MINUTE ITEM
This Calendar Item No. 33
was approved as Minute Item
33 by the State Lands
Commission by a vote of 2
to 0 at its 8/25/83
meeting.

CALENDAR ITEM

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8/25/83
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PROPOSED SALE OF CRUDE OIL,
STATE OIL AND GAS LEASE PRC 425,
HUNTINGTON BEACH FIELD

Section 2 of State Oil and Gas Lease PRC 425, dated February 10, 1950, reserves to the State the right to take royalty oil in kind. All royalty oil is now being sold under a contract which will expire on December 1, 1983. The staff recommends that the Commission re-offer for competitive bidding the royalty oil presently being purchased. The Commission may take the royalty oil in kind upon demand. Section 6815.1 of the Public Resources Code governs the sell-off of this oil and provides. in pertinent part, that when oil is taken in kind by the Commission it shall be sold only to the highest responsible bidder upon competitive public bidding and that the bidding shall be pursuant to specifications and forms adopted by the Commission prior to publication of the notice to bidders. The staff recommends that the Commission at this time adopt the specifications for the sell-off which are listed in Exhibit "A" to this Calendar Item and adopt the forms prepared by staff for use in this sell-off, which are the Notice Inviting Bids, Bid Proposal, and Crude Oil Sales Contract, copies of which are on file in the Commission's office in Long Beach. After the bids are solicited and the highest responsible bidder determined, the staff will return to the Commission with a recommendation regarding the award of the sales contract.

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The oil will be delivered without any physical change in the existing oil production and transportation facilities. Therefore, this transaction is not a project and is exempt from the requirements of CEQA.

AB 884: N/A

EXHIBIT: A. Specifications.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT CEQA IS NOT APPLICABLE TO THIS ACTION BECAUSE IT IS NOT A PROJECT WHICH MAY HAVE A SIGNIFICANT EFFECT UPON THE ENVIRONMENT, AS DEFINED IN THE CALIFORNIA ENVIRONMENTAL QUALITY ACT AND ITS IMPLEMENTING GUIDELINES (P.R.C. 21080; CAL. ADM. CODE 15060).

2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE ROYALTY OIL FROM STATE OIL AND GAS LEASE PRC 425.

3. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING 100 PERCENT OF THE ROYALTY OIL FROM STATE OIL AND GAS LEASE PRC 425.

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Exhibit "A"

The significant specifications for the sell-off of the royalty oil from State Oil and Gas Lease PRC 425 are as follows:

1. Amount

The sell-off will be one contract for 100% of the royalty oil from State Oil and Gas Lease PRC 425. This is approximately 710 barrels per day, of 21° API gravity crude oil.

2. Price

The purchaser shall pay an amount per barrel equal to the Base Price plus a bid bonus of not less than 35 cents per barrel. The term "Base Price" means the highest price posted for oil of like gravity and quality in the Huntington Beach Field on the day of delivery by a company purchasing or paying royalties on oil in that field at its posted price or at a price using as one of its components its posted price. If there is no such posting, then the Base Price shall be the market price generally prevailing in the nearest field and paid for oil like gravity on the day of delivery as determined by the state. The Base Price shall not include any deduction for delivery, transportation or dehydration. The Base Price shall be computed to the closest tenth of each degree of A.P.I. gravity and the closest tenth of a cent per barrel. The tenth of each degree of A.P.I. gravity and the closest tenth of a cent per barrel. The tenth of each degree of A.P.I. gravity shall be computed on actual prices paid to such tenth degree or, if none, computed by arithmetic interpolation.

3. Term

The term of the sell-off contract will be from December 1, 1983 and ending at 7 a.m. June 1, 1985.

4. Cash Deposit

Each bidder shall submit with its bid as evidence of good faith a certified or cashier's check in the amount of $25,000, which, except in the case of the highest responsible bidder, will be returned.

5. Surety

A letter of credit in the amount of $1,000,000 will be required.

6. Insurance

The purchaser will maintain or procure personal liability insurance of $500,000 for one person, $1,000,000 for more than one person, and $1,000,000 to cover damage to property.