

This Calendar Item No. 23
was approved as Minutes Item
No. 22 by the State Lands
Commission by a vote of 9
to 0 at its 4-28-76 CALENDAR ITEM
meeting.

4/76
WMT
PRC 4833.1

23

TERMINATION OF ROYALTY OIL SALES CONTRACT WITH
U. S. OIL AND REFINING COMPANY AND RELEASE OF
LETTER OF CREDIT FURNISHED IN LIEU OF BOND,
PRC 3455.1 (TRACT NO. 2),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The Commission at its meeting of November 29, 1975, authorized the execution of a Royalty Oil Sales Contract, PRC 3455.1 (Tract No. 2) to U. S. Oil and Refining Company for 12 1/2 percent of the oil allocated to Tract No. 2 of the Long Beach Unit. The Royalty Oil Sales Contract became effective May 1, 1974, for a period of 3 years, to May 1, 1977.

The State was prevented from receiving the bonus price bid by U. S. Oil and Refining Company, due to crude oil price controls by the Federal Energy Administration that were in effect just prior to the effective date of the contract. However, delivery of crude oil was made to U. S. Oil and Refining Company under terms of the contract, but at the ceiling price. On October 31, 1975, the Federal Energy Administration issued a Remedial Order requiring the State to resume deliveries from Tract No. 2 to ARCO, the State's Contractor for Tract No. 2, pursuant to the FEA's allocation regulation freezing supplier/purchaser relationships in existence on December 1, 1973. The State stopped delivery of royalty oil to U. S. Oil and Refining Company and resumed delivery of it to ARCO on November 7, 1975. The State appealed this Remedial Order, and on March 12, 1976, the Office of Exceptions and Appeals of the Federal Energy Administration issued a decision and order denying the State's appeal.

In light of the FEA order prohibiting delivery of Tract No. 2 crude oil to U. S. Oil and Refining Company so long as the present regulatory system remains in effect, U. S. Oil and Refining Company has requested termination of the subject Royalty Oil Sales Contract and release of the letter of credit furnished to the State by U. S. Oil and Refining Company as security for their taking crude oil from Tract 2 of the Long Beach Unit.

The Division has reviewed this matter and determined that the U. S. Oil and Refining Company account with the State is fully paid and that the Royalty Oil Sales Contract has been rendered inoperative by federal law and the regulations of the FEA.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE TERMINATION OF THE ROYALTY OIL SALES CONTRACT, PRC 3455.1 (TRACT NO. 2) WITH U.S. OIL AND REFINING COMPANY AND RELEASE THE LETTER OF CREDIT FURNISHED IN LIEU OF THE REQUIRED BOND.

A 52, 57, 58
S 27, 31

573