

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 9
to 0 at its 1-21-88
meeting.

CALENDAR ITEM

A 35

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PROPOSED SALE OF ROYALTY CRUDE OIL, STATE OIL AND GAS
LEASES PRC 3133, PRC 3150, PRC 4000 AND PRC 1824,
CARPINTERIA - SUMMERLAND OFFSHORE FIELDS
SANTA BARBARA COUNTY

Since December 1, 1987, the State has been taking in kind its share of crude oil production from State Oil and Gas Leases PRC 3133, PRC 3150, PRC 4000 and PRC 1824, Carpinteria - Summerland Offshore Fields, Santa Barbara County, and selling it to Caljet, Inc. Caljet is paying the State a bonus per barrel of \$0.5159 above a base price defined as the highest price posted in the Carpinteria - Summerland Offshore Fields for oil of like gravity on the day of delivery by Chevron USA, Inc. The State's share of production from these leases is approximately 11,600 barrels per month of between 250 - 370 API gravity crude oil. The present contract is for a one year period having begun on December 1, 1987 and is scheduled to expire on December 1, 1988.

Due to the long lead time, including a 180-day notice period to the lessees, action should be taken at this time to begin the bidding process for another sale.

Section 6815 of the P.R.C. governs sale 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 authorize the sale of royalty crude oil from the leases listed on Exhibit "A" and adopt the specifications for the sale that are listed on Exhibit "B". Staff also recommends that the Commission adopt the forms prepared by staff for use in the sale, 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.

CALENDAR ITEM NO. 35 (CONT'D)

After the bids are solicited and the highest responsible bidder determined, the staff will return to the Commission with recommendations regarding the award of sales contract.

The oil will be delivered without any physical 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 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.

EXHIBITS: A. List of Oil and Gas Leases.
B. Specifications of Sale.

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. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE PUBLIC BIDDING 100 PERCENT OF THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES LISTED IN EXHIBIT "A".
3. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "B" AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES LISTED IN EXHIBIT "A".

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EXHIBIT "A"

<u>Leases</u>	<u>Volume (BBLs./Month)</u>	<u>Notice Period (Days)</u>	<u>Termination Date Present Contract</u>
PRC 3133	2,490 (28.80)	180	12/1/88
PRC 3150	5,883 (25.20)	180	12/1/88
PRC 4000	984 (25.90)	180	12/1/88
PRC 1824	2,225 (37.00)	180	12/1/88

NO. OF PAGES	217
NUMBER OF PAGES	278

EXHIBIT "B"

The significant specifications set forth in the sell-off bid forms are as follows:

1. Amount

The sale will offer 100 percent of the State's monthly royalty share of crude oil from the leases.

2. Price

The price will be the highest price posted in the Carpinteria - Summerland Offshore Fields for oil of like gravity of the day of delivery by Chevron USA, Inc., plus a bonus per barrel that is the bid factor. The price for the oil shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel. A minimum bonus bid of 25¢ per barrel above the posted price will be required.

3. Term

The contract will be for a term of eighteen months beginning on December 1, 1988 and ending on June 1, 1990.

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. Except in the case of the successful bidder, the bid deposit will be returned to each bidder.

5. Surety

An irrevocable letter of credit will be required in an amount equivalent to 60 days' production. At the staff's discretion, with approval of the Attorney General's office, an alternate form of security may be submitted.

6. Insurance

The Purchaser will maintain or procure personal liability insurance of at least Two Million Dollar (\$2,000,000) for one person and at least, Four Million Dollars (\$4,000,000) for more than one person, and property damage insurance of at least Four Million Dollars (\$4,000,000).

7. Delivery

An agreement providing for the exchange or other disposition of the oil subject to the sales contract must be submitted as evidence establishing the bidder's ability to take the royalty oil at the point of delivery.

8. Selection of Successful Bidders

The successful bidder shall be the responsible bidder making the highest per barrel bonus bid. In the event that two or more responsible bidders make identical high bids, the successful bidder will be determined by lot among all those responsible bidders making such identical bids.

9. Rejection of Bids

All or any portion of the royalty oil proposed to be sold may be withdrawn by the Commission at any time before the opening of the bids. The Commission also reserves the right to cancel this offer at any time and to reject any or all of the bids.