

MINUTE ITEM

This Calendar item No. 23
was approved as Minute Item
No. 23 by the State Lands
Commission by a vote of 3
to 0 at its 2/17/87
meeting.

CALENDAR ITEM

A 58
S 37

23

02/17/87
PRC 6897
Tanner

REDUCTION IN THE AMOUNT OF A LETTER OF CREDIT
REQUIRED BY THE ROYALTY OIL SALES CONTRACT
FOR STATE OIL AND GAS LEASE PRC 186,
BELMONT OFFSHORE, ORANGE COUNTY

On September 26, 1985 the State Lands Commission awarded the Royalty Oil Sales Contract for State oil and gas Lease PRC 186, Belmont Offshore Field, Orange County to Anchor Refining Company (Anchor). Anchor was the highest responsible bidder offering to pay the State a bonus of \$0.39 per barrel above the Base Price, defined as the highest price posted in the Belmont Offshore Field for oil of like quality on the day of delivery. The contract began on November 1, 1985 and is scheduled to terminate on May 1, 1987. As a requirement of the contract Anchor was required to post a Letter of Credit in the amount of \$425,000.

On March 31, 1986 Anchor, because of the drastic reduction in California crude oil posted prices, requested that the State return the royalty oil from State oil and gas Lease PRC 186, back to the State's Lessee, Exxon Company, U.S.A. (Exxon). In return, Anchor agreed to pay the State the difference between the contract price for this oil and the price the State received for this oil from its Lessee, for the duration of the contract term. The oil was returned to Exxon effective May 1, 1986. On May 22, 1986 The State Lands Commission approved a reduction in the amount of the Letter of Credit required by this contract from \$425,000 to \$42,000 to reflect the State's lessened financial exposure.

At this time, Anchor requests a further reduction in the amount of the Letter of Credit from \$42,000 to \$10,000. Anchor has been paying invoices sent to it by the State since the royalty oil was returned, on a timely basis. Therefore, the State's

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financial exposure has been reduced. The contract is scheduled to expire on May 1, 1987 and \$10,000 will cover the balance of the amount due the State under this contract.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

EXHIBIT: A. Schedule of Estimated Payments.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. AUTHORIZE THE REDUCTION IN THE LETTER OF CREDIT REQUIRED BY THE ROYALTY OIL SALES CONTRACT FOR STATE OIL AND GAS LEASE PRC 186, BELMONT OFFSHORE FIELD, ORANGE COUNTY, FROM \$42,000 TO \$10,000 TO BE IN EFFECT UNTIL JUNE 15, 1987, 45 DAYS BEYOND THE CONTRACT TERM.

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EXHIBIT "A"

<u>Month</u>	<u>Balance</u>
January	\$12,627.21
February	\$ 9,827.21
March	\$ 7,027.21
April	\$ 4,227.21
May	\$ 1,427.21
June	0

Total balance should be paid with May invoice.

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