MINUTE ITEM
This Calendar Item No. 20.
was approved as Minute Item
20 by the State Lands
Commission by a vote of 2
to 0 at its 7-24-80
meeting.

CALENDAR ITEM

20.

7/80
W 9603.4
Willard
PRC 5867

AWARD OF ROYALTY OIL SALES CONTRACT

On January 24, 1980, the Commission authorized the sale, by competitive public bid, of the uncontrolled portion of royalty oil from State Oil and Gas Leases PRC 3133, PRC 3150, PRC 4000, and PRC 1824, Carpinteria and Summerland Offshore Fields, Santa Barbara County.

On May 30, 1980, two bids were received pursuant to a published "Notice of Intention" to offer for bid the uncontrolled portion of royalty oil from State Leases PRC 3133, PRC 3150, PRC 4000, and PRC 1824. The highest bid received was from USA Petrochem Corporation, in the amount of $0.86 per barrel plus the Base Price. The sales contract defines the Base Price as the highest price posted for uncontrolled oil of like gravity and quality in the Carpinteria or Summerland Offshore Fields 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.

Section 211.63(d) (iii) 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 fifteen-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 lessees and present purchasers of the State's royalty oil are Exxon Company, U.S.A., and Chevron U.S.A. Inc., and they have declined to match the offer made by USA Petrochem Corporation.

The bid submitted by USA Petrochem Corporation, has been reviewed by the Staff as to the technical sufficiency and economic factors. Staff Counsel has reviewed the bid and determined:

1. That the Commission has complied with the procedural requirements of the law;

2. That the bid submitted conforms with:

   A. The bid requirements specified in the proposal of the Commission.

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B. The applicable provision of law; and

C. The rules and regulations of the Commission.

This project is situated on State land identified as possessing significant environmental values pursuant to P.R.C. 6370.1 and is classified in a use category, Class C, which authorizes Multiple Use. Staff review indicates that there will be no significant effect upon the identified environmental values. This is an existing facility for which no adverse comments have been received.

The proposed royalty oil sale is exempt from CEQA under Cal. Adm. Code 2907, Class 1, and State EIR guidelines Section 15104, Class 1, which categorically exempts existing facilities wherein there will be no expansion of the use of such facility. The disposition of crude oil sold pursuant to this contract will be accomplished by exchange agreement without any physical change in the existing oil production and transport facilities.

EXHIBIT: "A" (List of Bids)

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21085, 14 CAL. ADM. CODE 15100 ET SEQ., AND 2 CAL. ADM. CODE 2907.

2. FIND THAT ISSUANCE OF THE ROYALTY OIL SALES CONTRACT WILL HAVE NO SIGNIFICANT EFFECT UPON ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. 6370.1.

3. DIRECT THE EXECUTIVE OFFICER TO NOTIFY EXXON COMPANY, U.S.A., AND CHEVRON U.S.A. INC., THE PRESENT PURCHASERS/LESSEES OF THE STATE'S SHARE OF UNCONTROLLED ROYALTY OIL PRODUCED UNDER STATE OIL AND GAS LEASES PRC 3133, PRC 3150, PRC 4000, AND PRC 1824 THAT PURSUANT TO 10 CFR PART 211.63(d) (iii) OF THE MANDATORY PETROLEUM ALLOCATION REGULATIONS THE SUPPLIER/PURCHASER RELATIONSHIP IS BEING TERMINATED AS A RESULT OF THEIR FAILURE TO MATCH THE OFFER OF USA PETROCHEM CORPORATION TO PURCHASE SUCH OIL AT A LAWFUL PRICE ABOVE THE CURRENT PRICE BEING PAID.

4. ACCEPT THE HIGHEST BID AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE ROYALTY OIL SALES CONTRACT (STATE OIL AND GAS LEASES PRC 3133, PRC 3150, PRC 4000

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AND PRC 1824) (CARPINTERIA AND SUMMERLAND OFFSHORE FIELDS) (100% OF UNCONTROLLED PORTION OF ROYALTY OIL) TO USA PETROCHEM CORPORATION, FOR THE SIX-MONTH PERIOD EFFECTIVE AUGUST 1, 1980, AND ENDING FEBRUARY 1, 1981.

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EXHIBIT "A"

List of Bids

(Uncontrolled Royalty Oil Sale - State Oil and Gas Leases PRC 3133, PRC 3150, PRC 4000, and PRC 1824)

Bidders	Bonus Bid Offered
USA Petrochem Corporation	$0.86
Macmillan Ring-Free Oil Co., Inc.	$0.515