MINUTE ITEM
This Calendar Item No. C39
39 Item
State Lands
Date of 2
6-5-79

CALENDAR ITEM

39.

5/79
W 40144
Willard

PROPOSED SALE OF ROYALTY OIL

On January 18, 1979, bids were received in response to a published Notice of Intention to offer for sale by competitive public bid royalty oil from State Oil and Gas Leases PRC 3033.1 and PRC 3413.1, Huntington Beach field, Orange County. The offer was authorized by the Commission on September 27, 1978. USA Petrochem Corporation was selected, by lot, as the successful bidder from 12 bids.

On February 22, 1979, the Commission, after reviewing the pending litigation with USA Petroleum Corporation, determined that the award of the royalty oil sales contract to USA Petrochem Corporation (a subsidiary of USA Petroleum Corporation) would not be in the best interests of the State, rejected all bids and directed staff to reoffer the contract.

On May 2, 1979, the contract was reoffered for sale by competitive public bid. The successful bidder, Kern County Refinery, Inc., was determined by lot from 18 responsible bidders (Exhibit "A"). The bid provides for the payment of 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 contract defines the base price as the highest price posted in the Huntington Beach 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 lease 300 barrels per day of oil of like gravity and quality.

Section 211.63(d) of the Mandatory Petroleum Allocation Regulations issued by the Department of Energy provides in part that any supplier/purchaser relationship may be terminated by a producer if the present purchaser refuses within a 15-day period, after receipt of written notice, to meet any bona fide written offer made by another purchaser to purchase such crude oil at a lawful price above the price paid by the present purchaser. The present purchaser of the State's royalty oil under these leases is Union Oil Company of California, and they have properly advised the Commission's staff (within the 15-day period) that they will meet the offer of Kern County Refinery, Inc.

EXHIBIT: A. Bids Received.

A 73

S 36

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IT IS RECOMMENDED THAT THE COMMISSION:

1. ACKNOWLEDGE NOTIFICATION BY UNION OIL COMPANY OF CALIFORNIA TO MEET THE OFFER MADE BY KERN COUNTY REFINERY, INC. TO PURCHASE THE STATE'S ROYALTY OIL UNDER STATE OIL AND GAS LEASES PRC 3033.1 AND PRC 3413.1, EFFECTIVE DECEMBER 1, 1979, AT THE MAXIMUM PRICE PREMITTED BY LAW FOR ALL OIL SUBJECT TO FEDERAL PRICE CONTROLS AND THE BASE PRICE, AS DEFINED IN THE SALES CONTRACT IDENTIFIED AS W 40144 ON FILE IN THE OFFICE OF THE COMMISSION AND HEREBY MADE A PART HEREOF, FOR ALL OIL NOT SUBJECT TO PRICE CONTROLS.

2. DIRECT THE STAFF TO NOTIFY ALL BIDDERS THAT UNION OIL COMPANY OF CALIFORNIA, AS THE PRESENT PURCHASER OF STATE ROYALTY OIL UNDER STATE OIL AND GAS LEASES PRC 3033.1 and PRC 3413.1 AND PURSUANT TO SECTION 211.63(d) OF THE DEPARTMENT OF ENERGY MANDATORY PETROLEUM ALLOCATION REGULATIONS, HAS ELECTED TO MEET THE SUCCESSFUL BID OF KERN COUNTY REFINERY, INC.

EXHIBIT "A" W 40144

Bids Received on Royalty Oil Sales Contract for PRC 3033.1 and PRC 3413.1.

Kern County Refinery, Inc.
Amorient Petroleum Company
McAuley Oil Company
Earl R. Hagaman
Sunland Refining Corporation
LaJet, Inc.
Lunday-Thagard Oil Company
Basin Petroleum, Inc.
Energy Exchange Co., Inc.
Powerline Oil Company
ECO Petroleum, Inc.
Gasco Gasoline, Inc.
DeMenno Resources
B & B Trading Company
Kennedy Industries, Inc.
Sabre Refining, Inc.
Alliance Oil & Refining Co.
Edgington Oil Company, Inc.