MINUTE ITEM
This Calendar Item No. C87
was approved as Minute Item
No. 87 by the State Lands
Commission by a vote of 3
to Ø at its 10/17/95
meeting.

A 58, 59

S 37

CALENDAR ITEM
C87

10/17/95
W 9603.94
PRC 7820
Tanner

APPROVE PROPOSED SALE OF ROYALTY CRUDE OIL, STATE OIL AND GAS LEASES PRC 91, E-392, PRC 425 AND PRC 426, HUNTINGTON BEACH FIELD, ORANGE COUNTY

BACKGROUND:

At this present time, the State is receiving in money its royalty share of crude oil (approximately 800 B/D) from four State Oil and Gas leases within the Huntington Beach Field, Orange County. At the State's option, exercised upon ninety (90) days written notice, the Lessee (CalResources) shall deliver to the State, in kind, its royalty share of oil.

STAFF RECOMMENDATIONS:

Section 6815.1 of the Public Resources Code governs the sell-off of royalty oil and provides that when oil is taken in kind by the Commission it shall be sold only to the highest responsible bidder upon competitive public bidding and the bidding shall be pursuant to specifications and forms adopted by the Commission prior to publication of the notice to bidders. The staff recommends that the Commission, at this time, authorize the sale of royalty crude oil from the leases and adopt the specifications for the sell-offs which are listed on Exhibit "A". Staff also recommends that the Commission adopt the forms prepared by the staff for use in the sell-offs, which are the notice inviting bids, bid proposal, and the crude oil sales contracts, copies of which are on file in the Commission's office in Long Beach.

After the bids are solicited and the highest responsible bidder is determined, the staff will return to the Commission with a recommendation regarding the award of the sales contract.

The oil will be delivered without any change in the existing oil production and transportation facilities.

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: Public Resources Code 21065 and 14 Cal. Code Regs. 15378.

AB 884:

N/A.

EXHIBIT:

A. Specifications for Sales

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.

2. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES PRC 91, E-392, PRC 425 AND PRC 426.

3. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES.

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EXHIBIT "A"

The significant specifications set forth in the sell-off bid forms are as follows:

1. Amount
   The sell-offs will offer the State's monthly royalty share of crude oil from the four State oil and gas leases (operated by CalResources) within the Huntington Beach Field, Orange County.

2. Price
   The price will be the highest of the posted prices in the Huntington Beach Field for oil of like gravity on the day of delivery, plus a bonus per barrel that is the bid factor. The prices for the oil shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel. A minimum bonus bid of $0.25 per barrel above the posted price will be required. In addition, the purchaser will be invoiced monthly.

3. Term
   The contracts will be for a term of twelve (12) months. There are no provisions for renewal or extension.

4. Cash Deposit
   Each bidder shall submit with its bid as evidence of good faith, a certified or cashier's check in the amount $25,000. Except in the case of the successful bidder, the bid deposit will be returned to each bidder.

5. Surety
   An irrevocable letter of credit will be required in the amount of $710,000 equivalent to 60 days of State royalty oil production. An alternate form of security will be accepted as a substitute for the letter of credit, subject to conditions prescribed by State Lands Commission staff and the Office of the Attorney General.

6. Insurance
The Purchaser will maintain or procure personal liability and property damage insurance of at least $2,000,000 combined single limit per occurrence or $4,000,000 aggregate.

7. Delivery
An agreement providing for the exchange or other disposition of the oil subject to the sales contract must be submitted as evidence to establish the bidder's ability to take the royalty oil at the point of delivery.

8. Selection of Successful Bidders
The successful bidder for the contract shall be the responsible bidder making the highest per barrel bonus bid. In the event that two or more responsible bidders make identical high bids, the successful bidder will be determined by lot among all those responsible bidders making such identical high bids.

9. Rejection of Bids
All or any portion of the royalty oil proposed to be sold may be withdrawn by the Commission at any time before the opening of the bids. The Commission also reserves the right to cancel this offer at any time and the right to reject any and all of the bids.