

57. BIDDING PROCEDURE FOR THE PURCHASE OF OIL FIELD TUBULAR GOODS, LONG BEACH UNIT, WILMINGTON OIL FIELD - W.O. 5200.309.2.

Mr. Harold A. Lingle, Deputy City Attorney of the City of Long Beach, presented a statement that the City, in their role as Unit Manager, feels that it has a definite economic interest in the return from the Long Beach Unit, and gave the City's reasons therefor. He pointed out that the City of Long Beach has permitted the development of the Wilmington Oil Field, realizing its importance to the State's economy, while some other tideland cities have declined to allow tideland development. The City feels that THUMS, under its supervision, has done a creditable job.

Commissioner Smith presented his view that the question before the Commission was not one of free trade versus Buy-American, but rather was a question as to the degree to which the Commission, a governmental body, should involve itself in the operating details of private business with which it has a direct or indirect relationship. While the Commission must assure the people of the State of California that the State will receive maximum economic recovery from the field, he did not feel that this assurance should be dictated by encroachment upon free enterprise. He therefore made a motion that the resolution of September 23, 1965, be rescinded.

Commissioner Finch seconded the motion, stating that he subscribed in general to the statement made by Commissioner Smith -- that he was torn between the economic repercussions, but had no question about the Commission's jurisdiction. He felt that the Commission had assigned managerial responsibility, and that the laying down of an imposition on purchasing procedures could open the door on decisions on all other management criteria. Commissioner Finch was of the opinion that in terms of supporting a contract obligation, THUMS must consider the competitive situation, that he believed the Japanese tubing would be given fair consideration, and that the climate engendered by the recently concluded Geneva Treaty would be an incentive in that direction.

Commissioner Flournoy, before calling for a vote, stated his position that he feels there is absolutely no question about the legal authority of the Commission under the law to exercise responsibility for the general economic control and development of the operations, and that the Commission has the responsibility and the capacity and the statutory authority to decide the question, and could not in any way avoid a responsibility for decision. He felt that rescinding the order would be unjustified in terms of the Commission's responsibility.

Thereafter, upon the motion duly made by Commissioner Smith, and seconded by Commissioner Finch, the following resolution was adopted with one dissenting vote: THE RESOLUTION OF SEPTEMBER 23, 1965, REQUIRING OPEN COMPETITIVE BIDDING ON OIL-COUNTRY TUBULAR GOODS, IS RESCINDED.

AYES: Commissioners Smith and Finch  
NO: Commissioner Flournoy

For a complete verbatim report on the statements made, see the reporter's transcript, copy of which is on file in the Los Angeles office of the State Lands Commission.

Attachment: Calendar Item 57 (1 page)

A 39, 44 & 68  
S 32 & 37  
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On April 27, 1967 the Commission reconsidered the procedure for purchase of oil well casing, tubing and line pipe for the Long Beach Unit development program as directed by the Commission on September 23, 1965 (Minute Item 27, page 11,749).

On April 27 the Commission requested, precedent to a conclusion, that:

1. Mr. Richard C. Bergen (representing the California Oil Field Suppliers Association) and Mr. R. J. Kilpatrick (representing the California Council for International Trade, United States-Japan Trade Council, West Coast Metal Importers Association, Union Pipe Inc., and Pipe Sales Company) submit briefs on the testimony presented and the legal issues raised (Exhibits "A" and "B" respectively).
2. The Office of the Attorney General submit a brief outlining the legal role of the Commission (Exhibit "C").
3. The members of the THUMS consortium be requested to indicate their individual interests in Pacific Basin operations and the effect of these interests on purchase practices (included as Exhibit A to Exhibit "A").
4. The State Lands Division and the Office of the Attorney General report on the controls the Commission would have over the operations and development of the Long Beach Unit if it determined to allow the City of Long Beach and the Field Contractor to decide pipe purchase practices (included in Exhibit "C").
5. The State Lands Division report on the normal pipe purchase practices by petroleum companies operating in California (Exhibit "D").

Mr. Kilpatrick (reference Item 1) has also submitted a "Review of 'An Economic Analysis of THUMS' Steel Tubular Purchasing Policy' by Gerhard N. Rostvold and Robert W. Knapp" (Exhibit "E").