

MINUTE ITEM

This Calendar Item No. C121 was approved as Minute Item No. 121 by the California State Lands Commission by a vote of 3 to 0 at its 6-19-98 meeting.

CALENDAR ITEM

C121

A 57, 58

06/19/98

S 29

W 9603.27

J. Tanner

**CONSIDER APPROVAL OF AN ASSIGNMENT OF INTEREST
IN CITY OF LONG BEACH'S CRUDE OIL
SALES CONTRACT, TRACT NO. 1 (7% SEGMENT),
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY**

ASSIGNOR:

EOTT Energy Corporation
Mr. Kevin Lee
111 W. Ocean Blvd., Suite 1700
Long Beach, CA 90802-4632

ASSIGNEE:

Paramount Petroleum Corporation
Mr. Mark Milano
14700 Downey Avenue
Paramount, CA 90723

AREA, LAND TYPE, AND LOCATION:

Tract No. 1, Long Beach Unit, Wilmington Oil Field, Los Angeles County

BACKGROUND:

The Crude Oil Sales Contract for Tract No. 1 (7% Segment), Long Beach Unit was issued to EOTT Energy Corporation (EOTT) on January 7, 1998. EOTT is the purchaser for the Crude Oil Sales Contract. EOTT is now requesting that the California State Lands Commission (Commission) approve assignment of 100 percent interest in this contract to Paramount Petroleum Corporation (Paramount). This is a 18-month contract that will begin on September 1, 1998. The Commission must approve assignments of a crude oil sales contract involving tidelands' crude oil for it to become effective.

As required by provisions of the Crude Oil Sales Contract, Paramount will be required to submit to the City a Two Million Dollar (\$2,000,000) Letter of Credit and Certificate of Liability Insurance for Four Million Dollars (\$4,000,000). This

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will insure Paramount's performance under the Crude Oil Sales contract. In addition, it should be noted that Paramount holds two Royalty Oil Sales Contracts issued by the Commission which will commence in June and July, 1998.

STATUTORY AND OTHER REFERENCES:

- A. Section 8 of the Crude Oil Sales Contract

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.

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 THE 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:

CONSENT TO THE ASSIGNMENT OF 100 PERCENT INTEREST IN THE CRUDE OIL SALES CONTRACT, TRACT NO. 1 (7% SEGMENT) FROM EOTT ENERGY CORPORATION TO PARAMOUNT PETROLEUM CORPORATION, WITH THE ASSIGNEE TO BE BOUND BY ALL THE TERMS AND CONDITIONS OF THE SALES CONTRACT.