

MINUTE ITEM
This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 2
to 0 at its 8/29/85
meeting.

A 58
S 37

CALENDAR ITEM

35 "

08/29/85
W 9603.45
Tanner

AUTHORIZATION FOR PROPOSED SALE OF ROYALTY CRUDE OIL,
STATE OIL AND GAS LEASE PRC 186
BELMONT OFFSHORE FIELD, ORANGE COUNTY

Section 2 of State Oil and Gas Lease PRC 186 dated September 24, 1945 reserves to the State the right to take royalty oil in kind on demand. Royalty oil production from this lease is approximately 300 barrels per day of 19.0° API gravity crude oil. This crude oil is now being sold under a contract which will expire on November 1, 1985. Edgington Oil Company is currently purchasing this royalty crude oil for a bonus of \$1.861 per barrel above the posted price. The staff recommends that the Commission re-offer for competitive bidding the royalty crude oil produced from this lease which is presently being purchased.

Section 6815.1 of the P.R.C. 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 the sell-off, which are the Notice Inviting Bids, Bid Proposal, and the 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.

The oil will be delivered without any physical change in the existing oil production and transportation facilities.

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OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15062), the staff has determined that this activity is exempt from 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.

AB 884: N/A.

EXHIBIT: A. Specifications.

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 15062 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 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 THE ROYALTY CRUDE OIL PRODUCED FROM STATE OIL AND GAS LEASE PRC 186, BELMONT OFFSHORE FIELD, ORANGE COUNTY, WHICH THE STATE MAY TAKE IN KIND.
3. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING THE ROYALTY CRUDE OIL PRODUCED FROM STATE OIL AND GAS LEASE PRC 186, BELMONT OFFSHORE FIELD, ORANGE COUNTY, WHICH THE STATE MAY TAKE IN KIND.

EXHIBIT "A"

The significant specifications for the sell-off of the royalty crude oil produced from State Oil and Gas Lease PRC 186, Belmont Offshore Field, Orange County, are as follows:

1. Amount

The sell off will be for 100% of the royalty crude oil produced from State Oil and Gas Lease PRC 186, Belmont Offshore Field, Orange County. This is approximately 300 barrels per day of 19.0° 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¢ per barrel. The base price will be the highest price posted for like crude oil on the day of delivery in the Belmont Offshore Field. 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.

3. Term

The term of the sell-off contract will be from November 1, 1985 to May 1, 1987.

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 \$425,000 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.

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