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7/27/84
CALENDAR ITEM

0281

07/27/84
PRC 6497
Willard
PRC 425

ASSIGNMENT OF ROYALTY OIL SALES CONTRACT
STATE OIL AND GAS LEASE PRC 425,
HUNTINGTON BEACH FIELD,
ORANGE COUNTY

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

ASSIGNEE: Edgington Oil Company, Inc.
2400 East Artesia Boulevard
Long Beach, California 90805

SUMMARY: Issuance of Royalty Oil Sales Contract PRC 6497 to Paramount Petroleum's predecessor in interest, Pacific Oasis, for a term of 18 months commencing December 1, 1983 was authorized by the Commission on September 28, 1983. The contract was based on competitive public bid (11 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 Huntington Beach Field on the day of the delivery. Pacific Oasis was the highest responsible bidder with a bid of \$2.057. 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, certain creditors of Paramount Petroleum filed an involuntary Chapter 11 bankruptcy petition against Paramount under the bankruptcy act. This involuntary bankruptcy has since been

(NON-SUBSTANTIVE REVISION 03/27/85)

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changed to a voluntary one. On June 27, 1984 Paramount defaulted on payment due to the State for May 1984 royalty oil deliveries. They have also informed staff that no payment will be made for June 1984 deliveries. The State's claim is now being processed against the bond. No loss is anticipated.

Paramount Petroleum now desires to assign the Royalty Oil Sales Contract for its remaining term to Edgington Oil Company, 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 (\$1.0 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.

CALENDAR ITEM NO. **02B** CONT'D

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 425, HUNTINGTON BEACH FIELD FILED TO THE ASSIGNEE (EDGINGTON OIL COMPANY, 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.