MINUTE ITEM

This Calendar Item No. 34.
was approved as Minute Item
No. 34 by the State Lands
Commission by a vote of 3
to 0 at its 1-24-80
meeting.

MINUTE ITEM

1/80
Thompson

34. AWARD OF CRUDE OIL SELL-OFF CONTRACT FOR UNCONTROLLED CRUDE OIL FROM THE 8% INCREMENT FRON LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 34 attached, Chairman Kenneth Cory referred to a gelegram from Powerine Oil Company dated January 16, 1980, which stated that the supplier/purchaser relationship between the City of Long Beach and Powerine had not been terminated. It was explained that the existing contract allows the State to sell-off this oil, but it is Powerine's position that Department of Energy regulations preclude this sale. Mr. William F. Northrop, Executive Officer, pointed out that Powerine will have 15 days in which to match the highest bid. Mr. Robert C. Hight, Chief Counsel, stated that if Powerine desired, it could take this matter to court and either have an injunction issued preventing the sell-off or sue for monetary damages. Mr. Northrop advised that the Commission's counsel in Washington, D.C. had spoken with a representative from DOE, and they had indicated the State was proceeding in the right direction.

Upon motion duly made and carried, the resolution as presented in Calendar Item 34 was adopted by a vote of 3-0.

Attachment:
Calendar Item 34

A 52, 57, 58

S 27, 31

CALENDAR PAGE
MINUTE PAGE 186

CALENDAR ITEM

34.

1/80
Thompson

AWARD OF CRUDE OIL SELL OFF CONTRACT FOR UNCONTROLLED CRUDE OIL FROM THE 8% INCREMENT FROM LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

At its November 1979 meeting the Commission approved the specifications and forms for the notice inviting bids and for the crude oil sales contract for the sale of the uncontrolled portion of the 8% increment of the crude oil from the Long Beach Harbor Department Tidelands Parcel, City of Long Beach.

The City of Long Beach has since advertised for and received bids for the approximately 500 B/D of oil available under this sale. The high bidder at the bid opening January 9, 1980, was the Pacific Refining Company, with an offer of $5.86 per barrel above the average of the posted prices for uncontrolled oil in the Wilmington oil field. The next two highest bids were $3.77 and $3.01 per barrel.

Although their sell off contract expired July 1, 1975, Powerine Oil Company is currently taking this oil pursuant to the supplier/purchaser rule established by the Department of Energy. Powerine must be given fifteen days to match the bid price. The uncontrolled portion of the 8% increment either will be taken by Powerine at the higher bid price or delivered to the contract awardee, depending upon Powerine's response to the offer.

Pursuant to Section 10(a) of Chapter 29, Statutes of 1956, First Extraordinary Session, future contracts between the City of Long Beach and any other person relating to the taking of oil from the Long Beach tidelands shall be made and entered into only with the highest responsible bidder and upon competitive bidding and shall be of no effect unless and until approved by the State Lands Commission.

The City of Long Beach has determined that Pacific Refining Company is a responsible bidder, and by action of the City Council has approved the award of the contract to Pacific Refining Company, subject to Powerine having the right to retain the oil by matching the bid.

A 52, 57, 58

S 27, 31

IT IS RECOMMENDED THAT THE COMMISSION:

PURSUANT TO SECTION 10(a), CHAPTER 29, STATUTES OF 1956, 1ST E.S., APPROVE THE AWARDING OF THE CRUDE OIL SALES CONTRACT TO PACIFIC REFINING COMPANY FOR THE TAKING OF THE UNCONTROLLED PORTION OF THE 8% INCREMENT OF THE CRUDE OIL FROM THE LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL, CITY OF LONG BEACH, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, PROVIDED THAT THIS CONTRACT SHALL NOT BE AWARDED UNTIL THE PRESENT PURCHASER OF THE 8% INCREMENT OF THE OIL HAS BEEN GIVEN THE OPPORTUNITY TO MEET AND FAILS TO MEET WITHIN 15 DAYS THE PRICE OFFERED BY PACIFIC REFINING COMPANY.