

MINUTE ITEM

This Calendar Item No. 30
was approved as Minute Item
No. 30 by the State Lands
Commission by a vote of 3
to 0 at its 6/81
meeting.

CALENDAR ITEM

30

6/81
W 9603.17
Hamilton
PRC 6029

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 145, PRC 410, PRC 429, PRC 427 and PRC 1466, Rincon Oil Field in Ventura County (Minute Item No. 27). For the month of April 1981, the royalty oil produced from these leases averaged about 4,600 barrels (150 barrels per day) and had a weighted average gravity of 27° API. Mobil posted the highest price in this field and for crudes of 27° API gravity the price was \$28.35 per barrel.

On May 26, 1981, the staff conducted a public sale and received four 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:

Sunland Refining Corporation
1017 North La Cienega Blvd.
Los Angeles, California 90069

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 Rincon Oil Field. Sunland Refining Corporation submitted the highest bid of \$1.126 per barrel plus the base price and has executed the sales contract. The term of this contract is one year, but may be extended upon mutual agreement for up to two separate and consecutive six-month periods. Pursuant to the terms of the leases the State may elect to take its royalty oil in kind on demand; therefore, the effective date of the contract will be July 1, 1981.

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 Sunland's bid package and has determined that it meets the provisions of applicable law.

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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 SUNLAND REFINING CORPORATION AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE "ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASES PRC 145, PRC 410, PRC 429, PRC 427 AND PRC 1466, RINCON OIL FIELD," ON FILE IN THE COMMISSION'S OFFICE FOR THE ONE-YEAR TERM COMMENCING JULY 1, 1981, AND CONTINUING UNTIL JULY 1, 1982.
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 145, PRC 410, PRC 429, PRC 427 AND PRC 1466 COMMENCING JULY 1, 1981, AND SELL IT TO SUNLAND REFINING CORPORATION.

Cike
June 4, 1981

W-9603.17

EXHIBIT "A"

List of Bids

1) Sunland Refining Corporation	\$1.126
2) Marlex Oil & Refining, Inc.	\$0.555
3) USA Petrochem Corporation	\$0.3150
4) Alliance Oil and Refining Co.	\$0.06

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