

MINUTE ITEM  
This Calendar Item No. C28  
was approved as Minute Item  
No. 28 by the State Lands  
Commission by a vote of 3  
to 0 at its 8/10/88  
meeting.

CALENDAR ITEM

A 58

C28

08/10/88

PRC 7135

PRC 7159

Tanner

S 37

REQUEST FOR APPROVAL OF ASSIGNMENT OF  
STATE ROYALTY OIL SALES CONTRACTS,  
ORANGE COUNTY

ASSIGNOR: Texaco Refining & Marketing, Inc.  
Attn.: Mr. K. J. Fidyk  
10 Universal City Plaza, 6th Floor  
Universal City, California 91608

ASSIGNEE: Texaco Trading & Transportation, Inc.  
Attn.: Mr. R. A. Klunder  
1670 Broadway, Suite 72900  
P. O. Box 5568 T.A.  
Denver, Colorado 80217

BACKGROUND: At its meeting on October 22, 1987, the State Lands Commission awarded the Royalty Oil Sales Contract for State Oil and Gas Lease PRC 426, Huntington Beach Field, Orange County to Texaco Refining and Marketing, Inc. for the period November 1, 1987 until May 1, 1989. Texaco was the highest responsible bidder for the competitively bid contract offering to pay the State a bonus of \$0.71 per barrel above the Base Price defined as the highest price posted in the Huntington Beach Field on the day of delivery among the postings of Chevron USA, Inc., Mobil Oil Corporation and Union Oil Company of California for oil of like gravity and quality. The State's share of production from this lease is approximately 12,600 barrels per month of 20.7° API gravity crude oil.

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CALENDAR ITEM NO. C 28 (CONT'D)

At its meeting on January 21, 1988, the State Lands Commission approved the award of the Royalty Oil Sales Contract for State Oil and Gas Leases PRC 3033 and PRC 3413, Huntington Beach Field, Orange County to Texaco Refining & Marketing, Inc. for the period July 1, 1988 to January 1, 1990. Texaco Refining & Marketing, Inc. was the highest responsible bidder for the competitively bid contract offering to pay the State a bonus of \$0.56 per barrel above the Base Price as defined above. The State's share of production from these leases is approximately 11,300 barrels per month of 20.7° API gravity crude oil.

**PERTINENT INFORMATION:**

On March 14, 1988, staff received a letter from Mr. K. J. Fidyk of Texaco Refining and Marketing, Inc. advising that effective May 1, 1988, Texaco Trading and Transportation, Inc., a wholly owned subsidiary of Texaco Refining & Marketing, Inc. would assume responsibilities for the acquisition and marketing of Texaco equity and non-equity crude oil lease production in California from Texaco Refining and Marketing, Inc. This would also include responsibility for the purchase, sale and exchange of crude oil necessary to support refinery supply. In the opinion of staff counsel, this transaction equates to the assignment of the two royalty sales contracts presently held by Texaco Refining & Marketing Inc, to Texaco Trading & Transportation, Inc.

Texaco has submitted riders for the insurance certificates and letters of credit as required by both royalty oil sales contracts. It also has completed assignment forms as requested by staff counsel pursuant to Section 10 of the royalty oil sales contracts.

Staff recommends that the Commission approve the assignment of these contracts on the condition that the assignor shall not be released from any obligations arising before the effective date of the assignment and that the assignee shall be bound by the terms of the contract to the same extent as the assignor, any conditions in the assignment agreement to the contrary notwithstanding.

CALENDAR ITEM NO. 128 (CONT'D)

STATUTORY AND OTHER REFERENCES:

1. 14 Cal. Adm. Code Section 6815.1.
2. Section 10 of the Royalty Oil Sales Contracts.

AB 884:

N/A.

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 it is not a "project" as defined by CEQA and the State CEQA Guidelines.

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

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. APPROVE THE ASSIGNMENT OF STATE ROYALTY OIL SALES CONTRACTS PRC 7135 AND PRC 7159, FROM TEXACO REFINING & MARKETING, INC. TO TEXACO TRADING & TRANSPORTATION, INC. ON THE CONDITION THAT THE ASSIGNOR SHALL NOT BE RELEASED FROM ANY OBLIGATIONS ARISING BEFORE THE EFFECTIVE DATE OF THE ASSIGNMENT AND THAT THE ASSIGNEE SHALL BE BOUND BY THE TERMS OF THE CONTRACTS TO THE SAME EXTENT AS THE ASSIGNOR, ANY CONDITIONS IN THE ASSIGNMENT AGREEMENT TO THE CONTRARY NOTWITHSTANDING.