

MINUTE ITEM
This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 3
to 0 at its 4/26/89
meeting.

CALENDAR ITEM

A 58, 69

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04/26/89
W 9603.68 PRC 7295
Tanner

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AWARD OF THE ROYALTY OIL SALES CONTRACT,
STATE OIL AND GAS LEASES PRC 426, PRC 425,
PRC 91 NU AND PRC 91 MZU,
HUNTINGTON BEACH FIELD, ORANGE COUNTY

BACKGROUND:

On February 6, 1989, the State Lands Commission authorized the sale of royalty crude oil from several State oil and gas leases, including State oil and gas leases PRC 426, PRC 425, PRC 91 NU and PRC 91 MZU, Huntington Beach Field, Orange County.

Texaco Trading & Transportation, Inc. is presently purchasing the State's share of crude oil produced from State oil and gas lease PRC 426. Texaco pays the State a bonus of \$0.71 per barrel above the Base Price which is defined as the highest price posted for oil of like gravity and quality in the Huntington Beach Field on the day of delivery among the postings of Chevron U.S.A., Inc., Mobil Oil Corporation and Union Oil Company of California. The State's share of production from this lease is approximately 14,250 barrels per month of 20.20 API gravity crude oil. The present Royalty Oil Sales Contract, having a term of eighteen months, is scheduled to terminate on May 1, 1989. Royalty oil from this lease may be taken in kind or returned to the lessee on demand.

Golden West Refining Company is presently purchasing the State's share of crude oil produced from State oil and gas leases PRC 425, PRC 91 NU and PRC 91 MZU. Golden West pays the State a bonus of \$0.749 per barrel above the Base Price as defined above. The State's share of production from these leases is approximately 9,330 barrels per month of between 20.10 and 20.40 API gravity crude oil. The present Royalty Oil Sales Contract, having a term of eighteen months, is also scheduled to terminate on May 1, 1989. Royalty oil from these leases may be taken in kind or returned to the lessee on demand.

The two sell-off contracts will now be combined into a single

CALENDAR ITEM NO. 27 (CONT'D)

contract. A Notice Inviting Bids for a new Royalty Oil Sales Contract for State Oil and Gas Leases PRC 426, PRC 425, PRC 91 NU and PRC 91 MZU to run from May 1, 1989 to November 1, 1990 was published in the Orange County Register on March 7, 1989, and was sent to all known interested parties. Bids were received and opened on March 23, 1989. Exhibit "A" shows the results of the bidding. Only one bid was received, from Golden West Refining Company.

The submitted bid material was reviewed by SLC Auditing and Legal personnel. Based on their review, Golden West Refining Company was determined to be the highest responsible bidder.

STAFF RECOMMENDATION:

Staff recommends awarding the new Royalty Oil Sales Contract for State oil and gas leases PRC 426, PRC 425, PRC 91 NU and PRC 91 MZU, Huntington Beach Field, Orange County to the Golden West Refining Company which is identified in Exhibit "A" as the highest responsible bidder.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) because it is not a "project" as defined by the CEQA and the State CEQA Guidelines (Authority: P.R.C. 21056 and 14 Cal. Code Regs. 15378.

EXHIBIT: A. Results of Bid Opening.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. AWARD THE ROYALTY OIL SALES CONTRACT FOR PRODUCTION FROM STATE OIL AND GAS LEASES PRC 426, PRC 425, PRC 91 NU AND PRC 91 MZU, HUNTINGTON BEACH FIELD, ORANGE COUNTY FOR THE PERIOD MAY 1, 1989 UNTIL NOVEMBER 1, 1990 TO THE HIGHEST RESPONSIBLE BIDDER, THE GOLDEN WEST REFINING COMPANY, AS IDENTIFIED IN EXHIBIT "A".

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EXHIBIT "A"

ROYALTY OIL SALES CONTRACT BID OPENING
STATE OIL AND GAS LEASES PRC 426
PRC 425, PRC 91 NU AND PRC 91 MZU,
HUNTINGTON BEACH FIELD, ORANGE COUNTY

March 23, 1989

11:00 A.M.

| <u>Bidder</u> | <u>Bonus Bid</u> <u>(Per Barrel, Above Base Price)</u> |
|---------------------------------|---|
| 1. Golden West Refining Company | \$0.3791 |

The highest responsible bidder is Golden West Refining Company.

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