

MINUTE ITEM

This Calendar Item No. C53 was approved as Minute Item No. 53 by the California State Lands Commission by a vote of 3 to 0 at its 12/9/04 meeting.

CALENDAR ITEM
C53

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12/09/04

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W 9603.27

M. Le Clair

**CONSIDER NOTIFICATION TO 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
Department of Oil Properties
211 East Ocean Boulevard, Suite 500
Long Beach, CA 90802

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 twelve and a half percent (12.5%) 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 (80%) share.

Two crude oil sales contracts, seven percent (7%) segment and five and one half percent (5 ½ %) segment, were entered into with Valero Marketing & Supply Company. The term of each contract is from September 1, 2004 until March 1, 2006. The Commission must notify the City of Long Beach (City) again 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 June 2, 2003. In giving its notice, the Commission must provide for a fixed term for the sell-off and specify the amount of oil to be put out for bid. The necessary specifications are set forth in Exhibit A, attached hereto.

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

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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:

Chapter 138, Statutes of 1964, First Extraordinary Session, section 3(e)

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.

EXHIBIT:

- A. Specifications for Sale of Crude Oil

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

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.

AUTHORIZATION:

PURSUANT TO SECTION 3(e) OF CHAPTER 138, STATUTES OF 1964, 1ST EXTRAORDINARY SESSION, DIRECT THE EXECUTIVE OFFICER OR HIS DESIGNEE TO NOTIFY THE CITY OF LONG BEACH TO DIRECT THE FIELD CONTRACTOR TO OFFER FOR SALE BY COMPETITIVE PUBLIC BID, THE SEVEN PERCENT (7%) AND FIVE AND ONE-HALF PERCENT (5 ½%) SEGMENTS OF THE OIL

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ALLOCATED TO TRACT NO. 1 OF THE LONG BEACH UNIT,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY, IN THE AMOUNTS
AND FOR THE TERMS AND PURSUANT TO CONTRACTS WITH THE
PRICING PROVISION SET FORTH IN EXHIBIT A, ATTACHED
HERETO.

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 ½ percent 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 7 percent of the oil allocated to Tract No.1. This will be approximately 2,000 barrels per day of 18.0 API gravity crude oil.
- B. One Contract will cover 5 1/2 percent of the oil allocated to Tract No.1. This will be approximately 1,600 barrels per day of 18.0 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 average price 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 Corporation, Shell Trading US, Union 76, or their successors in interest. 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 base price plus the bonus shall be 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 March 1, 2006.

4. Surety
A letter of credit in the amount of \$2.5 million for the 7% percent segment and a letter of credit in the amount of \$2 million for the 5 1/2% percent 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 will be returned upon full execution of the contract.
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 or all bids.