

MINUTE ITEM

This Calendar Item No. 28
was approved as Minute Item
No. 28 by the State Lands
Commission by a vote of 2
0 at its 12/12/1989
meeting.

CALENDAR ITEM

28

A 36

S 18

12/12/89
W 9603.73 PRC 7362
Tanner

**AWARD OF THE ROYALTY OIL SALES CONTRACT,
STATE OIL AND GAS LEASE PRC 3242,
SOUTH ELLWOOD OFFSHORE FIELD,
SANTA BARBARA COUNTY**

BACKGROUND

At its meeting on July 13, 1989, the State Lands Commission authorized the sale of royalty crude oil from several State oil and gas leases in Santa Barbara County, including State oil and gas lease PRC 3242 in the South Ellwood Offshore Field.

Huntway Refining Company is presently purchasing the State's royalty share of crude oil from this lease and is paying the State a bonus-per barrel of \$0.2530 above a Base Price defined as the highest price posted for oil of like gravity and quality, on the day of delivery in the South Ellwood Offshore Field by Mobil Oil Corporation. The State's share of production from this lease is approximately 1,330 barrels per day. The API gravity is 21.2°. The present royalty oil sales contract began on December 1, 1988 and is scheduled to terminate on June 1, 1990. Royalty oil from this lease may be taken in kind or returned to the lessee on 180 days notice.

A Notice Inviting Bids for a new royalty oil sales contract from June 1, 1990 until December 1, 1991, was published in the Santa Barbara News-Press on October 12, 1989. Bids were received and opened on October 30, 1989. The results of the bidding are shown in Exhibit "A".

STAFF RECOMMENDATIONS

Fiscal and legal reviews of the submitted bid material were done by the SLC Auditing and Legal Units respectively. The highest responsible bidder, as indicated by these reviews, is identified in Exhibit "A".

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CALENDAR ITEM NO. 28 (CONT'D)

Staff recommends awarding the new royalty oil sales contract for State oil and gas lease PRC 3242, South Ellwood Offshore Field, Santa Barbara County, for the period June 1, 1990 until December 1, 1991 to the highest responsible bidder identified in Exhibit "A".

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 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 LEASE PRC 3242, SOUTH ELLWOOD OFFSHORE FIELD, SANTA BARBARA COUNTY, FOR THE PERIOD JUNE 1, 1990 UNTIL DECEMBER 1, 1991 TO THE HIGHEST RESPONSIBLE BIDDER IDENTIFIED IN EXHIBIT "A".

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EXHIBIT "A"

ROYALTY OIL SALES BID OPENING,
STATE OIL AND GAS LEASE PRC 3242,
SOUTH ELLWOOD OFFSHORE FIELD,
SANTA BARBARA COUNTY

October 30, 1989

11:00 a.m.

<u>Bidder</u>	<u>Bonus Bid</u> <u>(Per Barrel, Above Base Price)</u>
1. Chem-Oil Cororation	\$0.551
2. Huntway Refining Co.	\$0.335

The highest responsible bidder is Chem-Oil Corporation.

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