

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 3
to 0 at its 4/21/80
meeting.

CALENDAR ITEM

35.

4/80
W 9603.3
Willard

REJECTION OF BIDS ON ROYALTY OIL SALES CONTRACT

On January 24, 1980, the Commission authorized the sale by competitive public bid of the uncontrolled portion of royalty oil from State Oil and Gas Leases PRC 186 and PRC 3095, Belmont Offshore Field, Orange County.

On March 25, 1980, five (5) bids were received pursuant to a published "Notice of Intention" to offer for bid the uncontrolled portion of royalty oil from State Leases PRC 186 and PRC 3095. The highest bid received was from Kern County Refinery, Inc., in the amount of \$0.55 per barrel plus the Base Price. The sales contract defines the Base Price as the highest price posted for uncontrolled oil of like gravity and quality in the Belmont Offshore Field on the day of delivery by a company purchasing in the field at its posted price or at a price using as one of its components its posted price.

The present purchaser, U.S.A. Petroleum Corporation, is currently paying for uncontrolled royalty oil produced from State Leases PRC 186 and PRC 3095 the arithmetic average price posted in the Wilmington Oil Field plus a bonus of \$1.1271 per barrel.

Therefore, as the highest bid submitted by Kern County Refinery, Inc., does not exceed the price being paid for all uncontrolled oil offered pursuant to the sales contract, it is recommended that all bids be rejected by the Commission.

EXHIBIT "A" (List of Bids)

IT IS RECOMMENDED THAT THE COMMISSION REJECT THE BIDS LISTED ON EXHIBIT "A" ATTACHED HERETO, RECEIVED PURSUANT TO THE NOTICE OF INTENTION TO OFFER FOR SALE THE UNCONTROLLED PORTION OF ROYALTY OIL FROM STATE LEASES PRC 186 AND PRC 3095, BELMONT OFFSHORE FIELD, ORANGE COUNTY.

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S 36

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EXHIBIT "A"

List of Bids

Bids Received on
Uncontrolled Royalty Oil Sale - State Oil and
Gas Leases PRC 186 and PRC 3095

<u>Bidders</u>	<u>Bonus Bid Offered</u>
1. Kern County Refinery, Inc.	\$0.55
2. La Jet, Inc.	\$0.367
3. DeMenno/Kerdoon	\$0.111
4. Marlex Oil & Refining, Inc.	\$0.055
5. Lunday-Thagard Oil Co.	\$0.05