

MINUTE ITEM

This Calendar Item No. 24
was 24 Minute Item
No. 24 State Lands
Comm. by a vote of 3
to 0 at its 2/22/79
meeting.

CALENDAR ITEM

24.

PROPOSED SALE OF ROYALTY OIL

	2/79
	W 9603
	Willard
PRC 3133	PRC 427.1
PRC 3150	PRC 1466.1
PRC 3242	PRC 1824.1
PRC 4000	PRC 3120.1

It is proposed that the State offer by competitive bid the royalty oil from State leases PRC 3120.1 and PRC 3242.1 in the South Ellwood field, PRC 1824.1 in the Summerland field, and PRC 3150.1, PRC 3133.1 and PRC 4000.1 in the Carpinteria field, and PRC 427.1 and PRC 1466.1 in the Rincon field.

It is proposed that sales contracts be offered to take advantage of the differential between the highest posted price and the DOE ceiling price (Exhibit "B"). The royalty oil would be sold under 3 separate contracts based on geographic location. The 3 contracts would include the Ellwood area (PRC 3120.1 and PRC 3242.1), the Summerland-Carpinteria area (PRC 1824.1, PRC 3150.1, PRC 3133.1, and PRC 4000.1) and the Rincon area (PRC 427.1 and PRC 1466.1).

The amount of royalty oil available for sell-off is approximately 3,000 barrels per day based on December 1978 production figures. The sell-off could provide additional revenue of approximately \$56,000 per month. (Individual lease production figures are listed on attached Exhibit "B").

The new purchaser will maintain or procure personal liability insurance of at least \$500,000 per person, \$1,000,000 for more than 1 person, and property damage insurance of at least \$1,000,000. The bonding requirement would be equivalent to the value of 60 days of royalty oil (approximate amount of oil delivered to purchaser in advance of settlement), provided that the Commission may in its discretion accept alternate security (such as cash deposit, letter of credit or similar security) in a form and amount determined to be adequate.

The contracts will be for an initial term of 9 months and may be extended by the purchaser for 3 additional separate consecutive 9-month periods upon approval by the Commission. The sales price will be the maximum price permitted by law for all oil subject to federal price controls and the base price as defined in the sales contract for all oil not subject to price controls. The base price is defined as the highest price posted in the particular field on the day of delivery by a company purchasing in that field at its posted price, or at a price using as one of its components its posted price, at least 300 barrels per day of oil of like gravity and quality.

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The selection of the successful bidder for the sell-off oil would be based on the responsible bidder making a commitment to pay the price specified in the sell-off contract. In the event that 2 or more responsible bidders make identical commitments to pay the contract price, the successful bidder for the sell-off oil would be determined by lot from among all responsible bidders making such identical commitments. In addition, each bidder will be required to submit with his bid a deposit as evidence of good faith.

EXHIBITS: A. Location Map.
 B. Royalty Oil Sales Data.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE IN 100% INCREMENTS BY COMPETITIVE BID ROYALTY OIL FROM STATE OIL AND GAS LEASES PRC 3120.1, PRC 3242.1, PRC 1824.1, PRC 3150.1, PRC 3133.1 AND PRC 4000.1, PRC 427.1, AND PRC 1466.1.

EXHIBIT "A"

STATE LANDS COMMISSION

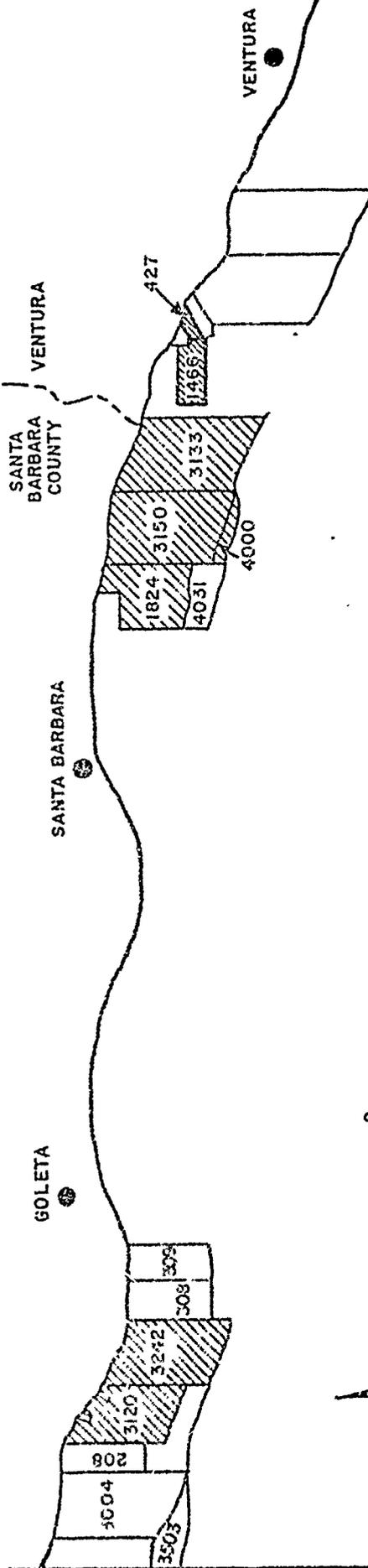
PRC 3120, PRC 3242, PRC 1824,
PRC 3150, PRC 3133, PRC 4000,
PRC 427 and PRC 1466.
PROPOSED SALE OF ROYALTY OIL

SANTA BARBARA COUNTY
VENTURA COUNTY

ADW

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EXHIBIT B

STATE OIL AND GAS LEASE ROYALTY DATA
(For the Month of December 1978)

Lease	Royalty Oil, B/D		Gravity	Posted Price		Ceiling Price		Price Differential	
	Lower Tier	Upper Tier		Lower Tier	Upper Tier	Lower Tier	Upper Tier	Lower Tier	Upper Tier
3120	108	2010	23	\$5.00	\$10.79	\$5.59	\$11.53	\$0.59	\$0.74
3242	32	200	23	5.00	10.79	5.59	11.53	0.59	0.74
1824	44	72	35	5.60	11.50	5.89	11.81	0.29	0.31
3150	314	59	24	5.27	11.06	5.55	11.37	0.28	0.31
3133	11	--	27	5.36	--	5.65	--	0.29	--
4000	65	--	24	5.27	--	5.55	--	0.28	--
427	35	3	29	5.62	11.61	5.77	11.73	0.15	0.12
1466	92	--	28	5.59	--	5.73	--	0.14	--