

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
35 by the State Lands
Commission by a vote of 2
to 0 at its 9/27/78
meeting.

CALENDAR ITEM

35.

9/78
W 9603
Hamilton

PROPOSED SALE OF ROYALTY OIL

It is proposed that the State offer by competitive bid the royalty oil from State Lease PRC 91.1, E 392.1, PRC 426.1, PRC 3033.1 and PRC 3413.1 in the Huntington Beach Field.

Since existing contracts for the sell-off oil have expired (PRC 3033.1 and PRC 3413.1 will expire September 30, 1978), it is proposed that new contracts be offered to take advantage of the differential between the highest posted price and the DOE ceiling price (approximately \$0.06 per bbl.).

The amount of royalty oil available for sell-off is approximately 2900 barrels per day based on June 1978 production figures. The sell-off could provide additional revenue of approximately \$5,500 per month. (Individual lease production figures are listed on attached Exhibit B.)

The new purchaser will maintain or procure personal liability insurance of at least \$500,000 per person, \$1,000,000 for more than 1 person, and property damage insurance of at least \$1,000,000. The bonding requirement would be equivalent to the value of 60 days of royalty oil (approximate amount of oil delivered to purchaser in advance of settlement), provided that the Commission may in its discretion accept alternate security (such as cash deposit, letter of credit or similar security) in a form and amount determined to be adequate.

The term of the new contracts would be to May 31, 1979, when federal price controls are expected to expire, but if controls are extended by Presidential order, the contracts may be extended for such period as price controls are in effect.

The selection of the successful bidder for the sell-off oil would be based on the responsible bidder making a commitment to pay the price specified in the sell-off contract. In the event that 2 or more responsible bidders make identical commitments to pay the contract price, the successful bidder for the sell-off oil would be determined by lot from among all responsible bidders making such identical commitments. In addition, each bidder will be required to submit with his bid a deposit as evidence of good faith.

CALENDAR ITEM NO. 35. (CONTD)

EXHIBITS: A. Location Map. B. Royalty Oil Sales Data.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE IN 100% INCREMENTS BY COMPETITIVE BID ROYALTY OIL FROM STATE OIL AND GAS LEASE PRC 91.1, E 392.1, PRC 426.1, PRC 3033.1 AND PRC 3413.1; ADOPT THE BID FORMS, NOTICE INVITING BIDS, BID PROPOSALS, AND THE SALES CONTRACT ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND BY REFERENCE MADE A PART HEREOF.

EXHIBIT "A"

PRC 91.1, PRC 392.1, PRC 426.1, PRC 3033.1 and PRC 3413.1

STATE LANDS COMMISSION

Proposed Sale of Royalty Oil

HUNTINGTON BEACH

ORANGE COUNTY

September 1978

MGH

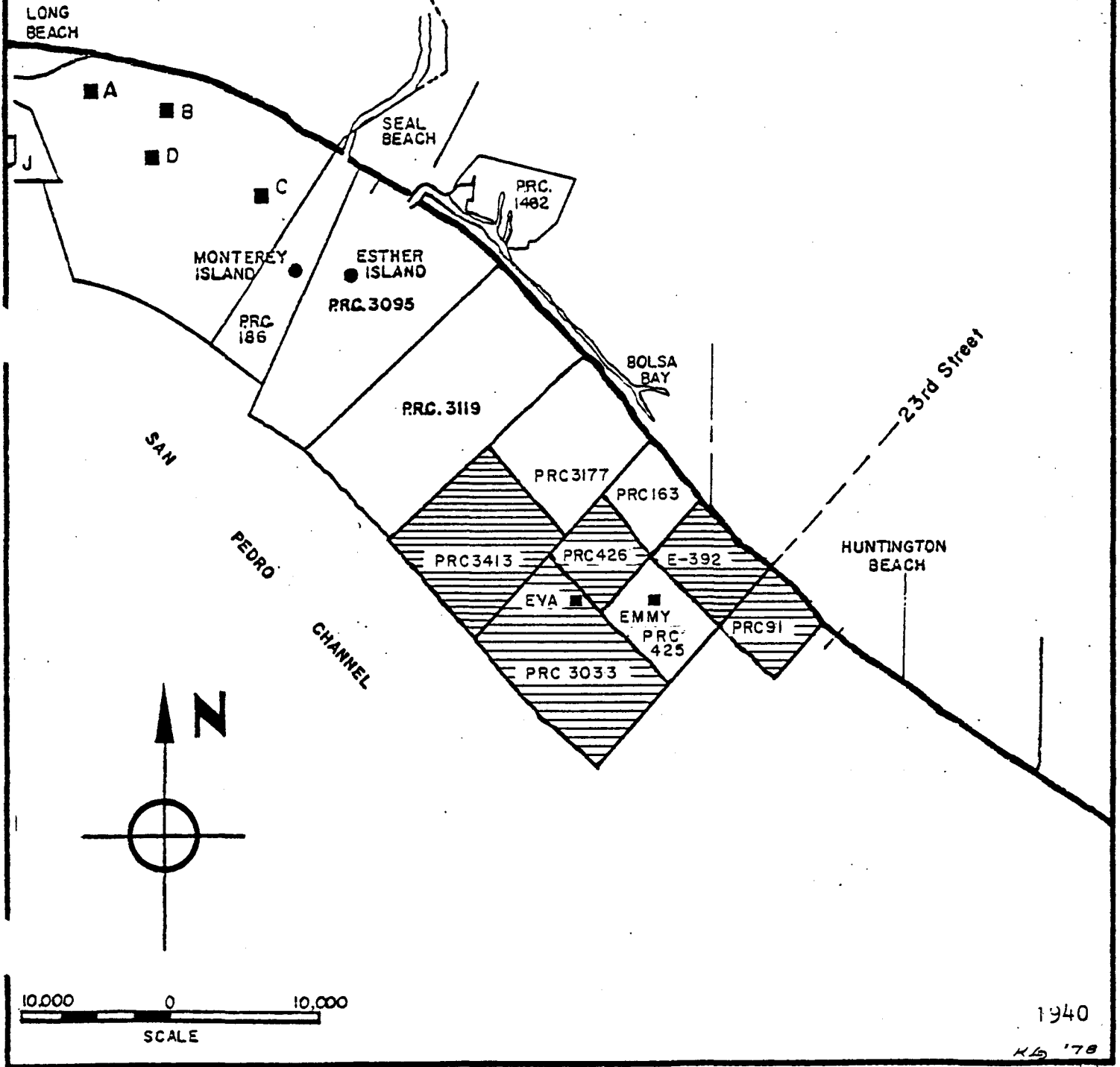


EXHIBIT "B"

ROYALTY OIL SALES DATA

<u>Lease</u>	<u>Monthly Royalty Production, Bbls.</u>	<u>Estimated Monthly Revenue Increase</u>
PRC 91.1 (Non-Unit)	4,744	\$ 423
PRC 91.1 (Main Zone)	4,410	184
E 392.1	54,864	3,322
PRC 426.1	7,736	420
PRC 3033.1	15,556	1,089
<u>PRC 3413.1</u>	<u>671</u>	<u>47</u>
TOTAL	87,981	\$5,485