

MINUTE ITEM

This Calendar Item No. 39
was approved as Minute Item
No. 39 by the State Lands
Commission by a vote of 3
to 0 at its 10/26/83
meeting.

CALENDAR ITEM

39

10/26/83
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APPROVAL OF
PROPOSED SALE OF CRUDE OIL,
STATE OIL AND GAS LEASES PRC 145,
PRC 410, PRC 427, PRC 429 AND PRC 1466,
RINCON OIL FIELD, COUNTY OF VENTURA

Section 2 of State Oil and Gas Lease PRC 145, dated July 13, 1944; Section 2 of State Oil and Gas Lease PRC 410, dated April 17, 1949; Section 2 of State Oil and Gas Lease PRC 429, dated April 21, 1951; Section 2 of State Oil and Gas Lease PRC 427, dated May 19, 1950; and Section 3 of State Oil and Gas Lease PRC 1466, dated August 29, 1955; reserve to the State the right to take royalty oil in kind on demand. The State is not presently taking this royalty oil in kind but is receiving money royalties from its lessees. The staff recommends that the Commission offer for competitive public bidding this royalty oil which it may take in kind.

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 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. DETERMINE THAT AN ENVIRONMENTAL DOCUMENT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH A DOCUMENT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21065, AND 14 CAL. ADM. CODE 15378.
2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SELL-OFF OF THE ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 145, PRC 410, PRC 427, PRC 429 AND PRC 1466.
3. AUTHORIZE THE TAKING IN KIND OF THE ROYALTY, AND THE OFFER BY THE EXECUTIVE OFFICER FOR SALE BY COMPETITIVE PUBLIC BID THE ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 145, PRC 410, PRC 427, PRC 429 AND PRC 1466.

EXHIBIT "A"

The significant specifications for the sell-off of royalty oil from State Oil and Gas Leases PRC 145, PRC 410, PRC 427, PRC 429 and PRC 1466, Rincon Oil Field, 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 145, PRC 410, PRC 427, PRC 429 and PRC 1466, Rincon Oil Field. This is approximately 131 barrels per day of between 26.3° and 28.3° API gravity crude oil.

2. Price

The purchaser shall pay an amount per barrel equal to the Base Price plus a bonus bid 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 Rincon Oil 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 be computed to the closest tenth of each degree of A.P.I. gravity and the closest tenth of a cent per barrel.

3. Term

The term of the sell-off contract will be from January 1, 1984 until 7:00 a.m. July 1, 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 \$200,000 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.

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