MINUTE ITEM

This Calendar Item No. 25
was approved as Minute Item
No 25 by the State Lands
Commission by a vote of 2
at 0 at its 4-29-81
meeting.

MINUTE ITEM

4/29/81
W 9603.12
Hamilton
PRC 5992

25. AWARD OF ROYALTY OIL SALES CONTRACT

During consideration of Calendar Item 25 attached, Mr. William F. Northrop, Executive Officer, requested that additional language be included in the recommendations reducing the amount of security under Section 19 of the Royalty Oil Sales Contract from $3 million to $2.5 million. He explained this amendment would more adequately cover the Commission's exposure (i.e. the royalty oil that is delivered prior to the accounting and payment by the purchasers). It was explained that the original security was based on 90 days, but upon reevaluation, it was determined that 80 days more accurately reflected the actual exposure and therefore the security should be reduced.

The Commissioners were concerned about changing the amount of security, one of the bid specifications, after the bid was awarded, and how it might influence the bid procedures.

Mr. Allen D. Willard, Supervising Mineral Resources Engineer, explained that all bidders were apprised that under the bid specifications and the contract the security requirements may be changed after the award of the bid at the discretion of the Commission. It was clarified that this change did not affect the bid specifications and was based solely on the Commission's rights under the bid proposal and the proposed sales contract.

Upon motion duly made and carried, the following resolution, as amended, was approved by a vote of 2-0:

THE COMMISSION:

1. ACCEPTS THE BID OF MACMILLAN RING-FREE OIL COMPANY, INC. AND AUTHORIZES THE EXECUTIVE OFFICER TO EXECUTE "ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASE PRC 426, HUNTINGTON BEACH FIELD, 100% OF THE ROYALTY OIL", FOR THE ONE-YEAR TERM COMMENCING MAY 1, 1981, AND CONTINUING UNTIL MAY 1, 1982.

2. AUTHORIZES THE EXECUTIVE OFFICER OR HIS DESIGNEE TO NOTIFY THE LESSEE THAT THE STATE INTENDS TO TAKE ITS ROYALTY OIL IN KIND PURSUANT TO THE PROVISIONS OF STATE OIL AND GAS LEASE PRC 426 COMMENCING MAY 1, 1981, AND SELL IT TO MACMILLAN RING-FREE OIL COMPANY, INC.

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MINUTE ITEM NO. 25. (CONTD)

3. AUTHORIZES THE EXECUTIVE OFFICER TO REDUCE THE AMOUNT OF SECURITY REQUIRED UNDER SECTION 19 OF THE ROYALTY OIL SALES CONTRACT FROM $3 MILLION TO $2.5 MILLION AND ACCEPT SUCH SECURITY IN THE FORM OF A BOND OR LETTER OF CREDIT.

CALENDAR ITEM

4/81
W 9603.12
Hamilton

25

AWARD OF ROYALTY OIL SALES CONTRACT

On January 26, 1981, the Commission authorized the sale, by competitive bidding, of the royalty oil that will be produced from State Oil and Gas Lease PRC 426, Huntington Beach Field, Orange County (Minute Item No. 27). The State's royalty share of crude oil produced in a one-month period from Lease PRC 426 is approximately 35,000 barrels.

On March 18, 1981, a public sale was conducted and 15 bids were received and opened (see attached Exhibit "A"). Staff has reviewed the bids and has determined the successful bidder, defined in the bid proposal as the responsible bidder making the highest per barrel bonus bid over the base price and offering to execute the sales contract, to be:

Macmillan Ring-Free Oil Company, Inc.
911 Wilshire Blvd., Suite 1680
Los Angeles, California 90017

The Royalty Oil Sales Contract defines the base price in full, but generally can be described as the highest price posted for oil of like gravity and quality in the Huntington Beach Field. Macmillan submitted the highest bid of $1.56125 per barrel plus the base price and has executed the sales contract. The term of this contract is one year, but may be extended upon mutual agreement for up to two separate and consecutive six-month periods.

The disposition of the royalty oil under this sales contract will be accomplished by exchange agreement using existing oil production and transport facilities. There will not be any expansion or physical change of such facilities.

STATUTORY REFERENCES:

A. P.R.C., Section 6815.1.

B. Title 2, Cal. Adm. Code, Div. 3, Chapter 1, Article 3.5.

EXHIBIT: A. List of Bids.

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IT IS RECOMMENDED THAT THE COMMISSION:

1. ACCEPT THE BID OF MACMILLAN RING-FREE OIL COMPANY, INC., AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE "ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASE PRC 426, HUNTINGTON BEACH FIELD, 100% OF THE ROYALTY OIL," FOR THE ONE-YEAR TERM COMMENCING MAY 1, 1981, AND CONTINUING UNTIL MAY 1, 1982.

2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO NOTIFY THE LESSEE THAT THE STATE INTENDS TO TAKE ITS ROYALTY OIL IN KIND PURSUANT TO THE PROVISIONS OF STATE OIL AND GAS LEASE PRC 426 COMMENCING MAY 1, 1981, AND SELL IT TO MACMILLAN RING-FREE OIL COMPANY, INC.

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EXHIBIT "A"

List of Bids

1.	Macmillan Ring-Free Oil Co., Inc.	$1.56125
2.	USA Petrochem Corporation	1.271
3.	Beacon Oil Company	1.050
4.	Powerine Oil Company	1.030
5.	Kern County Refinery, Inc.	0.775
6.	Century Resources Development, Inc.	0.765
7.	ECO Petroleum, Inc.	0.760
8.	Marlex Oil & Refining, Inc.	0.760
9.	Koch Oil Company	0.750
10.	Lunday-Thagard Oil Co.	0.5757
11.	La Jet Crude Oil, Inc.	0.510
12.	Edgington Oil Company, Inc.	0.415
13.	Alliance Oil and Refining Company	0.180
14.	Amorient Petroleum Company	0.100
15.	Tosco Corporation	0.003

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