

This Order of Business 29
was adopted at the meeting of 3
the Board of Directors on 12/20/78
at the 0 meeting.

CALENDAR ITEM

29.

AWARD OF ROYALTY OIL SALES CONTRACT

12/78
W 40138
Willard
PRC 5618

On November 27, 1978, bids were received in response to a published Notice of Intention to offer for sale by competitive public bid royalty oil from State Agreement for Easement No. 392.1, Huntington Beach field, Orange County. The offer was authorized by the Commission on September 27, 1978.

The successful bidder, Basin Petroleum, Inc., was determined by lot from 7 responsible bidders (Exhibit "A"). The bid provides for the payment of the maximum price permitted by law for all oil subject to federal price controls and the Base Price as defined in the sales contract for all oil not subject to price controls. The contract defines the Base Price as the highest price posted in the Huntington Beach field on the day of delivery by a company purchasing in that field at its posted price, or at a price using as one of its components its posted price, at least 300 barrels per day of oil of like gravity and quality.

Section 211.63(d) of the Mandatory Petroleum Allocation Regulations issued by the Department of Energy provides in part that any supplier/purchaser relationship may be terminated by a producer if the present purchaser refuses within a 15-day period, after receipt of written notice, to meet any bona fide written offer made by another purchaser to purchase such crude oil at a lawful price above the price paid by the present purchaser. The present purchaser of the State's royalty oil under this lease is Aminoil USA, Inc., and they decline to meet the offer by Basin Petroleum. The differential between ceiling and posted prices for upper and lower tier was \$0.22/Bbl. and \$0.12/Bbl., respectively (November 1978, 19° API, Huntington Beach field). The proposed royalty oil sales contract could provide additional revenue of approximately \$8,000 per month.

The bid submitted by Basin Petroleum, Inc. has been reviewed by the staff as to the technical sufficiency and economic factors. Staff Counsel has reviewed the bid and determined:

- 1. That the Commission has complied with the procedural requirements of the law;

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2. That the bid submitted conforms with:
 - A. The bid requirements specified in the proposal of the Commission;
 - B. The applicable provisions of law; and
 - C. The rules and regulations of the Commission.

This project is situated on State land identified as possessing significant environmental values pursuant to P.R.C. 6370.1 and is classified in a use category Class C, which authorizes Multiple Use. Staff review indicates that there will be no significant effect upon the identified environmental values. This is an existing facility for which no adverse comments have been received.

The proposed royalty oil sale is exempt from CEQA under Cal. Adm. Code 2907, Class 1, and State EIR guidelines Section 15104, Class 1, which categorically exempts existing facilities wherein there will be no expansion of the use of such facility. The disposition of crude oil sold pursuant to this contract will be accomplished by exchange agreement without any physical change in the existing oil-production and transport facilities.

EXHIBIT: A. List of Bids.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21085, 14 CAL. ADM. CODE 15100 ET SEQ., AND 2 CAL. ADM. CODE 2907.
2. FIND THAT ISSUANCE OF THE ROYALTY OIL SALES CONTRACT WILL HAVE NO SIGNIFICANT EFFECT UPON ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. 6370.1.
3. ACCEPT THE SUCCESSFUL BID AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE ROYALTY OIL SALES CONTRACT E.392.1 TO BASIN PETROLUEM, INC.
4. AUTHORIZE THE EXECUTIVE OFFICER TO NOTIFY THE LESSEE UNDER AGREEMENT FOR EASEMENT NO. 392.1 THAT THE STATE, IN ACCORDANCE WITH THE LEASE TERMS, IS EXERCISING ITS RIGHT TO TAKE IN KIND ITS ROYALTY SHARE OF OIL PRODUCED UNDER THE LEASE; THE EFFECTIVE DATE FOR COMMENCEMENT OF TAKING THE ROYALTY OIL IN KIND WILL BE FEBRUARY 1, 1979.

EXHIBIT "A"

Bids Received on Royalty Oil Sales Contract for E 392.1

1. Basin Petroleum, Inc.
2. Alliance Oil Trading Company of Texas
3. Kern County Refinery, Inc.
4. USA Petrochem Corporation
5. Sunland Refining Corporation
6. De Menno Resources
7. Lunday-Thagard Oil Company