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CALENDAR ITEM

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PRC 7559
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APPROVE THE ASSIGNMENT OF THE ROYALTY OIL SALES CONTRACT
FOR STATE OIL AND GAS LEASE E-392, HUNTINGTON BEACH FIELD,
ORANGE COUNTY

ASSIGNOR:

Fletcher Oil & Refining Company
Attn: Craig G. Colley, Vice President
P. O. Box 548
Wilmington, California 90748

ASSIGNEE:

Enron Oil Trading & Transportation Company
Attn: Mark Milano, Vice President
West Coast
300 Oceangate, Suite 910
Long Beach, California 90802

BACKGROUND:

At its meeting on August 12, 1991, the Commission awarded the Royalty Oil Sales Contract for State oil and gas lease E-392, Huntington Beach Field, Orange County, to Fletcher Oil & Refining Company. Fletcher was the highest bidder in a competitively bid sale offering to pay the State a bonus of \$0.5760 per barrel above the base price. This is an eighteen-month contract which began on November 1, 1991 and is scheduled to expire on May 1, 1993.

On March 6, 1992, Fletcher contacted staff and requested that, pursuant to Section 9 of the Sales Contract, the Commission approve the assignment of the sales contract to Enron Oil Trading & Transportation Company (Enron), effective May 1, 1992. Enron will assume the contract with the understanding that it will pay the State the same bonus under the sales contract as Fletcher paid. Furthermore, Enron will perform under the contract as if it were the original purchaser, any conditions in the assignment documents to the contrary notwithstanding. Enron is presently

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purchasing the State's share of crude oil produced from State oil and gas lease PRC 3242, South Ellwood Offshore Field, Santa Barbara County, and is also purchasing the State's share of crude oil produced from State oil and gas leases PRC 425, PRC 426, PRC 91 MZU, and PRC 91 NU, Huntington Beach Field, Orange County. Enron is meeting its obligations under these sales contracts. Staff recommends that the Commission approve the assignment of the sales contract to Enron Oil Trading & Transportation Company.

STATUTORY AND OTHER REFERENCES:

- A. Section 6815.1 P.R.C.
- B. Section 6804 P.R.C.
- C. Section 9, Royalty Oil Sales Contract.

OTHER PERTINENT INFORMATION:

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

AB 884:

N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

- 1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061, BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
- 2. APPROVE THE ASSIGNMENT OF THE ROYALTY OIL SALES CONTRACT FOR STATE OIL AND GAS LEASE E-392, HUNTINGTON BEACH FIELD, ORANGE COUNTY, TO ENRON OIL TRADING & TRANSPORTATION COMPANY, EFFECTIVE MAY 1, 1992, WITH THE UNDERSTANDING THAT THE ASSIGNEE WILL BE BOUND BY THE TERMS AND CONDITIONS OF THE SALES CONTRACT TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN THE ASSIGNMENT DOCUMENTS TO THE CONTRARY NOTWITHSTANDING.
- 3. AUTHORIZE THE EXECUTIVE OFFICER, OR HIS DESIGNEE, TO EXECUTE ANY DOCUMENT TO EFFECT THIS ASSIGNMENT.