

This Calendar Item No. C42 was approved as Minute Item No. 42 by the California State Lands Commission by a vote of 3 to 0 at its 6-2-03 meeting.

CALENDAR ITEM

C42

A) 57, 58

06/02/03

S) 29

W9603.56

J. Tanner

CONSIDER APPROVAL OF THE SPECIFICATIONS AND FORMS FOR THE 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 Lunday Thagard Oil Company (Lunday Thagard) for crude oil allocated to the City from certain tracts (listed on Exhibit A, attached hereto) 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, 2003, and is scheduled to expire on August 1, 2004. Lunday Thagard is paying the City a bonus of \$1.2876 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 ChevronTexaco, ExxonMobil Corporation, and Union76. The City's share of production from these tracts is approximately 450 barrels per day of 18° 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 August 1, 2004, and to expire on February 1, 2006. Specifications for the sale are listed in Exhibit B, attached hereto.

The Long Beach City Council will approve the bid package on June 3, 2003. The

City requests California State Lands Commission (Commission) approval of the bid package. Under Section 10(a) of the Chapter 29, Statutes of 1956, 1st E.S., the specifications and forms for the purpose of inviting bids for the sale of Long

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000911

CALENDAR ITEM NO. C42 (CONT'D)

Beach tideland's 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 July 30, 2003. The Commission must then approve the awarding of this contract by the City.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code sections: Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulations sections: Title 2, 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 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 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:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

CALENDAR ITEM NO. C42 (CONT'D)

AUTHORIZATION:

APPROVE THE SPECIFICATIONS IN EXHIBIT B, ATTACHED HERETO, 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, ATTACHED HERETO, 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.

EXHIBIT A

LIST OF TRACTS

FAULT BLOCK IV UNIT

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

FAULT BLOCK V RANGER ZONE UNIT

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

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 (100%) 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 450 barrels per day of 18° 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, Inglewood, and Midway-Sunset Oil Fields by ChevronTexaco, ExxonMobil, Shell Oil Trading Company and Union76, or their successors in interest.
3. Term
The contract will be for a term of 18 months commencing August 1, 2004 and expiring on February 1, 2006.
4. Surety
A Letter of Credit in the amount of Five Hundred Fifty Thousand Dollars (\$550,000.00) will be required as well as public liability and property damage insurance in amounts not less than 4 Million Dollars (\$4,000,000).
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 reserves the right to cancel this offer at any time and to reject any and all bids received.