MINUTE ITEM
29

7/22/82
W 40344
Willard

PROPOSED SALE OF CRUDE OIL
TRACT NO. 2, LONG BEACH UNIT,
WILMINGTON OIL FIELD

Calendar Item 29, attached, was pulled from the agenda prior to the meeting.

Attachment: Calendar Item 29.

CALENDAR ITEM

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PROPOSED SALE OF CRUDE OIL
TRACT NO. 2, LONG BEACH UNIT,
WILMINGTON OIL FIELD

Under Article 9 of the Tract No. 2 Agreement, as amended, the State has the right to take, in kind upon 60 days written notice, up to 12½ percent of the oil allocated to Tract No. 2 of the Long Beach Unit (also known as PRC 3455.1). The staff recommends that the Commission offer for competitive bidding the 12½ percent portion which it may take in kind.

Section 6815.1 of the P.R.C. governs the sell-off of this oil and provides, in pertinent part, that when oil is taken in kind by the Commission it shall be sold only to the highest responsible bidder upon competitive bidding and that the bidding shall be pursuant to specifications and forms adopted by the Commission prior to publication of the notice to bidders. The staff recommends that the Commission at this time adopt the specifications for the sell-off, which are listed in Exhibit "A", to this calendar item and adopt the forms prepared by staff for use in the sell-off, which are the Notice Inviting Bids, Bid Proposal and Crude Oil Sales Contract, copies of which are on file in the Commission's office. After the bids are solicited and the highest responsible bidder determined, the staff will return to the Commission with a recommendation regarding the award of the sales contract.

The oil will be delivered without any physical change in the existing oil production and transportation facilities. Therefore, this transaction is not a "project" and is exempt from the requirements of CEQA.

AB 884: N/A.

EXHIBIT: A. Specifications.

A 57, 58

S 27, 31

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IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT CEQA IS NOT APPLICABLE TO THIS ACTION BECAUSE IT IS NOT A PROJECT WHICH MAY HAVE A SIGNIFICANT EFFECT UPON THE ENVIRONMENT.

2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF 12½ PERCENT OF THE OIL ALLOCATED TO TRACT NO. 2 OF THE LONG BEACH UNIT, WHICH THE STATE MAY TAKE IN KIND.

3. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING 12½ PERCENT OF THE OIL ALLOCATED TO TRACT NO. 2 OF THE LONG BEACH UNIT, WHICH THE STATE MAY TAKE IN KIND.

EXHIBIT "A"

The significant specifications for the sell-off of 12½ percent of the oil allocated to Tract No. 2 of the Long Beach Unit are as follows:

1. Amount

The sell-off will be one contract for 12½ percent of the oil allocated to Tract No. 2 of the Long Beach Unit. This is approximately 260 barrels per day.

2. Price

The purchaser shall pay an amount per barrel equal to the base price plus a bid bonus of not less than 50 cents per barrel. The base price will be the higher of (1) the highest price posted for like crude oil on the day of delivery in the Wilmington Oil Field among the postings of Chevron U.S.A. Inc., Mobil Oil Corporation, Union Oil Company of California and ARCO Petroleum Products Company or (2) the arithmetical average of the prices posted for like crude oil on the day of delivery in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood oil fields by Chevron U.S.A. Inc., Mobil Oil Corporation, Union Oil Company of California and ARCO Petroleum Products Company. The base price shall be computed to the closest tenth of each degree of A.P.I. gravity and the closest tenth of a cent per barrel by extrapolating upward from the posted price applicable to the whole gravity.

3. Term

The term of the sell-off contract will be from November 1, 1982 through October 31, 1983.

4. Cash Deposit

Each bidder shall submit with its bid as evidence of good faith a certified or cashier's check in the amount of $25,000 which, except in the case of the highest responsible bidder, will be returned.

5. Surety

A letter of credit in the amount of $500,000 is required.

6. Insurance

The purchaser will maintain or procure personal liability insurance of a least $500,000 per person, $1,000,000

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for more than one person, and property damage insurance of at least $1,000,000.

7. Delivery

The purchaser will take delivery by pipeline at the Long Beach Unit crude oil shipping facility at Broadway and Pico Avenue, Long Beach. Before the contract is awarded, the proposed purchaser shall give to the State Lands Commission satisfactory evidence of its present ability to take oil at the point of delivery without constructing any additional facilities. Such evidence may be an agreement providing for the exchange of the oil subject to the sales contract for other oil or hyrocarbons.

8. Selection of Successful Bidder

The successful bidder shall be the responsible bidder making the highest per barrel bonus bid. In the event that two or more responsible bidders make identical high bids, the successful bidder will be determined by lot among all those responsible bidders making the identical high bids.

9. Rejection of Bids

Any portion of the royalty oil proposed to be sold may be withdrawn by the Commission at any time before the opening of the bids. The Commission reserves the right to cancel this offer at any time and to reject any or all of the bids.