MINUTE ITEM
This Calendar Item No. 23
was approved as Minute Item
No. 23 by the State Lands
Commission by a vote of 3
to 0 at its 5/31/89
meeting.

CALENDAR ITEM

A 51, 57, 58

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S 29

PROPOSED SALE OF CRUDE OIL, LONG BEACH
HARBOR TIDELANDS PARCEL AND PARCEL "A"
(SECOND TEN-PERCENT (10%) SEGMENT),
WILMINGTON OIL FIELD
LOS ANGELES COUNTY

BACKGROUND:

On December 13, 1988, the State Lands Commission, pursuant to Section 10(a) of Chapter 29, Statutes of 1956, 1st E.S., approved the specifications and forms prepared for the proposed sale by the City of Long Beach of the twenty-percent (20%) share of crude oil from the Long Beach Harbor Tidelands Parcel and Parcel "A", Wilmington Oil Field, Los Angeles County, which it may take in kind under the Long Beach Tidelands Parcel and Parcel "A" oil contract. The City's share of oil from these parcels amounts to approximately 1,800 barrels per day of 17° - 19° API gravity crude oil. The oil was offered in two ten-percent (10%) segments of 900 barrels per day each.

On February 1, 1989, a bid opening was held. Edgington Oil Company was the only bidder for this oil. Edgington offered to pay the City for the first ten-percent (10%) segment a bonus per barrel of $0.22 above a Base Price. The Base Price was defined as the highest price posted for oil of like gravity and quality 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 and Union Oil Company of California. For the second ten percent segment, Edgington Oil Company offered a bonus bid of $0.09 per barrel.

On April 26, 1989, the State Lands Commission approved the City of Long Beach's award of the sell-off contract for the first ten-percent segment to Edgington Oil Company and the rejection

by the City of Long Beach of Edgington Oil Company's bid for the second ten-percent segment. The oil from the second ten-percent segment was returned to the City's operating Contractor, Tidelands Oil Production Company (TOPKO).

STAFF RECOMMENDATIONS:

The City of Long Beach proposes to re-offer the second ten-percent (10%) segment of the oil for competitive public bidding. Whenever market conditions indicate that the sell-off oil might attract a bonus greater than fifty-percent (50%) of the difference between the average of the Wilmington Field postings and the price at which TOPKO could dispose of the oil. In cooperation with the Commission's staff, the City has prepared notice inviting bids, bid forms, and the crude oil sales contract to be used in the proposed crude oil sell-off. The significant specifications are set forth in Exhibit "A" to this calender item. The Base Price has been modified to the arithmetic average of the prices posted in the Wilmington Field among the postings of Chevron, Mobil, Texaco and Union. The previous offer was based on the highest posted price in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood fields among the postings of Chevron, Mobil and Union. Copies of the forms for notice inviting bids, bid forms and crude oil sales contract are available for inspection in the office of the Commission in Long Beach.

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:

1. 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

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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-off.

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 LISTED IN EXHIBIT "A" AND FORMS PREPARED FOR THE SALE OF THE SECOND TEN-PERCENT (10%) SEGMENT OF THE OIL AVAILABLE FOR SELL-OFF FROM THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A", WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

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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" Contract (Second 10% Segment)

1. Crude Oil Amount

The second 10% segment contract is for 10 percent of the oil allocated to the Long Beach Harbor Tidelands Parcel and Parcel "A" for the period November 1, 1989 to May 1, 1991, amounting to approximately 900 barrels per day of 17° 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 arithmetic average of prices posted in the Wilmington Oil Field by Chevron U.S.A., Inc., Mobil Oil Corporation, Texaco U.S.A. and Union Oil Company of California.

3. Contract Term

The term will be from November 1, 1989 to May 1, 1991.

4. Surety

A letter of credit in the amount of $500,000.00 as well as public liability and property damage insurance in amounts of $2,000,000 combined single limit per occurrence and $4,000,000 aggregate.

5. Bid Deposit

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

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.

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