MINUTE ITEM

This Calendar Item No. 34 was approved as Minute Item No. 34 by the State Lands Commission by a vote of 2 to 0 at its 5/23/85 meeting.

CALENDAR ITEM

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AWARD OF ROYALTY OIL SALES CONTRACT
STATE OIL AND GAS LEASE PRC 3242
SOUTH ELWOOD OFFSHORE FIELD
SANTA BARBARA COUNTY

On February 28, 1985, the Commission authorized the competitive bid sale of royalty oil produced from State Oil and Gas Lease PRC 3242 South Elwood Offshore Field. The royalty oil is currently being purchased by Huntway Refining Company for $2.315 per barrel above the base price under a contract which will expire on January 1, 1986. The State's share of royalty oil produced from State Oil and Gas Lease PRC 3242 is approximately 3,200 barrels per day of 20° API gravity crude oil.

On April 30, 1985 the staff offered by competitive public bid the royalty production from State Oil and Gas Lease PRC 3242. Attached as Exhibit "A" is a list of the bidders and their bonus bids in dollars per barrel above the base price. Huntway Refining Company was the highest bidder, bidding $1.33 above the base price. The base price is the highest price posted for like crude oil in the South Elwood Offshore Field on the day of delivery.

The Commission staff has reviewed the financial ability of the bidders to fulfill the obligations of the contract and their physical ability to take the oil, and has determined that Huntway is the highest responsible bidder. The contract, if awarded, will be for a term of 17 months, with delivery commencing on January 1, 1986. Delivery of the oil will be by exchange agreement without any change in the existing oil production and transportation facilities.

OTHER PERTINENT INFORMATION:

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from

CALENDAR PAGE 127
MINUTE PAGE 1664

the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

EXHIBIT: A. List of bidders, including highest responsible bidder.

IT IS RECOMMENDED THAT THE COMMISSION:

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

2. ACCEPT THE BID OF HUNTWAY REFINING COMPANY AND AUTHORIZE THE EXECUTIVE OFFICE TO EXECUTE THE ROYALTY OIL SALES CONTRACT FOR THE ROYALTY OIL PRODUCED FROM STATE OIL AND GAS LEASE PRC 3242, SOUTH ELWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY.

128
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W 9603.43
PRC 6534

EXHIBIT "A"

BID OPENING
STATE OIL AND GAS LEASE PRC 3242,
SOUTH ELWOOD OFFSHORE FIELD,
APRIL 30, 1985, 11:00 AM

Bidder	Bonus Bid (Per Barrel Above Posted Price)
1. Huntway Refining Company	$1.33
2. Champlin Petroleum Company	$1.216
3. Kern Oil & Refining Company	$1.211
4. Mock Petrochemical, Inc.	$0.451
5. U. S. Oil & Refining Company	$0.40

The highest responsible bidder is Huntway Refining Company.

129
1666