MINUTE ITEM
This Calendar Item No. C84 was approved as Minute Item No. 84 by the California State Lands Commission by a vote of 3 to 0 at its 2/27/98 meeting.

CALENDAR ITEM
C84

A 57, 58, 59

S 29

02/27/98
PRC 8021 W 9603.104
PRC 8022 W 9603.105
J. Tanner

CONSIDER APPROVAL OF PROPOSED
SALE OF ROYALTY CRUDE OIL,
OIL AND GAS LEASES,
LOS ANGELES AND ORANGE COUNTIES

BACKGROUND:

At this present time, the State is taking in kind and selling its royalty share of crude oil (approximately 1,573 B/D) from six Oil and Gas leases in Los Angeles and Orange Counties. These royalty oil sales contracts are scheduled to expire between June 1, 1998 and July 1, 1998. The royalty crude oil will be sold under two separate contracts. In some instances, royalty oil from several leases located close together will be sold under a single contract.

Public Resources Code section 6815.1 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 listed on Exhibit A and adopt the specifications for the sell-offs which are listed on Exhibit B to this calendar item. 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, the highest responsible bidders will be determined and awarded the sales contracts. Commission staff will advise the Commission regarding the bidding procedure and the awarding of the sales contracts. 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 (Title 14, California Code of Regulations, section 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 the CEQA and the State CEQA Guidelines.

   Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

EXHIBITS:

A. Oil and Gas Leases
B. Specifications for Sales
C. Results of Bid Openings

PERMIT STREAMLINING ACT DEADLINE:

N/A.

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

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

AUTHORIZATION:

AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING THE ROYALTY OIL FROM THE STATE OIL AND GAS LEASES LISTED ON EXHIBIT A.

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

DELEGATE TO THE EXECUTIVE OFFICER AUTHORIZATION TO

AWARD THE SALES CONTRACTS FOR THE IN KIND OIL TO THE HIGHEST RESPONSIBLE BIDDERS.

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EXHIBIT A

LIST OF OIL AND GAS LEASES AND SELL-OFF SCHEDULE

HUNTINGTON BEACH FIELD								
Lease Nos	Production (B/D)	Notice Period to Take in Kind (Days)	Notice Published	Bid Opening	Award of Contract	Effective Date	Expiration Date	Contract Length (Months)
PRC 91	978	90	2/3/98	2/18/98	3/98	6/1/98	6/1/99	12
PRC 163								
E-392								
PRC 425								
PRC 426								
LONG BEACH UNIT								
Lease Nos	Production (B/D)	Notice Period to Take in Kind (Days)	Notice Published	Bid Opening	Award of Contract	Effective Date	Expiration Date	Contract Length (Months)
Tract No. 2	595	90	2/3/98	2/18/98	3/98	7/1/98	1/1/2000	18

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EXHIBIT B

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.

2. Price

   The price will be the highest of the posted prices in the 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. Furthermore, a staggered late penalty of between one percent (1%) and five percent (5%) will be used for late payments. Interest will continue to be assessed at the rate of one and one-half percent (1 ½%) per month.

3. Term

   The Huntington Beach Sales contract will be for 12 months. The term for the contract for Tract No. 2 will be 18 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 of $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 $990,000 for the Huntington Beach leases and $580,000 for Tract No. 2, Long Beach Unit, 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 each 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.

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EXHIBIT C

BID OPENING
PRC 91, PRC 163, E-392, PRC 425 & PRC 426
(1,107 B/D, 21.9 GRAVITY)
HUNTINGTON BEACH FIELD,
ORANGE COUNTY

February 18, 1998 11:00 A.M.

BIDDER	BONUS BID (PER BARREL, ABOVE BASE PRICE)
1. Paramount Petroleum Company	$ 0.2501

The highest responsible bidder is Paramount Petroleum Company.

BID OPENING
PRC 3455, TRACT NO. 2,
(600 B/D, 18.4 GRAVITY)
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY

February 18, 1998 11:00 A.M.

BIDDER	BONUS BID (PER BARREL, ABOVE BASE PRICE)
1. Paramount Petroleum Company	$ 0.265

The highest responsible bidder is Paramount Petroleum Company.