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CALENDAR ITEM

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07/27/84
PRC 3120
Willard
PRC 6533

ASSIGNMENT OF ROYALTY OIL SALES CONTRACT
STATE OIL AND GAS LEASE PRC 3120,
SOUTH ELWOOD OFFSHORE FIELD
SANTA BARBARA COUNTY

ASSIGNOR: (PURCHASER)
Paramount Petroleum
14700 Downey Avenue
Paramount, California 90723

ASSIGNEE:
P.R.I. of Hawaii, Inc.
300 Oceangate, Suite 540
Long Beach, California 90802

SUMMARY:

Issuance of Royalty Oil Sales Contract PRC 6533.1 to Paramount Petroleum's predecessor in interest, Pacific Oasis, for a term of 18 months commencing July 1, 1984 was authorized by the Commission on December 22, 1983. The contract was based on competitive public bid (nine bidders) with bonus bids in dollars per barrel above the base price. The base price is the highest price posted for oil of like gravity and quality in the South Elwood Offshore Field on the day of the delivery. Pacific Oasis was the highest responsible bidder with a bid of $2.155. In March of 1984, Pacific Oasis changed its business organization from a General Partnership to a Corporation and adopted the name Paramount Petroleum. All of the assets of Pacific Oasis were transferred to the new corporation including the Royalty Oil Sales Contract with the State. The existing bond and insurance policy called for by the contract which protects the State, were also put into Paramount's name.

On June 23, 1984, just prior to the beginning date of the Royalty Oil Sales Contract, certain creditors of Paramount Petroleum filed an involuntary Chapter 11 bankruptcy petition against Paramount under the bankruptcy act. This involuntary bankruptcy has since been

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changed to a voluntary one. No royalty oil has been delivered to Paramount under this contract. Paramount Petroleum now desires to assign the Royalty Oil Sales Contract for its entire term to P.R.I. of Hawaii, Inc., and has submitted a non-conditional assignment and assumption of contract form effective July 1, 1984 for State Lands Commission approval.

PREREQUISITE ITEMS:

1. Assignment forms have been executed by assignor and assignee and are on file in the Long Beach office of the State Lands Commission.

2. Assignee is eligible to hold a State Royalty Oil Sales Contract.

3. Performance bond ($2.6 million) has been submitted.

STATUTORY AND OTHER REFERENCES:

A. Section 10 of the Sales Contract.
B. P.R.C. Section 6801.
C. 2 Cal. Adm. Code 2163.
D. 14 Cal. Adm. Code 15061 and 15378.

AB 884: N/A.

OTHER PERTINENT INFORMATION:
This activity is exempt from CEQA because it is not considered to be a project pursuant to 14 Cal. Adm. Code 15378.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THIS ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY 21065 P.R.C AND 14 CAL. ADM. CODE 15378.

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2. CONFIRM ALL PRIOR TRANSFERS AND RATIFY APPROVAL OF THE ASSIGNMENT BY THE EXECUTIVE OFFICER, MADE PURSUANT TO AUTHORITY GRANTED UNDER 2 CAL. ADM. CODE 2162, OF ALL OF THE ASSIGNOR'S (PARAMOUNT PETROLEUM CORPORATION) INTEREST IN ROYALTY OIL SALES CONTRACT STATE OIL AND GAS LEASE PRC 3120, SOUTH ELWOOD OFFSHORE FILED TO THE ASSIGNEE (P.R.I. OF HAWAII, INC.), EFFECTIVE JULY 1, 1984, WITH THE ASSIGNEE TO BE BOUND BY THE TERMS AND CONDITIONS OF THE CONTRACT TO THE SAME EXTENT AS THE ORIGINAL PURCHASER UNDER THE CONTRACT, PROVIDED THAT NOTHING IN THE ASSIGNMENT OR IN THE STATE'S CONSENT TO IT ABROGATES THE RESPONSIBILITY OF PARAMOUNT PRIOR TO JULY 1, 1984, AND THE OBLIGATIONS OF THE SURETY TO GUARANTEE SUCH PAYMENT.