

MINUTE ITEM

7/26/73  
CPP

14. PROPOSED SALE OF ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 163.1, PRC 186.1, E 392.1, PRC 425.1, PRC 426.1, PRC 3033.1, PRC 3095.1, PRC 3413.1 AND PRC 3455.1 (TRACT 2), ORANGE AND LOS ANGELES COUNTIES - PRC 186.1, E 392.1, PRC 425.1, PRC 426.1, PRC 3033.1, PRC 3095.1, PRC 3413.1 AND PRC 3455.1, PRC 163.1.

After consideration of Calendar Item 12 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION AUTHORIZES THE EXECUTIVE OFFICER TO OFFER FOR SALE IN 100% INCREMENTS BY COMPETITIVE PUBLIC BID ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 163.1, PRC 186.1, E 392.1, PRC 425.1, PRC 426.1, PRC 3033.1, PRC 3095.1, PRC 3413.1 AND PRC 3455.1 (TRACT 2); ADOPTS THE BID FORMS, NOTICE INVITING BIDS, BID PROPOSALS, AND THE SALES CONTRACTS ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

Attachment:

Calendar Item 12 (3 pages)

CALENDAR ITEM

7/73

CPP

12.

W 9603

PROPOSED SALE OF ROYALTY OIL FROM STATE OIL AND GAS LEASES  
PRC 163.1, PRC 186.1, E 392.1, PRC 425.1, PRC 426.1, PRC 3033.1, PRC 3095.1,  
PRC 3413.1 AND PRC 3455.1 (TRACT 2)

At its meeting of March 29, 1973, the State Lands Commission authorized the Executive Officer to hold public hearings, relative to the sale of royalty oil from State Oil and Gas Leases pursuant to the provisions of Division 6 of the Public Resources Code, as a basis for future recommendation to the Commission regarding:

1. Feasibility of offering royalty oil for sale;
2. Amount of oil to be offered for sale; and
3. Proposed rules and regulations covering the procedure for sale of royalty oil.

In accordance with the Commission's authorization, a hearing was held on April 24, 1973, at 10:00 a.m. in Room 115 State Building, 217 West First Street, Los Angeles, California. Prior to the hearing, members of the public and of the oil industry, including all known independent and major refiners, were notified of the hearing and invited to attend and express their views regarding the sale of royalty oil.

Based on letters submitted to the Division, testimony presented at the hearing and staff evaluation, the following pertinent facts are presented for the Commission's information and consideration:

1. It is in the best interests of the State to offer royalty oil for sale by competitive bid.
2. The initial sales of royalty oil should use a bid factor specified in dollars per barrel over and above the base price (the base price, i.e., the average price posted for like oil in the specific field or in the nearest field, will fluctuate with the posted field price schedules or prices paid in such fields).
3. Initial sales contracts should be offered for terms of 3 to 5 years.
4. Initially the bonding requirement should be equivalent to the value of 60 days of royalty oil (approximate amount of oil delivered to purchaser in advance of settlement), provided that the Commission may in its discretion accept alternate security (such as cash deposit, letter of credit or similar security) in a form and amount determined to be adequate.

CALENDAR ITEM NO. 12, (CONTD)

Attached as Exhibit "A" is a tabulation of the pertinent data regarding the proposed sale of royalty oil from the subject leases.

EXHIBITS:           A. Royalty Oil Sales Contract Data.  
                      B. Location Map.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE IN 100% INCREMENTS BY COMPETITIVE PUBLIC BID ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 163.1, PRC 186.1, E 392.1, PRC 425.1, PRC 426.1, PRC 3033.1, PRC 3095.1, PRC 3413.1 AND PRC 3455.1 (TRACT 2); ADOPT THE BID FORMS, NOTICE INVITING BIDS, BID PROPOSALS, AND THE SALES CONTRACTS ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

## EXHIBIT "A"

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Royalty Oil Sales Contract Data

<u>Lease</u>	<u>Field</u>	<u>*Royalty Oil, B/D (May 1973)</u>	<u>Notice Period</u>	<u>Bid Deposit</u>	<u>Bond</u>	<u>Term</u>
3455.1 (Tract 2)	Wilmington	730	180 days	\$10,000	\$125,000	3
186.1 & 3095.1	Belmont	1050	180 days	\$25,000	\$200,000	3
163.1 & 426.1	Huntington Beach	280	0	\$10,000	\$ 50,000	3
425.1	Huntington Beach	1600	0	\$30,000	\$300,000	5
392.1	Huntington Beach	3400	30 days	\$50,000	\$600,000	5
3033.1 & 3413.1	Huntington Beach	1100	180 days	\$25,000	\$200,000	3

\*This royalty production data is for the month of May, 1973. Such data in the future is dependent on the actual lease production. The State Lands Commission and the Division by the presentation of this data does not warrant, imply, or predict what the future production quantity or quality will be as to any or all of the leases tabulated above.