

MINUTE ITEM 51
This Calendar Item No. 51
was approved as Minute Item
No. 51 by the State Lands
Commission by a vote of 2
to 0 at its 8/10/88
meeting.

A 35, 58

S 18, 29, 37

CALENDAR ITEM

51

08/10/88
PRC 7194
PRC 7086
PRC 7143
Tanner

REQUEST FOR APPROVAL OF ASSIGNMENT
OF STATE ROYALTY OIL SALES CONTRACTS,
LOS ANGELES AND SANTA BARBARA COUNTIES

ASSIGNOR: Caljet, Inc.
Attn.: Steve West
2019 Westwind Drive, Suite 2A
Bakersfield, California 93301

ASSIGNEE: Petro Source Corporation
Subsidiary of Transco Energy Company
Attn.: Stephen L. Johnson, Jr.
P. O. Box 1396
Houston, Texas 77251

BACKGROUND:

At its meeting on May 28, 1987, the State Lands Commission awarded the Royalty Oil Sales Contract for State Oil and Gas Leases PRC 3133, PRC 3150, PRC 4000 and PRC 1824, Carpinteria - Summerland Offshore Fields, Santa Barbara County to Caljet, Inc. for a one year period from December 1, 1987 to December 1, 1988. Caljet was the highest responsible bidder for the competitively bid contract offering to pay the State a bonus of \$0.5159 per barrel above the Base Price defined as the highest price posted for oil of like gravity and quality on the day of delivery in the Carpinteria-Summerland Offshore Fields by Chevron, U.S.A. The State's share of production from these leases is approximately 14,000 barrels per month of between 25° - 37.5° API gravity crude oil. On April 12, 1988, the State Lands Commission approved the award of another royalty oil sales contract for these leases to Caljet, Inc. for the period December 1, 1988 until June 1, 1990. Caljet will pay the State a bonus of \$0.27 per barrel above the Base Price.

On November 19, 1987, the State Lands Commission approved the award of the crude oil sales contract for State PRC 3455, Tract No. 2, Long Beach Unit, Wilmington Oil Field, Los Angeles County to Caljet, Inc. Caljet, Inc. was the highest responsible bidder in the competitively bid contract offering to pay the State a bonus per barrel of \$0.3653 above the Base Price defined as the highest price posted for like crude oil on the day of delivery in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields among the postings of Chevron U.S.A. Inc., Mobil Oil Corporation and Union Oil Company of California. The State's share of production from this lease is approximately 8,325 barrels per month of 17.70 API gravity crude oil. This is an eighteen-month contract, having begun on February 1, 1988 and scheduled to terminate on August 1, 1989.

PERTINENT INFORMATION:

On April 8, 1988, staff received a letter from Stephen L. Johnson, Jr., Corporate Attorney with Transco Energy Company in Houston, Texas which indicated that Petro Source Corporation, a Transco Subsidiary, had purchased Caljet, Inc.'s crude oil gathering operations and would now be responsible for all three of the royalty oil sales contracts for which Caljet, Inc. was the State's purchaser. Mr. Johnson requested a novation or modification of all three contracts. On advice of Staff counsel, Mr. Johnson was advised that this transaction should be handled as an assignment of the contracts from Caljet, Inc. to Petro Source Corporation.

Petro Source has submitted riders for the insurance certificates and Letters of Credit as required under the royalty oil sales contracts. Executed assignment forms have also been filed with the Commission, pursuant to Section 10 of the contracts.

Staff recommends that the Commission approve the assignment of these contracts on the conditions that the assignor shall not be released from any obligations arising before the effective date of the assignment including

CALENDAR ITEM NO. 51 (CONT'D)

the obligation to pay for any oil delivered to assignor, 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.

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 7086, PRC 7143 AND PRC 7194 FROM CALJET, INC. TO PETRO SOURCE CORPORATION, A SUBSIDIARY OF TRANSCO ENERGY COMPANY ON THE CONDITIONS THAT THE ASSIGNOR SHALL NOT BE RELEASED FROM OBLIGATIONS ARISING BEFORE THE EFFECTIVE DATE OF THE ASSIGNMENT INCLUDING PAYMENT FOR OIL DELIVERED 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.