

MINUTE ITEM

This Calendar Item No. 26.
was approved as Minute Item
No. 26 by the State Lands
Commission by a vote of 3
to 0 at its 3-19-80
meeting.

CALENDAR ITEM

26.

3/80
Thompson

SPECIFICATIONS AND FORMS
FOR THE NOTICES INVITING BIDS

The City of Long Beach, in cooperation with the Commission's staff, has prepared the notices inviting bids, bid forms and crude oil sales contracts to be used for the contemplated sell-offs of both the controlled and uncontrolled portions of the available 4½% increment of the oil allocated to the Long Beach Harbor Department Tidelands Parcel and of the available 12½% increment from Parcel "A".

The contractor for the Long Beach Harbor Department Tidelands Parcel and the Parcel "A" contractor are currently taking the oil under their operating contracts and paying the price provided in their respective contracts. In both cases, that price is essentially the average of the prices posted in the Wilmington Field. That contract price currently equals the Department of Energy's ceiling price for upper tier price controlled oil, and nearly equals the ceiling price for lower tier price controlled oil. Because a higher price may be obtained for only the uncontrolled portion, the sell-offs will be offered in separate contracts for the controlled and uncontrolled portions.

If the bids received in the contemplated sell-offs are higher than the prices that the contractors are paying for the oil, the contractors will be given the opportunity to meet the highest responsible offer and, thereby, retain the oil. If a contractor declines to meet the price terms of the highest responsible offer for the oil he is presently taking, the City may accept the highest responsible bid and sell the oil to the company making that bid.

The significant specifications are set forth in Exhibit "A" to this calendar item. Copies of the forms for the notices inviting bids, bids and crude oil sales contracts are available for inspection in the office of the State Lands Commission.

The statutory authority for Commission approval of these specifications and forms is section 10(a) of Chapter 29, Statutes of 1956, First Extraordinary Session, which provides, in pertinent part, that all specifications and forms for the purpose of inviting bids in connection with the disposition of oil derived from the Long Beach tidelands shall be approved by the State Lands Commission prior to publication of the notice to bidders.

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Bids received will be analyzed by the City of Long Beach and the Commission's staff and will be presented to the Commission for approval before acceptance.

EXHIBIT: A. Significant Specifications.

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACTING PURSUANT TO SECTION 10(a) CHAPTER 29, STATUTES OF 1956, FIRST EXTRAORDINARY SESSION, APPROVE THE SPECIFICATIONS AND FORMS FOR THE NOTICES INVITING BIDS, BIDS AND CRUDE OIL SALES CONTRACTS FOR SALE OF THE CONTROLLED AND UNCONTROLLED PORTIONS OF THE 4½% INCREMENT FROM THE LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL AND OF THE CONTROLLED AND UNCONTROLLED PORTIONS OF THE 12½% INCREMENT FROM PARCEL "A", WILMINGTON OIL FIELD, CITY OF LONG BEACH, LOS ANGELES COUNTY.

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EXHIBIT "A"

The significant specifications set forth in the sell-off bid forms are as follows:

1. Amount:

The sell-offs will be offered in four contracts. Included are one contract for all controlled oil and one contract for all uncontrolled oil contained in the 4-1/2% portion of the crude oil allocated each month to the Long Beach Harbor Department Tidelands Parcel which is presently being taken by Long Beach Oil Development Company.

Also included is one contract for all controlled oil and one contract for all uncontrolled oil contained in the 12-1/2% portion of the crude oil produced each month from Parcel A which is presently being taken by Powerine Oil Company. Currently the amounts of oil available for sell-off are approximately:

Long Beach Harbor Dept. Tidelands Parcel, 4-1/2% increment

Controlled portion	300 barrels per day
Uncontrolled portion	335 barrels per day

Parcel A, 12-1/2% increment

Controlled portion	40 barrels per day
Uncontrolled portion	360 barrels per day

The relative amount of uncontrolled oil should increase with time. The uncontrolled portion is substantially heavy crude oil as defined in the President's Executive Order of December 21, 1979.

2. Price:

For the uncontrolled oil contracts, the price will be the average of the prices posted in the Wilmington Field among the postings of Chevron USA, Inc., Mobil Oil Corporation, Union Oil Company of California and Arco Petroleum Products Company for oil of like gravity on the day of delivery, plus a bonus per barrel that is the bid factor. For the controlled oil, the price will be the maximum price permitted by law. The price for the oil shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel.

3. Term:

The terms of the sell-off contracts shall be for a period commencing on July 1, 1980, and ending September 30, 1981.

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(Added, 3/17/80)

4. Cash Deposit:

Each bidder shall submit with his bid as evidence of good faith, a deposit in the form of a certified or cashier's check in the amount of \$25,000.

5. Surety:

A letter of credit from a California bank in the following amounts is required of the purchasers:

Long Beach Harbor Dept. Tidelands Parcel, 4-1/2% increment

Controlled Portion	\$160,000
Uncontrolled Portion	\$350,000

Parcel A

Controlled Portion	\$ 20,000
Uncontrolled Portion	\$375,000

6. Insurance:

The purchasers shall maintain or procure personal liability insurance of at least \$500,000 per person and \$1,000,000 for more than one person and property damage insurance of at least \$1,000,000.

7. Delivery:

All oil shall be taken from Wilmington Oil Field delivery points, as approved by the City, for the Fault Block II Unit, the Fault Block III Unit, the Fault Block IV Unit, the Fault Block V Ranger Zone Unit and for Parcel A. The purchasers shall provide their own delivery equipment, subject to approval by the City and at no expense to the City.

8. Selection of Successful Bidders:

The successful bidders shall be the responsible bidders making the highest per barrel bonus bid. The present purchasers will be given 15 days in which to meet the offers of the successful bidders. If the present purchasers elect to meet these offers by agreeing to pay the bid prices for the contract terms, the crude oil must continue to be delivered to the present purchasers by virtue of the DOE's crude oil supplier/purchaser rule.

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(Added, 3/17/80)

9. Responsibility:

Each bidder shall submit evidence of his ability to take the crude oil and shall also file a financial statement. The findings of the City Manager of Long Beach and the State Lands Commission as to these factors will be final.

10. Rejection of Bids:

The right to reject any and all bids is reserved to the City of Long Beach and the State Lands Commission.

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(Added, 3/17/80)