

MINUTE ITEM

This Calendar Item No. 38
was approved as Minute Item
No. 38 by the State Lands
Commission by a vote of 2
to 0 at its 6/23/83
meeting.

CALENDAR ITEM

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6/23/83
W 9603.26
Tanner

PROPOSED SALE OF CRUDE OIL, TRACT 2,
LONG BEACH UNIT, WILMINGTON OIL FIELD

Under Article 9 of the Tract 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 2 of the Long Beach Unit (also known as PRC 3455.1). The oil is now being sold under a sell-off contract that will expire on October 31, 1983. The staff recommends that the Commission re-offer for competitive bidding the 12½ percent portion of the oil presently being sold off.

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 public 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 in Long Beach. 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.

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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.

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 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 2 OF THE LONG BEACH UNIT, WHICH THE STATE MAY TAKE IN KIND.

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EXHIBIT "A"

The significant specifications for the sell-off of 12 1/2 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 12 1/2 percent of the oil allocated to Tract No. 2 of the Long Beach Unit. This is approximately 275 barrels per day (17.5 °A.P.I.).

2. Price

The purchaser shall pay an amount per barrel equal to the base price plus a bid bonus of not less than 25 cents per barrel. The base price will be 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, 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.

3. Term

The term of the sell-off contract will be from October 31, 1983 to May 1, 1985.

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 \$400,000 will be required.

6. Insurance

The purchaser will maintain or procure personal liability insurance of \$500,000 for one person, \$1,000,000 for more than one person, and \$1,000,000 to cover damage to property.

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