

MINUTE ITEM

This Calendar Item No. 36
 was approved as Minute Item
 No. 36 by the State Lands
 Commission by a vote of 2
 to 0 at its 2/25/82
 meeting.

CALENDAR ITEM

36

2/25/82
 W 9603.11
 Hamilton

AUTHORIZATION TO EXTEND OR
 REOFFER ROYALTY OIL SALES CONTRACTS

On January 26, 1981, the Commission authorized the competitive bid sale of the royalty oil produced from various State oil and gas leases located in Orange, Ventura and Santa Barbara Counties. Subsequently, the State entered into seven Royalty Oil Sales Contracts involving fourteen State Oil and Gas Leases. Of the seven contracts, five could be extended for two separate and consecutive six-month periods provided that the purchaser notifies the Commission of his election to extend the contract and then obtains the approval of the Commission. The remaining two contracts cannot be extended.

On February 9, 1982, the Commission approved the award of four contracts issued by the City of Long Beach for oil produced from the Long Beach Harbor Department's Tidelands Parcel and Parcel "A" (Wilmington Oil Field). The highest bonus bids offered for this crude oil were \$0.365 per barrel, and the lowest bid was \$0.276 per barrel. Currently, the State is receiving the following bonuses:

<u>PURCHASER</u>	<u>OIL FIELD</u>	<u>BONUS</u>	<u>EXPIRATION</u>
Macmillan	Huntington Beach	\$1.56125	5-1-82
USA Petrochem	" "	\$1.422	5-1-82
USA Petrochem	" "	\$1.452	5-1-82
Newhall Refining	" "	\$1.59	6-1-82
Sunland Refining	Rincon	\$1.126	7-1-82
USA Petrochem	Belmont Offshore	\$1.066	1-1-83*
Beacon Oil Co.	Carpinteria & Summerland	\$1.28	1-1-83*

*These contracts contain no extension provision and affected State leases require 180-day notice before taking the royalty oil.

To assure that the State continues to receive maximum revenues from its royalty oil sales, it is proposed that the Commission authorize the renewal or extension for one separate and consecutive six-month period only, those Royalty Oil Sales Contracts on which the purchaser has given the required

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notice to the State of his election to extend the term of the contract.

It is also proposed that the Commission authorize the competitive bid sale of the royalty oil currently being sold under contract but which the purchaser has declined to or cannot extend the sales contract. The term of the contracts will be for 18 months with no extension. All other terms and conditions will be the Commission's Standard provisions.

Because the disposition of royalty oil is accomplished by exchange agreements which do not interfere with existing oil production and transport facilities, this transaction does not constitute a project and is therefore exempt from the requirements of CEQA and implementing regulations.

AB 884: N/A.

EXHIBIT: A. Royalty Data.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL DOCUMENT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH DOCUMENT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21065, 14 CAL. ADM. CODE 15037 AND 15060.
2. AUTHORIZE THE EXTENSION, FOR ONE SEPARATE AND CONSECUTIVE SIX-MONTH PERIOD, THOSE ROYALTY OIL SALES CONTRACTS WHERE THE PURCHASER HAS GIVEN THE REQUIRED NOTICE TO THE STATE OF HIS ELECTION TO EXTEND THE TERM OF THE CONTRACT.
3. AUTHORIZE THE COMPETITIVE BID SALE OF THE ROYALTY OIL CURRENTLY BEING SOLD UNDER CONTRACT BUT WHERE THE PURCHASER HAS DECLINED TO OR CANNOT EXTEND THE ROYALTY OIL SALES CONTRACT.

EXHIBIT "A"

ROYALTY DATA

<u>PURCHASERS</u>	<u>STATE LEASES</u>	<u>FIELDS</u>	<u>BBLs/DAY</u>	<u>API^o</u>
Macmillan Oil Co.	426	Hunt. Beach	1,330	22
USA Petrochem	E392	Hunt. Beach	1,330	19
Newhall Refining	425	Hunt. Beach	710	21
USA Petrochem	186 & 3095	Belmont	800	22
Sunland Refining	145, 410, 429 427 & 1466	Rincon	150	28
Beacon Oil	1824, 3133, 3150 & 4000	Summerland & Carpinteria	440	27
	TOTAL		4,760	

* Production data is for the month of December 1981 and represents 100% of the State's share of royalty.