MINUTE ITEM
This Calendar Item No. C75 was approved as Minute Item No. 75 by the California State Lands Commission by a vote of 2 to 0 at its 5/9/96 meeting.

CALENDAR ITEM
C75

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05/09/96
W 12036
Tanner

CONSIDER APPROVAL OF PROPOSED SALE OF CRUDE OIL (1,100 B/D), 20 PERCENT SEGMENT, LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A", WILMINGTON OIL FIELD, LOS ANGELES COUNTY

BACKGROUND:

At present, the City of Long Beach (City) is not taking "in kind" any of the 20 percent share of crude oil (approximately 1,100 B/D) from the Long Beach Harbor Tidelands Parcel and Parcel "A", Wilmington Oil Field, Los Angeles County. Instead, the oil is being taken by the City's contractor, Tidelands Oil Production Company, and its value as determined under the Drilling and Operating Contract, Long Beach Harbor Tidelands Parcel and Parcel "A", is being credited to net profits, of which the City is receiving 95 percent. Based on recent bonuses that have been received by the City and the Commission, it would appear that additional revenue could be generated with the City taking its share "in kind" and selling it by competitive bid. The crude oil will be sold under one contract, for 20 percent of the allocated oil.

STAFF RECOMMENDATIONS:

Section 10(a) of Chapter 29, Statutes of 1956, First Extraordinary Session, provides that contracts between the City and any other person relating to the disposition of oil from the Long Beach tidelands "shall be made and entered into only with the highest responsible bidder upon competitive bidding and shall be of no effect unless and until approved by the State Lands Commission." The City will determine the highest responsible bidder for the contract and will award the contract to this bidder subject to the Commission's approval. The City will approve the proposed bid package on May 7, 1996. The City will advertise for bids in the Long Beach Press-Telegram on July 17, 1996 and will hold a bid opening on August 14, 1996.

After the bids are solicited and the highest responsible bidder is determined, the staff will return to the Commission with a recommendation regarding the award of the sales contract. The oil will be delivered without any change in the existing oil production and transportation facilities.

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: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

AB 884:

N/A.

EXHIBIT:

A. Specifications for Sales

IT IS RECOMMENDED THAT THE COMMISSION:

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

2. AUTHORIZE THE CITY OF LONG BEACH TO OFFER FOR SALE BY COMPETITIVE BIDDING THE CRUDE OIL FROM THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A", 20 PERCENT SEGMENT.

3. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE CRUDE OIL.

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EXHIBIT "A"

The significant specifications set forth in the crude oil sales bid forms are as follows:

1. Amount

   The sell-off will offer the City's 20 percent segment of crude oil allocated to the Long Beach Harbor Tidelands Parcel and Parcel "A".

2. Price

   The price to be paid per barrel will be the successful bonus bid 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.

3. Term

   The contract will be for a term of 12 months commencing on December 1, 1996. There are no provisions for renewal or extension.

4. Cash Deposit

   Each bidder shall submit with its bid as evidence of good faith, a certified or cashier's check in the amount of $25,000.

5. Surety

   An irrevocable letter of credit will be required in the amount of $800,000 equivalent to 60 days of oil production. An alternate form of security will be accepted as a

substitute for the letter of credit, subject to conditions prescribed by State Lands Commission staff and the Office of the Attorney General.

6. Insurance

The Purchaser will maintain or procure personal liability and property damage insurance of at least $2,000,000 combined single limit per occurrence or $4,000,000 aggregate.

7. Delivery

An agreement providing for the exchange or other disposition of the oil subject to the sales contract must be submitted as evidence to establish the bidder's ability to take the royalty oil at the point of delivery.

8. Selection of Successful Bidders

The successful bidder for each contract shall be the responsible bidder making the highest per barrel bonus bid. In the event that two or more responsible bidders make identical high bids, the successful bidder will be determined by lot among all those responsible bidders making such identical high bids.

9. Rejection of Bids

All or any portion of the crude oil proposed to be sold may be withdrawn by the City at any time before the opening of the bids. The City also reserves the right to cancel this offer at any time and the right to reject any and all of the bids.