MINUTE ITEM
This Calendar Item No. C46
was approved as Minute Item
No. 46 by the State Lands
Commission by a vote of 3
to Ø 57, as 8/3/94
meeting.

CALENDAR ITEM

C46

08/03/94
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NOTIFY THE CITY OF LONG BEACH TO DIRECT FIELD CONTRACTOR TO SELL-OFF CRUDE OIL FROM TRACT NO. 1, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

APPLICANT:

City of Long Beach
Attn: Xenophon C. Colazas
211 East Ocean Boulevard, Suite 500
Long Beach, California 90802

AREA, TYPE LAND AND LOCATION:

Tract No. 1, Long Beach Unit, Wilmington offshore oil field, Los Angeles County.

LAND USE:

Oil and gas production.

BACKGROUND:

Section 3(e), Chapter 138, Statutes of 1964, 1st. E.S. and Article 11 of the Contractors' Agreement for the Long Beach Unit, Wilmington Oil Field, provides 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.

On September 24, 1993, notice was given by the State Lands Commission (Commission) to the City of Long Beach (City) to direct the Field Contractor to offer the oil for competitive bid. Bids were opened on November 17, 1993. Edgington Oil Company was the only bidder for the seven percent (7%) segment with a bid of $0.135 per barrel above the Base Price. Huntway Refining Company was the highest bidder for the five and one half percent (5 1/2%) segment with a bid of $0.175 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, Texaco and Union.

On March 8, 1994, the Commission rejected the bids as inadequate. The Commission must notify the City again to direct the Field Contractor to offer the oil for competitive bid. This notice could not be given sooner because it cannot be given more than once in any twelve-month period and was last given on September 24, 1993. In giving its notice, the Commission must provide for a fixed term for the sell-off and specify the amounts of oil to 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.

STATUTORY AND OTHER REFERENCES:

A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.

B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

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 Sale 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. PURSUANT TO SECTION 3(e) OF CHAPTER 138, STATUTES OF 1964, 1ST E.S., DIRECT THE EXECUTIVE OFFICE OR HIS DESIGNEE TO NOTIFY THE CITY OF LONG BEACH ON SEPTEMBER 24, 1994, 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 AMOUNTS, FOR THE TERMS 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, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

1. Crude Oil Amount

The crude oil which is available for sale is 12 1/2 percent (12 1/2%) of the oil allocated to Tract No. 1, all of which shall come from the Field Contractor's 80 percent share. The oil will be offered in two contracts:

A. One contract will cover seven percent (7%) of the oil allocated to Tract No. 1. This will be approximately 2,800 barrels per day of 17.5° API gravity crude oil.

B. One contract will cover five and one-half percent (5 1/2%) of the oil allocated to Tract No. 1. This will be approximately 2,200 barrels per day of 17.5° 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

Each contract will be for a term of 18 months commencing September 1, 1995.

4. Surety

A Letter of Credit in the amount of $2 million for the seven percent segment and a Letter of Credit in the amount of $1.5 million for the five and one-half percent (5 1/2%) segment will be required. Comprehensive general and automobile liability insurance will be required in amounts of not less than $2 million combined single limit per occurrence or $4 million general aggregate.

5. Bid Deposit

A bid deposit of $25,000 for each contract will be required to indicate the bidder's good faith and, except the highest bidder's, will be returned.

6. Right to Reject Bids

The City and the Commission reserve the right to cancel this offer at any time and to reject any or all bids.

N O T E X T O N T H I S P A G E

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