

MINUTE ITEM

This Calendar Item No. 37
was approved as a Minute Item
by the State Lands
Commission by a vote of 3
to 0 at its 10/26/83
meeting.

CALENDAR ITEM

37

10/26/83
W 9603.35
Tanner

PROPOSED SALE OF CRUDE OIL,
STATE OIL AND GAS LEASES
PRC 3033 AND PRC 3413,
HUNTINGTON BEACH FIELD,
ORANGE COUNTY

Section 3 of State Oil and Gas Lease PRC 3033, dated July 25, 1963 and Section 3 of State Oil and Gas Lease PRC 3413, dated December 1, 1965, reserve to the State the right to take royalty oil in kind upon one hundred and eighty (180) days written notice to the Lessee. The State is presently receiving its royalty in money from the Lessee, Union Oil Company. The staff recommends that the Commission offer the royalty oil for sale by competitive public bidding. The quantity of royalty oil is about 631 barrels per day of 20° API gravity oil as described in Exhibit "A", attached.

Section 6815.1 of the Public Resources Code 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 bidders. 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 this 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 CALIFORNIA ENVIRONMENTAL QUALITY ACT AND ITS IMPLEMENTING GUIDELINES (P.R.C. 21080; C.A.C. 15060).
2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 3033 AND PRC 3413.
3. AUTHORIZE THE TAKING IN KIND OF THE ROYALTY AND THE OFFER BY THE EXECUTIVE OFFICER FOR SALE BY COMPETITIVE PUBLIC BIDDING 100 PERCENT OF THE ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 3033 AND PRC 3413.

EXHIBIT "A"

The significant specifications for the sell-off of the royalty oil from State Oil and Gas Leases PRC 3033 and PRC 3413 are as follows.

1. Amount

The sell-off will be one contract for 100% of the royalty oil from State Oil and Gas Leases PRC 3033 and PRC 3413. This is approximately 631 barrels per day of 20^o API gravity crude oil.

2. Price

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 API gravity and the closest tenth of a cent per barrel.

3. Term

The term of the sell-off contract will be from 7:00 a.m., July 1, 1984 until 7:00 a.m., January 1, 1986.

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 \$1,400,000 will be required.

6. Insurance

The purchaser will procure and maintain 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.