MINUTE ITEM
This Calendar Item No. 18
was approved as Minute Item
No. 18 by the State Lands
Commission by a vote of 3
to 0 at its 5/31/89
meeting.

CALENDAR ITEM

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AUTHORIZATION TO RE-OFFER THE SALE OF ROYALTY
CRUDE OIL FROM STATE PRC 3455, TRACT NO. 2,
LONG BEACH UNIT, WILMINGTON OIL FIELD

BACKGROUND:

On February 6, 1989 the State Lands Commission authorized the sale of royalty crude oil from several State oil and gas leases, including the sell-off oil from State PRC 3455, Tract No. 2, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

Petro Source Partners, Ltd. is presently purchasing the State's share of crude oil from this lease and is paying the State a bonus per barrel of $0.3635 above the Base Price. The Base Price is defined as the highest price posted for oil of like gravity on the day of delivery in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields 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 256 barrels per day of 17.7° API gravity crude oil. The present sell-off contract began on February 1, 1988 and is scheduled to terminate on August 1, 1989. Sell-off oil from this State lease may be taken in kind or returned to the lessee on 60 days notice.

A Notice Inviting Bids for a new Sell-Off Oil Sales Contract to run from August 1, 1989 until February 1, 1991 was published in the Long Beach Press Telegram on April 6, 1989 and sent to all known interested parties. Bids were scheduled to be opened on May 1, 1989, but no bids were received.

STAFF RECOMMENDATIONS:

Staff recommends returning the State's share of crude oil allocated to Tract No. 2, Long Beach Unit, Wilmington Oil Field, Los Angeles County, to the operating contractor, Century Resources Development, Inc., on August 1, 1989, for a period of

six months and receiving payment for its share of the crude oil under the Tract No. 2 agreements. Staff request Commission authorization to reoffer this oil in November, 1989. The same specifications and terms would be used as in the previous sale.

OTHER PERTINENT INFORMATION:

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 CEQA and the State CEQA Guidelines (Authority: P.R.C. 21056 and 14 Cal. Code Regs. 15378).

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. 21056 AND 14 CAL. CODE REGS. 15378.

2. AUTHORIZE THE RETURN OF THE STATE'S SHARE OF CRUDE OIL ALLOCATED TO TRACT NO. 2, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, TO CENTURY RESOURCES DEVELOPMENT, INC., THE TRACT NO. 2 OPERATING CONTRACTOR, EFFECTIVE AUGUST 1, 1989 AND TO RE-OFFER THIS OIL FOR SALE IN SIX MONTHS.