

MINUTE ITEM

This Calendar Item No. 29
was approved as Minute Item
by the State Lands
Commission by a vote of 3
to 0 at its 6/81
meeting.

CALENDAR ITEM

29

6/81
W 9603.18
Hamilton
PRC 6028

AWARD OF ROYALTY OIL SALES CONTRACT

On January 26, 1981, the Commission authorized the sale by competitive public bidding of the royalty oil that will be produced from State Oil and Gas Leases PRC 3133, PRC 3150, PRC 4000 and PRC 1824, Carpinteria and Summerland Offshore Fields in Santa Barbara County (Minute Item No. 27). For the month of April 1981, the royalty oil produced from these leases averaged about 18,700 barrels (620 barrels per day) and had a weighted average gravity of 27° API. Chevron posted the highest price in these fields and for crudes of 27° API gravity the price was \$27.90 per barrel.

On May 26, 1981, the staff conducted a public sale and received nine bids (see attached Exhibit "A"). Staff has reviewed these bids and has identified the successful bidder, defined in the bid proposal as the responsible bidder making the highest per barrel bonus bid over the base price and offering to execute the sales contract, as:

Beacon Oil Company
525 W. Third Street
Hanford, California 93230

The Royalty Oil Sales Contract defines the base price in detail, but in general, it can be described as the highest price posted for oil of like gravity and quality in the Carpinteria or Summerland Offshore Field. Beacon Oil Company submitted the highest bid of \$1.28 per barrel plus the base price and has executed the sales contract. The term of this contract is one year with no option to renew. Pursuant to the terms of the leases the State is required to give the lessees 180 days notice of its election to take its royalty oil in kind. Therefore, the effective date of the contract will be January 1, 1982.

The disposition of the royalty oil under this sales contract will be accomplished by exchange agreement using existing oil production and transport facilities. There will not be any expansion or physical change of the facilities.

Staff Counsel has reviewed Beacon's bid package and has determined that it meets the provisions of applicable law.

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S 18

-1-

CALENDAR PAGE	142
MINUTE PAGE	1397

CALENDAR ITEM NO. 29 (CONTD)

STATUTORY REFERENCES:

- A. P.R.C.: Section 6815.1.
- B. Cal. Adm. Code: Title 2, Div. 3, Chapter 1, Article 3.5.

AB 884 DEADLINE:

N/A.

EXHIBIT:

- A. List of Bids.

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACCEPT THE BID OF BEACON OIL COMPANY AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE "ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASES PRC 3133, PRC 3150, PRC 4000 AND PRC 1824, CARPINTERIA AND SUMMERLAND OFFSHORE FIELDS," ON FILE IN THE COMMISSION'S OFFICE FOR THE ONE-YEAR TERM COMMENCING JANUARY 1, 1982, AND ENDING JANUARY 1, 1983.
2. DIRECT THE EXECUTIVE OFFICER OR HIS DESIGNEE TO NOTIFY THE LESSEES THAT THE STATE INTENDS TO TAKE ITS ROYALTY OIL IN KIND PURSUANT TO THE PROVISIONS OF STATE OIL AND GAS LEASES PRC 3133, PRC 3150, PRC 4000 AND PRC 1824 COMMENCING JANUARY 1, 1982, AND SELL IT TO BEACON OIL COMPANY.

W 9603.18

EXHIBIT "A"

List of Bids

1) Beacon Oil Company	\$1.28
2) Marlex Oil & Refining, Inc.	\$0.767
3) Alliance Oil and Refining Co.	\$0.76
4) Sunland Refining Corporation	\$0.723
5) Lunday-Thagard Oil Company	\$0.5995
6) La Jet, Inc.	\$0.428
7) Kern County Refinery, Inc.	\$0.375
8. USA Petrochem Corporation	\$0.3250
9) Tosco Corporation	\$0.006

CALENDAR PAGE	144
MINUTE PAGE	1399