

MINUTE ITEM

This Calendar Item No. C69
was approved as Minute Item
No. 69 by the State Lands
Commission by a vote of 3
to 0 at its 2-5-01
meeting.

CALENDAR ITEM
C69

A 57, 58

02/05/01

W 9603.109

W 9603.112

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J. Tanner

**CONSIDER APPROVAL OF THE AWARD OF THE
ROYALTY OIL SALES CONTRACT, OIL AND GAS LEASE NOS. PRC 91,
PRC 163, PRC 425, E-392, PRC 426, HUNTINGTON BEACH OIL FIELD, AND PRC
3455, TRACT NO. 2, LONG BEACH UNIT, WILMINGTON OIL FIELD,
ORANGE AND LOS ANGELES COUNTIES**

APPLICANT:

California State Lands Commission
100 Howe Avenue, Suite 100-South
Sacramento, CA 95825-8202

BACKGROUND:

At its meeting on June 27, 2000, the California State Lands Commission authorized the sale of royalty crude oil from several Oil and Gas Leases in Orange and Los Angeles Counties. Paramount Petroleum Company (Paramount) and Huntway Refining Company (Huntway), respectively, are presently purchasing the State's share of crude oil from these leases. Paramount and Huntway are paying the State a bonus of \$0.3510 and \$0.696 per barrel above a base price defined as the highest posted price among the posters in the respective oil fields. The State's share of production is approximately 1,100 B/D and 580 B/D respectively. The present royalty oil sales contracts are for terms of 12 and 18 months. Royalty oil from these leases may be taken in kind or returned to the lessee on 90 days prior written notice.

A Notice Inviting Bids for a new Royalty Oil Sales Contracts to run from June 1, 2001 until June 1, 2002 (Huntington Beach leases), and January 1, 2003 (Tract No. 2), was published in the Orange County Register and the Long Beach Press-Telegram on November 28, 2000, and sent to all known interested parties. Bids were received and opened on December 13, 2000. Exhibit A shows the results of the bidding.

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CALENDAR ITEM NO. C69 (CONT'D)

STAFF RECOMMENDATIONS:

Fiscal and Legal reviews of the submitted bid material were done by the SLC Auditing and Legal Units respectively. Based on the results of these reviews, the highest responsible bidders have been identified on Exhibit A. Commission staff recommends awarding of the new Royalty Oil Sales Contracts for Oil and Gas Lease Nos. PRC 91, PRC 163, PRC 425, E-392, PRC 426 and for Oil and Gas Lease No. PRC 3455, Tract No. 2, to the highest responsible bidder identified on Exhibit A.

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.

EXHIBIT:

- A. Results of Bid Opening

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:

AWARD THE ROYALTY OIL SALES CONTRACTS FOR OIL AND GAS

CALENDAR ITEM NO. C69 (CONT'D)

LEASE NOS. PRC 91, PRC 163, PRC 425, E-392, PRC 426 AND FOR OIL AND GAS LEASE NO. PRC 3455, TRACT NO. 2, TO THE HIGHEST RESPONSIBLE BIDDER IDENTIFIED ON EXHIBIT A FOR THE PERIOD FROM JUNE 1, 2001 UNTIL JUNE 1, 2002, AND JANUARY 1, 2003, RESPECTIVELY.

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EXHIBIT A

BID OPENING

**ROYALTY OIL SALES CONTRACT, OIL AND GAS LEASE NOS.
PRC 91, PRC 163, PRC 425, E-392, PRC 426 AND PRC 3455, TRACT NO. 2,
HUNTINGTON BEACH AND WILMINGTON OIL FIELDS,
ORANGE AND LOS ANGELES COUNTY**

December 13, 2000

11:00 a.m.

HUNTINGTON BEACH

<u>BIDDER</u>	<u>BONUS BID (PER BARREL, ABOVE BASE PRICE)</u>
1. Paramount Petroleum Company	\$0.432

The highest responsible bidder is Paramount Petroleum Company.

TRACT NO. 2

<u>BIDDER</u>	<u>BONUS BID (PER BARREL, ABOVE BASE PRICE)</u>
1. Paramount Petroleum Company	\$0.973
2. Huntway Refining Company	\$0.481

The highest responsible bidder is Paramount Petroleum Company.