adm. Code 15061.

AB 884:

N/A.

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OTHER PERTINENT INFORMATION:

1. Shell has drilled one well into the leased lands which has produced dry gas since October 1982.
2. Pursuant to the Commission's delegation of authority, staff has determined that this activity is exempt from CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment and that this project does not have that potential (Cal. Adm. Code 15061(b)(3)).

EXHIBIT: A. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS PROJECT IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 UNDER THE GENERAL RULE THAT CEQA APPLIES ONLY TO PROJECTS WHICH HAVE THE POTENTIAL FOR CAUSING A SIGNIFICANT EFFECT ON THE ENVIRONMENT.
2. APPROVE THE "FIRST MODIFICATION OF DECLARATION AND NOTICE OF POOLING OF OIL AND GAS LEASES" DATED OCTOBER 14, 1983, AND EXECUTED BY SHELL CALIFORNIA PRODUCTION INC., AND COVERING STATE OIL AND GAS LEASE PRC 5890.1; ALL OTHER TERMS AND CONDITIONS OF LEASE PRC 5890.1 TO REMAIN IN FULL FORCE AND EFFECT.

