

MINUTE ITEM

This Calendar Item No. 616
was approved as Minute Item
No. 16 by the State Lands
Commission by a vote of 3
to 0 at its 2/6/91
meeting.

CALENDAR ITEM

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**NOTIFICATION TO CITY OF LONG BEACH
TO DIRECT FIELD CONTRACTOR TO SELL OFF CRUDE OIL
FROM TRACT NO. 1 OF THE LONG BEACH UNIT**

BACKGROUND:

Section 3(e) of Chapter 138, Statutes of 1964, 1st E.S. and Article 11 of the Contractors' Agreement for the Long Beach Unit, Wilmington Oil Field, provide for the sell-off of up to 12-1/2 percent of the crude oil allocated to Tract No. 1 of the Long Beach Unit, all of which is to come from the Field Contractor's 80 percent share. The present 12-1/2 percent of Tract No. 1 oil available for sell-off was sold under two contracts, one for seven percent of the oil and one for five and one-half percent of the oil and are due to expire on March 1, 1991.

On September 1, 1989, Edgington Oil Company was awarded the seven percent segment (2,650 B/D of 17.7° API gravity crude oil) at a bid

bonus of \$0.7199 per barrel above the Base Price. The Base Price is 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, Mobil, and Union. Edgington Oil Company is also purchasing the five and one-half percent segment (2,100 B/D of 17.7° API gravity crude oil) and paying the City a bid bonus of \$0.9199 per barrel above the Base Price as defined above.

On March 29, 1990, notice was given by the State Lands Commission to the City of Long Beach to direct the Field Contractor to offer the oil for competitive bid. Bids were opened on May 9, 1990.

CALENDAR ITEM NO. 013 (CONT'D)

Texaco Trading & Transportation Inc. was the only bidder offering the City a bonus of \$0.10 per barrel for the Tract No. 1 seven percent segment and a bonus of \$0.05 per barrel for the five and one-half percent segment. The Commission rejected both bids for this oil.

In the new sales contracts the Base Price is re-defined to be 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 posting of Chevron, Union, Mobil and Texaco.

STAFF RECOMMENDATIONS:

The State Lands Commission must notify the City of Long Beach to direct the Field Contractor to offer the oil for competitive bid. This notice cannot be given more than once in any 12-month period and was last given on March 29, 1990. In giving its notice, the Commission must provide for a fixed term for the sell-off and specify the amounts of oil to be put out for bid. The necessary specifications are set forth in Exhibit "A" to this Calendar Item.

Under the terms of the Contractors' Agreement, the oil must be offered for competitive bidding by the Field Contractor not more than 60 days after the notice from the Commission. If approved, a period of at least 180 days must elapse between the execution of the contracts and their effective date.

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 the activity 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. Specifications for Proposed Sell-off of Crude Oil.

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 THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. ACTING PURSUANT TO SECTION 3(e) OF CHAPTER 138, STATUTES OF 1964, 1ST E.S., DIRECT THE EXECUTIVE OFFICER TO NOTIFY THE CITY OF LONG BEACH TO DIRECT THE FIELD CONTRACTOR TO OFFER FOR SALE BY COMPETITIVE PUBLIC BID 12 1/2 PERCENT OF THE OIL ALLOCATED TO TRACT NO. 1 OF THE LONG BEACH UNIT IN THE MANNER AND IN THE AMOUNTS AND FOR THE TERM SET FORTH IN EXHIBIT "A" AND PURSUANT TO CONTRACTS WITH THE PRICING PROVISION SET FORTH IN EXHIBIT "A".

EXHIBIT "A"

SIGNIFICANT SPECIFICATIONS FOR PROPOSED
SELL-OFF OF CRUDE OIL FROM TRACT NO. 1
OF THE LONG BEACH UNIT

1. CRUDE OIL AMOUNT

The crude oil which is available for sale is 12 1/2 percent of the oil allocated to Tract No. 1. The oil will be offered in two contracts:

- A. One contract will cover seven percent of the oil allocated to Tract No. 1. This will be approximately 2,400 barrels per day of 17.7° API gravity crude oil.
- B. One contract will cover five-and-one-half percent of the oil allocated to Tract No. 1. This will be approximately 1,900 barrels per day of 17.7° API gravity crude oil.

2. CRUDE OIL PRICE:

The Purchaser shall pay for the oil a bonus 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, Mobil, Union, and Texaco. The pricing provision shall state that the price shall be computed to the closest tenth of a degree of API gravity and the closest tenth of a cent per barrel. The provision also shall contain the statement that if at any time the price based on the highest posting in the four fields plus the bid bonus is lower than the amount per barrel at which the Field Contractor accounts for like oil under Article 9(b) of the Contractors' Agreement, then and only then, the price to be paid by the sell-off purchaser shall be the amount per barrel provided by Article 9(b).

3. CONTRACT TERM:

The contracts will be for a term of 18 months commencing March 1, 1992.