

... 029
... as Minute Item
... by the State Land
... by a vote of 3
... at its 5/5/92
... meeting

CALENDAR ITEM

A 58, 69
S 37

029

05/05/92
PRC 7595
Tanner

APPROVE THE ASSIGNMENT OF THE ROYALTY OIL SALES CONTRACT
FOR STATE OIL AND GAS LEASES PRC 3033 and PRC 3413,
HUNTINGTON BEACH FIELD,
ORANGE COUNTY

ASSIGNOR:

Fletcher Oil & Refining Company
Attn: Craig G. Colley,
Vice President
P. O. Box 548
Wilmington, California 90748

ASSIGNEE:

Enron Oil Trading & Transportation Company
Attn: Mark Milano,
Vice President, West Coast
300 Oceangate, Suite 910
Long Beach, California 90802

BACKGROUND:

At its meeting on November 5, 1991, the Commission awarded the Royalty Oil Sales Contract for State oil and gas leases PRC 3033 and PRC 3413, Huntington Beach Field, Orange County, to Fletcher Oil & Refining Company. Fletcher was the highest bidder in a competitively bid sale offering to pay the State a bonus of \$0.2860 per barrel above the base price. This is an eighteen-month contract which will begin on June 1, 1992 and is scheduled to expire on December 1, 1993.

On March 6, 1992, Fletcher contacted staff and requested that, pursuant to Section 9 of the Sales Contract, the Commission approve the assignment of the sales contract to Enron Oil Trading & Transportation Company (Enron). Enron will assume the contract with the understanding that it will pay the State the same bonus under the sales contract as Fletcher would have paid. Furthermore, Enron will perform under the contract as if it were the original purchaser, any conditions in the assignment documents to the contrary notwithstanding.

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CALENDAR ITEM NO. C 2 9 (CONT'D)

Enron is presently purchasing the State's share of crude oil produced from State oil and gas lease PRC 3242, South Ellwood Offshore Field, Santa Barbara County, and is also purchasing the State's share of crude oil produced from State oil and gas leases PRC 425, PRC 426, PRC 91 MZU, and PRC 91 NU, Huntington Beach Field, Orange County. Enron is meeting all its obligations under these sales contracts. Staff recommends that the Commission approve the assignment of the sales contract to Enron Oil Trading & Transportation Company.

STATUTORY AND OTHER REFERENCES:

- A. Section 6815.1 P.R.C.
- B. Section 6804 P.R.C.
- C. Section 9, Royalty Oil Sales Contract.

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 CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

IT IS RECOMMENDED THAT THE COMMISSION:

- 1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENT OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061, BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
- 2. APPROVE THE ASSIGNMENT OF THE ROYALTY OIL SALES CONTRACT FOR STATE OIL AND GAS LEASES PRC 3033 AND PRC 3413, HUNTINGTON BEACH FIELD, ORANGE COUNTY, TO ENRON OIL TRADING & TRANSPORTATION COMPANY, EFFECTIVE JUNE 1, 1992, WITH THE UNDERSTANDING THAT THE ASSIGNEE WILL BE BOUND BY THE TERMS AND CONDITIONS OF THE SALES CONTRACT TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN THE ASSIGNMENT TO THE CONTRARY NOTWITHSTANDING.

CALENDAR ITEM NO. 029 (CONT'D)

3. AUTHORIZE THE EXECUTIVE OFFICER, OR HIS DESIGNEE, TO EXECUTE ANY DOCUMENT TO EFFECT THIS ASSIGNMENT.