

MINUTE ITEM

This Calendar Item No. C41 was approved as
Minute Item No. 41 by the California State Lands
Commission by a vote of 3 to 0 at its
1-30-02 meeting.

**CALENDAR ITEM
C41**

A 57, 58

01/30/02

S 29

PRC 8375

W 9603.113

J. Tanner

**CONSIDER APPROVAL OF THE AWARD OF THE
ROYALTY OIL SALES CONTRACT,
OIL AND GAS LEASE NOS. PRC 91, PRC 163,
PRC 425, PRC 426 AND E-392,
HUNTINGTON BEACH OIL FIELD,
ORANGE COUNTY**

APPLICANT:

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

BACKGROUND:

At its meeting on November 26, 2001, the California State Lands Commission (Commission) authorized the sale of royalty crude oil from several Oil and Gas Leases in Orange County. Paramount Petroleum Corporation (Paramount) is presently purchasing the State's share of crude oil from these leases. Paramount is paying the State a bonus of \$0.432 per barrel above a base price defined as the highest price posted in the Huntington Beach Field for oil of like gravity and quality among the postings of ChevronTexaco, ExxonMobil Corporation, Union 76 and Equiva Trading Company, or any successors in interest to these companies. The State's share of production is approximately 1,025 B/D. The present royalty oil sales contract is for a term of twelve 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 Contract to run from June 1, 2002, until January 1, 2003, was published in the Orange County Register on November 26, 2001, and sent to all known interested parties. Bids were received and opened on December 11, 2001. Exhibit A, attached hereto, shows the results of the bidding.

CALENDAR ITEM NO. **C41** (CONT'D)

STAFF RECOMMENDATIONS:

Fiscal and Legal reviews of the submitted bid material were conducted by the Commission's Auditing and Legal Units respectively. Based on the results of these reviews, the highest responsible bidder has been identified on Exhibit A, attached hereto. Staff recommends awarding of the new Royalty Oil Sales Contract for Oil and Gas Lease Nos. PRC 91, PRC 163, PRC 425, PRC 426, and E-392, to the highest responsible bidder.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 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 NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) 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 CONTRACT FOR OIL AND GAS LEASE NOS. PRC 91, PRC 163, PRC 425, PRC 426, AND E-392, TO THE HIGHEST RESPONSIBLE BIDDER IDENTIFIED ON EXHIBIT A, ATTACHED HERETO, FOR THE PERIOD FROM JUNE 1, 2002, UNTIL JANUARY 1, 2003.

01/30/02
W 9503.113
J. Tanner

EXHIBIT A

BID OPENING
ROYALTY OIL SALES CONTRACT
OIL AND GAS LEASE NOS. PRC 91, PRC 1653,
PRC 425, PRC 426 AND E-392
HUTINGTON BEACH OIL FIELD, ORANGE COUNTY

December 11, 2001

11:00 A.M.

<u>BIDDER</u>	<u>BONUS BID (PER BARREL, ABOVE BASE PRICE)</u>
1. Paramount Petroleum Corporation	\$0.271
2.	\$
3.	\$
4.	\$

The highest responsible bidder is Paramount Petroleum Corporation.