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Initials

CALENDAR ITEM

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PROPOSED SALE OF CRUDE OIL,
STATE AGREEMENT FOR EASEMENT E-392,
HUNTINGTON BEACH FIELD

Sections 2(a) and 3(b) of State Agreement for Easement E-392, dated September 26, 1938, reserve to the State the right to take royalty oil in kind. All royalty oil from this property is now being sold under a contract which will expire on November 1, 1983. The staff recommends that the Commission re-offer for competitive bidding the royalty oil presently being purchased.

Section 6815.1 of the P.R.C. governs the sell-off of this oil and provides, in pertinent part, that when oil is taken in kind by the Commission it shall be sold only to the highest responsible bidder upon competitive public bidding and that the bidding shall be pursuant to specifications and forms adopted by the Commission prior to publication of the notice to bidder. The staff recommends that the Commission at this time adopt the specifications for the sell-off which are listed in Exhibit "A" to this Calendar Item and adopt the forms prepared by staff for use in the sell-off, which are the Notice Inviting Bids, Bid Proposal, and Crude Oil Sales Contract, copies of which are on file in the Commission's office in Long Beach. After the bids are solicited and the highest responsible bidder determined, the staff will return to the Commission with a recommendation regarding the award of the sales contract.

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The oil will be delivered without any physical change in the existing oil production and transportation facilities. Therefore, this transaction is not a "project" and is exempt from the requirements of CEQA.

AB 884: N/A.

EXHIBIT: A. Specifications.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT CEQA IS NOT APPLICABLE TO THIS ACTION BECAUSE IT IS NOT A PROJECT WHICH MAY HAVE A SIGNIFICANT EFFECT UPON THE ENVIRONMENT, AS DEFINED IN THE CEQA AND ITS IMPLEMENTING GUIDELINES (PRC 21080; CAL. ADM. CODE 15060).
2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF ROYALTY CRUDE OIL FROM STATE AGREEMENT FOR EASEMENT E-392.
3. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING THE ROYALTY OIL FROM STATE AGREEMENT EASEMENT E-392.

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EXHIBIT "A"

The significant specifications for the sell-off of royalty crude oil from State Agreement for Easement E-392 are as follows:

1. Amount

1. The sell-off will be one contract for 100% of the royalty oil from State Agreement for Easement E-392. This is approximately 1,150 barrels per day of between 18^o - 19^o API gravity crude oil.

2. The purchaser shall pay an amount per barrel equal to the Base Price plus a bid bonus of not less than 35 cents per barrel. The term "Base Price" means the highest price posted for oil of like gravity and quality in the Huntington Beach Field on the day of delivery by a company purchasing or paying royalties on oil in that field at its posted price or at a price using as one of its components its posted price. If there is no such posting, then the Base Price shall be the market price generally prevailing in the nearest field and paid for oil of like gravity on the day of delivery as determined by the State. The Base Price shall not include any deduction for delivery, transportation or dehydration. The Base Price shall be computed to the closest tenth of each degree of A.P.I. gravity and the closest tenth of a cent per barrel. The tenth of each degree of A.P.I. gravity shall be computed on actual prices paid to such tenth degree or, if none, computed by arithmetic interpolation.

3. Term

The term of the sell-off contract will be from November 1, 1983 through April 30, 1985.

4. Cash Deposit

Each bidder shall submit with its bid as evidence of good faith a certified or cashier's check in the amount of \$25,000 which, except in the case of the highest responsible bidder, will be returned.

5. Surety

A letter of credit in the amount of \$1,600,000 will be required.

6. Insurance

The purchaser will maintain or procure personal liability insurance of \$500,000 for one person, \$1,000,000 for more than one person, and \$1,000,000 to cover damage to property.