MINUTE ITEM
This Calendar Item No. 28
was approved as Minute Item
No. 28 by 2 votes and 1
abstention at its 10/23/86
meeting.

MINUTE ITEM

28

10/23/86
W 9603.49
W 9603.50
PRC 7021
Tanner

CONSIDERATION OF THE AWARD OF ROYALTY OIL SALES CONTRACTS
STATE OIL AND GAS LEASES PRC 3120 AND PRC 3242,
SOUTH ELLWOOD OFFSHORE FIELD
SANTA BARBARA COUNTY

During consideration of Calendar Item 28 attached, Recommendations 3 and 4 were deleted from consideration. Upon motion duly made by Commission-Alternate Ordway, and seconded by Acting Chairman McCarthy, the following Resolution was approved by two votes with Commission-Alternate Harvey abstaining.

THE COMMISSION:

1. FINDS 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 DEFIEND BY P.R.C. 21056 AND 14 CAL. ADM. CODE 15378.

2. ACCEPTS THE BID OF HUNTWAY REFINING COMPANY AS THE HIGHEST RESPONSIBLE BIDDER AND AUTHORIZE THE EXECUTION OF A ROYALTY OIL SALES CONTRACT FOR ROYALTY OIL PRODUCED FROM STATE OIL AND GAS LEASE PRC 3120, SOUTH ELLWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY.

Attachment: Calendar Item 28.

CALENDAR ITEM
28

A 35

S 18

10/23/86
W 9603.49 PRC 7021
W 9603.50
Tanner

CONSIDERATION OF THE AWARD OF ROYALTY OIL SALES CONTRACTS, STATE OIL AND GAS LEASES PRC 3120 AND PRC 3242, SOUTH ELLWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY

On September 25, 1986 the State Lands Commission authorized the competitive bid sale of royalty oil from State oil and gas Leases PRC 3120 and PRC 3242, South Ellwood Offshore Field, Santa Barbara County. The royalty oil from State Lease PRC 3120 is currently being purchased by Champlin Petroleum Company for $0.989 per barrel above the base price under a contract which will expire on April 1, 1987. Huntway Refining Company is presently purchasing the royalty oil from State Lease PRC 3242 for $1.33 per barrel above the base price under a contract which will expire on June 1, 1987. The State's share of crude oil produced from State Lease PRC 3120 is approximately 26,500 barrels per month of 20° API gravity crude oil and from State Lease PRC 3242 is approximately 70,000 barrels per month of 20° API gravity crude oil.

On October 14, 1986 the staff offered by competitive public bidding the royalty production from State oil and gas Lease PRC 3120. The royalty production from State oil and gas Lease PRC 3242 was offered on October 15, 1986. One bid was received from Huntway Refining Company on each sale in the amount of $0.235 and $0.085 per barrel above the base price, respectively. The base price is the highest price posted for like crude oil in the Ellwood and South Ellwood Offshore Fields on the day of delivery.

The Commission staff has reviewed the financial ability of the bidders to fulfill the obligations under the contracts and their physical ability to take the oil and has determined the highest responsible bidders identified on Exhibit "A".

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The contracts, if awarded, will be for terms of 18 months, with delivery for State Lease PRC 3120 commencing on April 1, 1987 and for State Lease PRC 3242 on June 1, 1987. Delivery of the oil will be without any change in the existing oil and transportation facilities.

Each bid proposal provided that the Commission reserves the right to reject all bids received. With respect to the bid for Lease PRC 3242 in the amount of $0.085 staff does not believe it would be the State's best interest to enter into an 18-month contract commencing June 1, 1987 at such a low bonus. If demand for oil increases, the State's in-kind share of oil from this lease can again be put out for bid. A higher bid at a later time could bring to the State considerable more revenue than would acceptance of the present low bid.

OTHER PERTINENT INFORMATION:

1. 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 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.

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. 21056 AND 14 CAL. ADM. CODE 15378.

2. ACCEPT THE BID OF HUNTWAY REFINING COMPANY AS THE HIGHEST RESPONSIBLE BIDDER AND AUTHORIZE THE EXECUTION OF A ROYALTY OIL SALES CONTRACT FOR ROYALTY OIL PRODUCED FROM STATE OIL AND GAS LEASE PRC 3120, SOUTH ELLWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY.

3. REJECT THE BID RECEIVED FROM HUNTWAY REFINING COMPANY FOR ROYALTY OIL PRODUCED FROM STATE OIL AND GAS LEASE PRC 3242, SOUTH ELLWOOD FIELD, SANTA BARBARA COUNTY.

4. DIRECT THE STAFF TO RE-OFFER, BY COMPETITIVE PUBLIC BIDDING, THE ROYALTY PRODUCTION FROM STATE OIL AND GAS LEASE PRC 3242 WITH A MINIMUM ACCEPTABLE BID OF $0.25 PER BARREL ABOVE THE BASE PRICE.

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