

MINUTE ITEM

This Calendar Item No. 27
 was approved as Minute Item
 No. 27 by the State Lands
 Commission by a vote of 3
 to 1 at its 1-26-81
 meeting.

CALENDAR ITEM

27.

1/81
 W 9603.11
 Hamilton

PROPOSED SALE OF ROYALTY OIL

On April 5, 1979, President Carter announced his intention to deregulate all domestic crude oil. In order that the national economy could adjust to the effects of deregulation, President Carter's schedule calls for the deregulation of domestic crude oil prices to be phased in gradually so as to be completed by October 1, 1981, when existing authority to control petroleum prices expires.

Presently, the State is engaged in six royalty oil sales contracts involving eleven State oil and gas leases and four fields excluding Tract 2. Of the six contracts, three are subject to termination when DOE pricing controls expire. The other three will expire as follows: two will expire on February 1, 1981 and one May 1, 1981.

To assure that the State receives maximum revenues from its oil sales, it is recommended that the Commission offer, where feasible, its royalty share of oil for sale by competitive bid. Section 6815.1 of the Public Resources Code provides that, when the Commission exercises the right to take royalty oil in kind, the Commission shall prepare an agreement for the disposition and sale of such oil in accordance with procedures set forth in rules and regulations adopted by the Commission. All specifications and forms for the purpose of inviting bids in connection with such disposition and sale have been previously adopted by the Commission.

Because 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, this transaction does not constitute a project and is therefore exempt from the requirements of CEQA and implementing regulations.

EXHIBIT: A. List of State Oil and Gas Leases.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT CEQA IS NOT APPLICABLE TO THIS ACTION AS IT IS NOT A PROJECT WHICH MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT, AS DEFINED IN THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND ITS IMPLEMENTING GUIDELINES, (PRC 21080, CAC 15060).

A 35, 36, 73

S 18, 36

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2. AUTHORIZE THE EXECUTIVE OFFICER TO NOTIFY THE LESSEES OF THOSE STATE OIL AND GAS LEASES IDENTIFIED IN EXHIBIT "A" THAT THE STATE, IN ACCORDANCE WITH THE LEASE TERMS, IS EXERCISING ITS RIGHT TO TAKE IN KIND ITS ROYALTY SHARE OF OIL PRODUCED FROM THOSE LEASES.

3. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BID THE ROYALTY OIL PRODUCED FROM THOSE STATE OIL AND GAS LEASES IDENTIFIED IN EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF.

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LIST OF STATE OIL AND GAS LEASES

EXHIBIT "A"

<u>STATE LEASE</u>	<u>LESSEE/ (OPERATOR)</u>	<u>ROYALTY BBLs. - OCTOBER 1980</u>
<u>Huntington Beach</u>		
91	Aminoil	2550
163	Aminoil	471
426	Aminoil	38170
E392	Aminoil	38872
425	Aminoil	23025
3033	Union	18212
3413	Union	Ø
4736	Aminoil	6066
<u>Belmont Offshore</u>		
186	Exxon	8014
3095	Chevron	10454
<u>West Montalvo</u>		
735	Chevron	477
<u>Rincon</u>		
410	Cabot	778
145	Energy Development	628
427	Mobil	1553
429	Cabot	279
1466	Arco	2156
<u>Carpinteria Offshore</u>		
3133	Exxon	569
3150	Chevron	11807
4000	Chevron	1943
<u>Summerland Offshore</u>		
1824	Chevron	1258
<u>Elwood</u>		
129	Aminoil	608
208	Aminoil	Ø
421	Aminoil	160
<u>South Elwood Offshore</u>		
3120	Arco	51911
3242	Arco	68326
<u>Pt. Conception</u>		
2793	Arco	Ø
2879	Union	349
GRAND TOTAL		288,636

(Rev. 1/23/81)

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