

MINUTE ITEM

This Calendar Item No. 31  
was approved as Minute Item  
3 by the State Lands  
Commission by a vote of 3  
to 0 at its 6/81  
meeting.

CALENDAR ITEM

F 31

6/81  
W 9603.16  
Hamilton  
PRC 6030

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 186 and PRC 3095, Belmont Offshore Field in Orange County (Minute Item No. 27). For the month of April 1981, the royalty oil produced from these leases averaged about 21,000 barrels (700 barrels per day) and had a weighted average gravity of 18° API. Chevron posted the highest price in this field, and for crudes of 18° API gravity the price was \$27.35 per barrel.

On May 21, 1981, the staff conducted a public sale and received seven 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:

USA Petrochem Corporation  
P. O. Box 1839  
1633 - 26th Street  
Santa Monica, California 90406

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 Belmont Offshore Field. USA Petrochem submitted the highest bid of \$1.066 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 lease the State is required to give the lessee 180 days notice of its election to take its royalty share 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 USA Petrochem's bid package and has determined that it meets the provisions of applicable law.

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S 36

CALENDAR ITEM NO. 31 (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 USA PETROCHEM CORPORATION AND AUTHORIZE THE EXECUTIVE OFFICER TO EXECUTE "ROYALTY OIL SALES CONTRACT, STATE OIL AND GAS LEASES PRC 186 AND PRC 3095, BELMONT OFFSHORE FIELD," 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 186 AND PRC 3095 COMMENCING JANUARY 1, 1982, AND SELL IT TO USA PETROCHEM CORPORATION.

C1j2  
June 4, 1981

W 9603.16

EXHIBIT "A"

List of Bids.

1) USA Petrochem Corporation	\$1.066
2) Lunday-Thagard Oil Company	\$0.5995
3) Marlex Oil & Refining, Inc.	\$0.555
4) Kern County Refinery, Inc.	\$0.275
5) Beacon Oil Company	\$0.26
6) Alliance OIL and Refining Co.	\$0.18
7) Tosco Corporation	\$0.003