

MINUTE ITEM 43

This Calendar Item No. 43
was approved as Minute Item
No. 43 by the State Lands
Commission by a vote of 2
to 0 at its 9/14/88
meeting.

CALENDAR ITEM

A 57, 58

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09/14/88
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APPROVAL OF SPECIFICATIONS AND FORMS
FOR INVITING BIDS BY THE CITY OF LONG BEACH FOR
CRUDE OIL FROM CERTAIN TRACTS WITHIN THE FAULT BLOCK IV
UNIT AND FAULT BLOCK V RANGER ZONE UNIT, WILMINGTON OIL FIELD

The City of Long Beach has three crude oil sales contracts with three purchasers for oil allocated to the City from certain tideland tracts (listed in Exhibits "A", "B" and "C") within the Fault Block IV Unit and Fault Block V Ranger Zone Unit.

A drilling and operating contract with the Termo Company will terminate on February 8, 1989 resulting in the City becoming the 100 percent working interest owner of the tracts listed on Exhibit "A". The City's interest in these tracts is approximately 70 barrels per day of 170 API gravity crude oil. Termo was paying the City a price equivalent to Chevron USA, Inc.'s posting in the Wilmington Oil Field.

On March 1, 1989, the crude oil sales contract with Mobil Oil Corporation for the City's working interest share of oil in tracts listed on Exhibit "B" will expire. The City's interest in these tracts is approximately 45 barrels per day of 170 API gravity crude oil. Mobil was paying the City a price equivalent to the average of the prices posted by Chevron USA, Inc., Mobil Oil Corporation and Union Oil Company of California in the Wilmington Oil Field.

On May 1, 1989, the crude oil sales contract with Edgington Oil Company for the City's working interest share of oil in tracts listed on Exhibit "C" will expire. The City's interest in these tracts is approximately 165 barrels per day of 170 API gravity crude oil. Edgington is paying the City a bonus of

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\$0.365 per barrel above a base price defined as 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 USA, Inc., Mobil Oil Corporation and Union Oil Company of California.

The City proposes to sell all of the oil from the above contracts in one contract amounting to approximately 280 barrels per day of 17° API gravity crude oil for a period of one year from February 1, 1989 until February 1, 1990. Specifications for the sale are listed in Exhibit "D" to this calendar item.

Under Section 10(a) of Chapter 29, Statutes of 1956, 1st E.S., the specifications and forms for the purpose of inviting bids for the sale of Long Beach tidelands crude oil must be approved by the State Lands Commission prior to the publication of the notice to bidders. The City plans to hold a bid opening on October 26, 1988. The Commission must then approve the awarding of this contract by the City.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

EXHIBITS:

- A. List of Tracts - The Termo Company.
- B. List of Tracts - Mobil Oil Corporation
- C. List of Tracts - Edgington Oil Company.
- D. Specifications of Sale.

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IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE THE SPECIFICATIONS LISTED IN EXHIBIT "D" AND FORMS REFERENCED ABOVE FOR INVITING BIDS FOR THE SALE BY THE CITY OF LONG BEACH OF CRUDE OIL ALLOCATED TO CERTAIN TIDELANDS TRACTS LISTED IN EXHIBITS "A", "B", AND "C" IN THE FAULT BLOCK IV AND FAULT BLOCK V RANGER ZONE UNIT, WILMINGTON OIL FIELD.

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EXHIBIT "A"

LISTS OF TRACTS
(THE TERMO COMPANY)

Fault Block IV Unit

21

Fault Block V Ranger Zone Unit

96

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EXHIBIT "B"
LIST OF TRACTS
(MOBIL OIL CORPORATION)

Fault Block IV Unit

9
61

Fault Block V Ranger Zone Unit

2	16
3	17
4	18
5	19
6	20
7	21
8	22
9	23
10	24
12	25
13	26
14	90
15	271
	410

0765C

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EXHIBIT "C"

LIST OF TRACTS
(EDGINGTON OIL COMPANY)Fault Block IV Unit

5	104
6	111
16	112A
20	114
38	125
41	126
103	127

Fault Block V Ranger Zone Unit

27	48
28	49
29	50
30	51
31	52
32	53
33	54
34	55
35	56
36	57
37	80
38	92
39	405
40	406
41	407
42	408
43	409
44	411
45	414
46	415
47	

0766C

EXHIBIT "D"

SPECIFICATIONS OF SALE BY THE CITY OF LONG BEACH OF
CRUDE OIL ALLOCATED TO CERTAIN TIDELANDS TRACTS IN THE
FAULT BLOCK IV UNIT AND FAULT BLOCK V
RANGER ZONE UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY1. Volume

The oil will be 100% of the City's working interest share of crude oil allocated to certain tidelands tracts within the Fault Block IV Unit and Fault Block V Ranger Zone Unit, Wilmington Oil Field, Los Angeles County. This is approximately 280 barrels per day of 17° API gravity crude oil.

2. Price

The biddable factor will be a bonus bid per barrel above a base price defined as 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 USA, Inc., Mobil Oil Corporation and Union Oil Company of California.

3. Term

The contract will be for a term of 12 months commencing February 1, 1989 and expiring on February 1, 1990.

4. Surety

A letter of credit in the amount of \$175,000 will be required as well as public liability and property damage insurance in amounts not less than \$4 million.

5. Bid Deposit

A bid deposit of \$25,000 will be required which, except for the highest responsible bidder, will be returned.

6. Right to Reject Bids

The City reserves the right to cancel this offer at any time and to reject any and all bids received.