

MINUTE ITEM

This Calendar Item No. 32
was approved as Minute Item
No. 32 by the State Lands
Commission by a vote of 2
0 at its 10-30-80
meeting.

CALENDAR ITEM

32.

10/80
W 9603.10
Hamilton
PRC 5907
LSE 392 CH5-1938

AWARD OF 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 Agreement for Easement No. 392, Huntington Beach Field, Orange County.

A Notice of Intention to that effect was published in the Santa Ana Register on September 18, 1980. On October 3, 1980, three (3) bids were received pursuant to the published Notice of Intention. Of the three bids, the high bidder was DeMenno/Kerdoon with a high bonus bid of \$1.1275 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 Huntington Beach Field on the day of delivery by a company purchasing in that Field at its posted price or at a price using as one of its components its posted price. The term of the contract is six months, commencing November 1, 1980, with no option to renew. The uncontrolled royalty oil for the month of July, 1980 was 27,000 barrels.

PREREQUISITE ITEMS:

The bid submitted by DeMenno/Kerdoon has been reviewed by the Staff as to technical sufficiency and economic consistency. Staff Counsel has reviewed the bid and determined:

1. That the Commission has complied with the procedural requirements of the law;
2. That the bid submitted conforms with:
 - A. The bid requirements specified in the proposal of the Commission.
 - B. The applicable provision of law; and
 - C. The rules and regulations of the Commission.

A 73
S 36

CALENDAR ITEM NO. 32 (CONTD)

PERTINENT INFORMATION:

1. This project is situated on State land identified as possessing significant environmental values pursuant to P.R.C. 6370.1 and is classified in a use category, Class C, which authorizes Multiple Use. Staff review indicates that there will be no significant effect upon the identified environmental values. This is an existing facility for which no adverse comments have been received.
2. The proposed royalty oil is exempt from CEQA under Cal. Adm. Code 15107, Class 1, and State FIR Guidelines Section 15104, Class 1, which categorically exempts existing facilities wherein there will be no expansion of the use of such facility. The disposition of crude oil pursuant to this contract will be accomplished by exchange agreement without any physical change in the existing oil production and transport facilities.

EXHIBIT: A. List of Bids.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT AN EIR HAS NOT BEEN PREPARED FOR THIS ACTIVITY AS SUCH REPORT IS NOT REQUIRED UNDER THE PROVISIONS OF P.R.C. 21805, 14 CAL. ADM. CODE 15100 ET SEQ., AND 2 CAL. ADM. CODE 2907.
2. FIND THAT ISSUANCE OF THE ROYALTY OIL SALES CONTRACT WILL HAVE NO SIGNIFICANT EFFECT UPON ENVIRONMENTAL CHARACTERISTICS IDENTIFIED PURSUANT TO P.R.C. 6370.1.
3. ACCEPT THE HIGH BID AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE AND ISSUE ROYALTY OIL SALES CONTRACT (STATE AGREEMENT FOR EASEMENT NO. 392) (HUNTINGTON BEACH FIELD) (100% OF UNCONTROLLED PORTION OF ROYALTY OIL) TO DEMENNO/KERDOON, FOR THE SIX-MONTH TERM COMMENCING NOVEMBER 1, 1980 AND ENDING MAY 1, 1981.

C26p

EXHIBIT "A"
List of Bids

(Uncontrolled Royalty Oil Sale - State Agreement for Easement
No.392)

<u>Bidders</u>	<u>Bonus Bid Offered</u>
DeMenno/Kerdoon	\$1.1275
Marlex Oil & Refining, Inc.	\$0.737
Tosco Corporation	\$0.063

CALENDAR PAGE	210
MINUTE PAGE	2507