

MINUTE ITEM
This Calendar Item No. 19
was approved as Minute Item
No. 19 by the State Lands
Commission by a vote of 3
to 0 at its 5/31/89
meeting.

CALENDAR ITEM

A 35

19

05/31/89
W 9603.71 PRC 7300
Tanner

S 18

AWARD OF THE ROYALTY OIL SALES CONTRACT,
STATE OIL AND GAS LEASES PRC 129 AND PRC 208,
ELLWOOD OIL FIELD, SANTA BARBARA 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 the royalty oil produced from State oil and gas leases PRC 129 and PRC 208, Ellwood Oil Field, Santa Barbara County.

Lunday-Thagard Oil Company is presently purchasing the State's share of crude oil from these leases and is paying the State a bonus per barrel of \$0.485 above the Base Price. This Base Price is defined as the highest price posted for oil of like gravity on the day of delivery in the South Ellwood Offshore Field by Mobil Oil Corporation. The State's share of production from these leases is approximately 305 barrels per day of 34.70 API gravity crude oil. The present sales contract began on December 1, 1987 and is scheduled to terminate on June 1, 1989. Royalty oil from these leases may be taken in kind or returned to the lessee "on demand".

A Notice Inviting Bids for a new Royalty Oil Sales Contract to run from June 1, 1989 until December 1, 1990 was published in the Santa Barbara News-Press on April 7, 1989 and sent to all known interested parties. Bids were opened on May 2, 1989. Exhibit "A" shows the results of the bidding.

STAFF RECOMMENDATIONS:

Fiscal and legal reviews of the submitted bid material were done by the SLC Auditing and Legal units respectively. Based on the results of these reviews, the highest responsible bidder has been identified and is designated in Exhibit "A".

CALENDAR ITEM NO. 19 (CONT'D)

Staff recommends awarding the new Royalty Oil Sales Contract, State Oil and Gas Leases PRC 129 and PRC 208, Ellwood Oil Field, Santa Barbara County to Lunday-Thagard Oil Company.

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).

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. 21056 AND 14 CAL. CODE REGS. 15378.
2. AWARD THE ROYALTY CRUDE OIL SALES CONTRACT, STATE OIL AND GAS LEASES PRC 129 AND PRC 208, ELLWOOD OIL FIELD, SANTA BARBARA COUNTY TO THE HIGHEST RESPONSIBLE BIDDER AS IDENTIFIED IN EXHIBIT "A" FOR THE PERIOD JUNE 1, 1989 UNTIL DECEMBER 1, 1990.

EXHIBIT "A"

ROYALTY CRUDE OIL SALES CONTRACT BID OPENING,
STATE OIL AND GAS LEASES PRC 129 AND PRC 208,
ELLWOOD OIL FIELD, SANTA BARBARA COUNTY

May 2, 1989

11:00 A. M.

<u>Bidder</u>	<u>Bonus Bid</u> <u>(Per Barrel, Above Base Price)</u>
1. Lunday-Thagard Oil Company	\$0.285
2. Huntway Refining Company	\$0.265

The highest responsible bidder is Lunday-Thagard Oil Company.

0878C