MINUTE ITEM

This Calendar Item No. 38 approved as Minute Item No. 38 by the State Lands Commission by a vote of 3 to 0 at its 10/26/83 meeting.

CALENDAR ITEM

38

10/26/83
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Tanner

PROPOSED SALE OF CRUDE OIL,
STATE OIL AND GAS LEASE PRC 3120,
SOUTH ELWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY

Section 3 of State Oil and Gas Lease PRC 3120, dated April 29, 1964, reserves to the State the right to take royalty oil in kind and return it upon one hundred and eighty days written notice to the lessee. The oil is now being sold under a contract, which will expire on July 1, 1984. U. S. Oil and Refining Company is paying the State a bonus of $0.69 per barrel above the base price. The staff recommends that the Commission re-offer for competitive bidding the oil presently being purchased.

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" and adopt the forms prepared by staff for use in this sell-off, which are: the Notice Inviting Bids; Bid Proposal; and Crude

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Oil Sales Contract. Copies of these forms 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.

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.

The published notice and contract provides that the successful bidder's transportation method shall not cause a violation of Santa Barbara County Ordinance 2919 which would lead to a curtailment of production by the State's lessee or the purchaser's inability to comply with the terms of the royalty oil sales contract. Further, the successful bidder shall bear the risk of all losses which could arise from a transportation method which causes a violation of Santa Barbara County Ordinance 2919.

AB 884: N/A.

EXHIBIT: A. Specifications.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN ENVIRONMENTAL DOCUMENT HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH A DOCUMENT IS NOT REQUIRED UNDER THE PROVISIONS OF PRC 21065 AND 14 CAL. ADM. CODE 15378.

2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF ROYALTY OIL FROM STATE OIL AND GAS LEASE PRC 3120.

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 3120.

EXHIBIT "A"

The significant specifications for the sell-off of the royalty oil from State Oil and Gas Lease PRC 3120, South Elwood Offshore Field, 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 3120. This is approximately 1,724 barrels per day of 20.1° API gravity crude oil.

2. Price

The purchaser shall pay an amount per barrel equal to the Base Price plus a bonus bid 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 South Elwood Offshore 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 of 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 API gravity and the closest tenth of a cent per barrel. Gravity shall be determined by using actual shipping gravities of oil delivered through the LACT units located onshore ARCO's storage facilities.

3. Term

The term of the sell-off contract will be from July 1, 1984 until 7.00 a.m. January 1, 1986.

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 $3,000,000 will be required.

6. Insurance

The purchaser will procure and maintain 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.

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