MINUTE ITEM 40
This Calendar Item No. 40
was approved as Minute Item
No. 40 by the State Lands
Commission by a vote of 2
to 0 at its 12/13/88
meeting.

CALENDAR ITEM

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12/13/88
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PROPOSED CRUDE OIL SELL-OFF,
LONG BEACH HARBOR TIDELANDS PARCEL
AND PARCEL "A" (SEGMENT A AND SEGMENT B), WILMINGTON
OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach is selling under three contracts the available 12 1/2 percent of the oil allocated to the Long Beach Harbor Department Tidelands Parcel and 12 1/2 percent of the oil produced from Parcel "A".

Edgington Oil Company is the present purchaser of both the 8 percent and 4 1/2 percent segments of the Long Beach Harbor Department Tidelands Parcel crude oil for the period June 1, 1988 until February 1, 1989. For both segments, Edgington is paying the City a bonus of $0.4633 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 quantity of oil is approximately 600 barrels per day of 17° API gravity crude oil for the 8 percent segment and 340 barrels per day of 17° API gravity crude oil for the 4 1/2 percent segment.

Petro Source Corporation is the present purchaser of the 12 1/2 percent of crude oil produced from Parcel "A" for the period June 1, 1988 until February 1, 1989. Petro Source is paying the City a bonus of $0.2559 per barrel above a base price as defined above. The quantity of oil is approximately 200 barrels per day of 19° API gravity crude oil.

(ADDED 12/12/88 - pgs. 180-180.4)

The City has proposed seeking competitive public bids for new sales contracts as soon as notice to take oil in kind can be given to the new contractor under the new Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract which is take effect March 1, 1989. In cooperation with the Commission's staff, the City has prepared notices inviting bids, bid forms and crude oil sales contracts to be used in the proposed crude oil sell-offs. The significant specifications are set forth in Exhibit "A" to this calendar item. Copies of the forms for the notices inviting bids, bid forms, and crude oil sales contracts are available for inspection in the the office of the Commission.

A major difference from past crude oil sales for these parcels is that under the new Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract, the City will be able to take in kind up to 20 percent of the total oil allocated to the Contractor which is 60% more oil than was permitted under the old operating contracts. Therefore, the City will sell the oil in two segments of 10 percent each, amounting to a total of about 1,800 barrels a day.

Section 10(a) of Chapter 29, Statutes of 1956, First Extraordinary Session, requires that all specifications and forms for the purpose of inviting bids in connection with the disposition of oil derived from the Long Beach tidelands be approved by the State Lands Commission prior to publication of the notice to bidders.

When the bids are received, they 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.

AB 884: N/A.

OTHER PERTINENT INFORMATION:
Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines (Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378).

EXHIBIT: A. Significant specifications for proposed sell-offs.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.

2. ACT PURSUANT TO SECTION 10(a)OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., TO APPROVE THE SPECIFICATIONS PROPOSED AND THE FORMS PREPARED FOR THE SALE OF THE OIL AVAILABLE FOR SELL-OFF FROM THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A", (SEGMENT A AND SEGMENT B), WILMINGTON OIL FIELD.

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EXHIBIT "A"

SIGNIFICANT SPECIFICATIONS FOR
PROPOSED CITY OF LONG BEACH OIL SELL-OFF
LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A" OIL CONTRACT
(Segment A and Segment B)

1. CRUDE OIL AMOUNT

The oil will be sold in two contracts:

(a) The Segment A contract is for 10 percent of the oil allocated to the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract for the period June 1, 1989 to December 1, 1990, amounting to approximately 900 barrels per day of between 17° - 19° API gravity crude oil.

(b) The Segment B contract is for 10 percent of the oil allocated to the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract for the period June 1, 1989 to December 1, 1990, amounting to approximately 900 barrels per day of between 17° to 19° API gravity crude oil.

2. CRUDE OIL PRICE:

The purchaser shall pay for the oil a bonus price per barrel, which is the bid factor, plus a base price equal to 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. CONTRACT TERM:

The term for both contracts will be from June 1, 1989 until December 1, 1990.

4. SURETY

A letter of credit in the amount of $450,000, as well as public liability and property damage insurance in amounts not less than $4 million, will be required for each contract.

5. BID DEPOSIT

A bid deposit of $25,000 will be required for each contract.

6. RIGHT TO REJECT BIDS

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