

MINUTE ITEM

This Calendar Item No. C129 was approved as Minute Item No. 129 by the California State Lands Commission by a vote of 3 to 0 at its 12/16/98 meeting.

**CALENDAR ITEM
C129**

A 57, 58

S 29

12/16/98
W 9603.56
J. Tanner

**CONSIDER APPROVAL OF THE SPECIFICATIONS, FORMS
AND SALE OF THE CITY'S SHARE OF CRUDE OIL
FROM VARIOUS TRACTS WITHIN THE FAULT BLOCK IV UNIT
AND FAULT BLOCK V RANGER ZONE UNIT,
WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Department of Oil Properties
211 East Ocean Boulevard, Suite 500
Long Beach, CA 90802

BACKGROUND:

The City of Long Beach (City) has a crude oil sales contract with Huntway Refining Company (Huntway) for crude oil allocated to the City from certain tracts (listed on Exhibit A) within the Fault Block IV Unit and Fault Block V Ranger Zone Unit. Some of these tracts are tidelands tracts. This sales contract commenced on February 1, 1998, and is scheduled to expire on February 1, 1999. Huntway is paying the City a bonus of \$0.596 per barrel above a Base Price defined as the arithmetic average of the prices posted for oil of like gravity and quality in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields on the day of delivery by Chevron, Mobil, Texaco and Union. The City's share of production from these tracts is approximately 700 barrels per day of 17.5° API gravity crude oil. The City proposes to re-offer this oil for sale by competitive public bid under a new sales contract to commence on February 1, 1999, and to expire on February 1, 2000. Specifications for the sale are listed in Exhibit B to this Calendar Item.

The Long Beach City Council approved the bid package on August 4, 1998. The City requests State Lands Commission (Commission) approval of the bid package. Under Section 10(a) of the Chapter 29, Statutes of 1956, 1st E.S., the

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specifications and forms for the purpose of inviting bids for the sale of Long Beach tidelands crude oil must be approved by the Commission prior to the publication of the notice to bidders. The City plans to hold a bid opening on October 7, 1998. The Commission must then approve the awarding of this contract by the City.

Because of the short lead time required by the sale, Commission staff recommends that the Commission delegate authority to the Executive Officer to approve the award of this crude oil sales contract to the highest responsible bidder, as determined by both Commission and City of Long Beach staffs.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code sections: Division 6, Parts 1 and 2; Division. 13.
- B. California Code of Regulations sections: Title 3, Division 3; Title 14, Division 6.

OTHER PERTINENT INFORMATION:

- 1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 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 the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

- 2. The bid package prepared by the City is similar to bid packages approved by the Commission in the past.

EXHIBITS:

- A. List of Tracts
- B. Specifications of Sale

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

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IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS

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

AUTHORIZATION:

APPROVE THE SPECIFICATIONS IN EXHIBIT B AND FORMS REFERENCED ABOVE FOR INVITING BIDS FOR THE SALE BY THE CITY OF LONG BEACH OF CRUDE OIL ALLOCATED TO CERTAIN TRACTS LISTED IN EXHIBIT A IN THE FAULT BLOCK IV UNIT AND FAULT BLOCK V, RANGER ZONE UNIT, SOME OF WHICH ARE TIDELAND TRACTS, WITHIN THE WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

DELEGATE AUTHORITY TO THE EXECUTIVE OFFICER TO APPROVE THE AWARD OF THE CRUDE OIL SALES CONTRACT, AFTER THE BID OPENING ON OCTOBER 7, 1998, TO THE HIGHEST RESPONSIBLE BIDDER AS DETERMINED BY COMMISSION AND CITY OF LONG BEACH STAFFS.

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EXHIBIT A

LIST OF TRACTS

FAULT BLOCK IV UNIT

5	38	115
6	41	125
9	61	126
16	79	127
20	81	132
21	103	136
26	104	143
27	109	144
28	111	
28A	112A	
29	114	

FAULT BLOCK V RANGER ZONE UNIT

2	19	35	51	110	411
3	20	36	52	113	414
4	21	37	53	122	415
5	22	38	54	187	
6	23	39	55	188	
7	24	40	56	189	
8	25	41	57	208	
9	26	42	64	248	
10	27	43	69	253	
12	28	44	80	271	
13	29	45	90	405	
14	30	46	92	406	
15	31	47	96	407	
16	32	48	98	408	
17	33	49	104	409	
18	34	50	108	410	

EXHIBIT B

SPECIFICATIONS

Specifications of sale by the City of Long Beach of crude oil allocated to certain tracts in the Fault Block IV Unit and Fault Block V Ranger Zone Unit, Wilmington Oil Field, Los Angeles County, some of which are tidelands tracts.

1. Volume

The oil will be 100 percent of the City's working interest share of crude oil allocated to certain tracts within the Fault Block IV Unit and Fault Block V Ranger Zone Unit, Wilmington Oil Field, Los Angeles County. This is approximately 700 barrels per day of 17.5° API gravity crude oil.

2. Price

The biddable factor will be a bonus bid per barrel above a Base Price defined as the arithmetic average of the prices posted for like crude oil on the day of delivery in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields by Chevron, Mobil, Texaco and Union.

3. Term

The contract will be for a term of 12 months commencing February 1, 1999 and expiring on February 1, 2000.

4. Surety

A Letter of Credit in the amount of Five Hundred Thousand Dollars (\$500,000) will be required as well as public liability and property damage insurance in amounts not less than Two Million Dollars (\$2,000,000) combined single limit or Four Million Dollars (\$4,000,000) general aggregate.

5. Bid Deposit

A bid deposit of \$25,000 will be required which, except for the highest responsible bidder, will be returned.

6. Right to Reject Bids

The City and the Commission reserve the right at any stage of these proceedings to withdraw this offer to receive bids. The City reserves the right at any stage of these proceedings to reject any and all bids.