

**CALENDAR ITEM
C39**

A	Statewide	10/16/08 Bid Log 2008-08 W 40912
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REQUEST AUTHORITY FOR EXECUTIVE OFFICER TO SOLICIT PROPOSALS FOR CONSULTING SERVICES, AWARD AND EXECUTE AGREEMENTS FOR ECONOMIC EVALUATION REGARDING RENEGOTIATION OF OIL AND GAS LEASE PROVISIONS FOR STATE TIDELANDS LEASES LOCATED OFFSHORE OF SANTA BARBARA COUNTY

PARTY:

California State Lands Commission
100 Howe Avenue, Suite 100 South
Sacramento, CA 95825-8202

BACKGROUND:

Staff has received an application to extend the lease boundaries of two offshore oil and gas leases, PRC 3120.1 and PRC 3242.1 into a currently unleased area of state waters in Santa Barbara County off the cities of Santa Barbara and Goleta, California. Pursuant to Public Resources Code 6872.5, the Commission may consider such a request if the Commission makes certain findings, and the areas added to the lease are developed from existing offshore facilities within the original lease boundaries. If the lease boundaries are extended the Commission can request a modification of the current 16.7% fixed royalty rate.

In order to determine the optimal royalty rate or profit sharing allocation, an independent third party economist is needed to perform an economic valuation of Applicant's existing platform Holly operation with the current 16.7% royalty rate and full field development plan at different royalty rates. Data analysis will be performed to determine the optimal royalty rate schedule that maximizes the State's royalty revenue. Consultant will prepare report and presentation to the Commission and will provide expertise during negotiations with Applicant.

PROPOSED ACTIVITY:

Staff requests authority to enter into a contract with an independent economics firm to review and analyze the best current information pertaining to these and other areas in question. The firm selected will work directly for the Staff, and shall enter into confidential relationships with the applicants and others to acquire the necessary information and documents upon which to base their findings. The

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study will be funded solely by the applicants through reimbursable agreements with the State.

Consultant selection shall be conducted consistent with procedures specified in the State Contracting Manual. All costs shall be recovered from project applicant.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

2. Approval of this item by the Commission does not constitute approval of the proposed lease; it only authorizes consultant contracts for economic analysis and evaluation services.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code Section 6106 (Delegation to execute written instruments)
- B. Public Contract Code Sections 10339-10345
- C. Government Code Section 19130

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THESE ACTIVITIES ARE EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL CODE REGS. 15060(c)(3) BECAUSE THESE ACTIVITIES ARE NOT PROJECTS AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL CODE REGS. 15378.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO SOLICIT PROPOSALS, AWARD AND EXECUTE CONTRACTS FOR ECONOMISTS SERVICES IN ACCORDANCE WITH STATE POLICIES AND PROCEDURES NOT TO EXCEED \$100,000.
3. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO ENTER INTO AGREEMENT WITH PROJECT APPLICANT TO RECOVER COSTS INCURRED IN THE CONSIDERATION OF THIS PROJECT.