

MINUTE ITEM

This Calendar Item No. 30
was approved as Minute Item
No. 30 by the State Lands
Commission by a vote of 3
to 0 at its 1/31/85
meeting.

CALENDAR ITEM

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01/31/85
PRC 5995
Gonzalez

APPROVAL OF GAS SALES AGREEMENT AND AMENDMENT
TO STATE OIL AND GAS LEASE PRC 5995.1
SOLANO COUNTY

LESSEE: Casex Company
1370 Brea Boulevard
Fullerton, California 92635

AREA AND TYPE LAND:

238 acres of tide and submerged lands within
the bed of Lindsay Slough, Solano County.

APPROVAL REQUESTED:

Approval of gas sales agreement between Casex
Company, the State's lessee, and Pacific Gas
and Electric Company.

Approval of a lease amendment changing due date
of Royalty and Net Profits payments to be paid
to the State.

BACKGROUND INFORMATION:

Casex Company is operator for Casex and Seahawk
International, Inc. who are joint lessees under
PRC 5995 at Lindsay Slough. The lease provides
for 16 2/3 percent royalty and 80 percent of
the net profits to the State. Casex has
submitted for Commission approval a sales
agreement with Pacific Gas and Electric Company
for natural gas produced from one of three
existing wells on the State Lease.

The gas sales contract with Pacific Gas and
Electric Company covers well No. 1-2 and any
future wells drilled under the lease.

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The contract provides for the sale of gas at \$3/MMBTU and 1/3 load factor (minimum purchase is 33 percent of the wells maximum deliverability) for the calendar year 1985. Subsequent years shall be based on the fair market value of the gas as mutually agreed upon or established through arbitration proceedings. The overall term of the agreement extends to January 1, 2005.

The sales contract further provides that Pacific Gas and Electric Company will make payment for gas delivered during any month by the later of ten days following receipt of an invoice or the 25th of the month following the month of production. General practice has been that payments are not received from Pacific Gas and Electric Company before the 30th of the following month. The State lease requires royalty and net profits payments by the 25th of the following month. Therefore, in order for the lessee to make payment based on the deliveries and sales to Pacific Gas and Electric Company (to avoid penalty and interest charges for late payment) the lease payment provision should be amended to provide for payment on or before the last day of the month following the month of production.

AB 884:

N/A.

OTHER PERTINENT INFORMATION:

Pursuant to paragraph 15 of Lease PRC 5995.1 the lessee must obtain prior state approval before entering into any sales contracts for the disposition of production from the leased lands.

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

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IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE THE GAS SALES AGREEMENTS BETWEEN CASEX COMPANY AND PACIFIC GAS AND ELECTRIC COMPANY DATED JANUARY 18, 1985, FOR GAS PRODUCED UNDER STATE OIL AND GAS LEASE PRC 5995.1.
3. APPROVE AMENDMENT OF STATE OIL AND GAS LEASE PRC 5995.1 TO PROVIDE THAT THE DUE DATE OF NON-OIL ROYALTIES AND NET PROFITS PAYMENTS SHALL BE ON OR BEFORE THE LAST DAY OF THE CALENDAR MONTH FOLLOWING THE CALENDAR MONTH OF PRODUCTION.

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