

MINUTE ITEM

This Calendar Item No. 35  
was approved as Minute Item  
No. 35 by the State Lands  
Commission by a vote of 3  
to 0 at its 1-24-80  
meeting.

CALENDAR ITEM

35.

1/80  
Thompson

APPROVALS FOR THE SELL-OFF OF CRUDE OIL FROM THE  
LONG BEACH TIDELANDS, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY.

The City of Long Beach has notified Powerine Oil Company as contractor for Parcel A, of the City's intent to take in kind 12½% of the Parcel A oil production. Long Beach Oil Development Company, as contractor for the Long Beach Harbor Department Tidelands Parcel, also has been notified by the City of its intent to take the 4½% increment of the crude oil production currently available for sell-off and not currently being taken in kind by the City. These notifications will enable the City to offer this oil for sale by competitive bid 180 days from the date of notification, which was on December 13, 1979.

The bids received on January 9, 1980 for the uncontrolled portion of the 8% increment of the Long Beach Harbor Department Tidelands Parcel crude oil indicated that bids as high as \$5.86 per barrel above the average uncontrolled posted price in the Wilmington oil field were offered for oil not controlled by ceiling prices.

It is now feasible to offer for bid all remaining sell-off oil in the Long Beach tidelands. In accordance with Section 3(e) of Chapter 138, Statutes of 1964, 1st E.S., the State Lands Commission first notifies the City of Long Beach to direct the field contractor to offer 12½% of the contractor's share of the oil from Tract 1 of the Long Beach Unit for bidding. Such oil would be offered in the amounts and for the periods and under conditions specified in the attached Exhibit "A". The contractor then has 60 days to offer the oil for bidding.

The sell-off of this oil can begin 180 days from the date of execution of the agreements of sale. Lunday-Thagard Oil Company is currently taking the 1½% increment of this oil and under the Department of Energy supplier/purchaser rule must be offered the option to match the price that is bid for that increment of oil.

By separate calendar item, the Commission is being requested to notify the contractor for Tract 2 that in accordance with Article 9 of the Tract 2 Agreement, the State intends

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to exercise its option to take in kind 12½% of the oil allocated to Tract 2. Sell-off of this oil can begin 180 days from such notice to the contractor.

IT IS RECOMMENDED THAT THE COMMISSION:

PURSUANT TO SECTION 3(e), CHAPTER 138, STATUTES OF 1964, 1ST E.S., MAKE THE NECESSARY DETERMINATION OF FIXED TERM AND QUANTITIES, AND APPROVE THE PROVISIONS OF SALE DETERMINED BY THE CITY OF LONG BEACH, ALL OF WHICH ARE SET FORTH IN THE ATTACHED EXHIBIT "A", AND DIRECT THE EXECUTIVE OFFICER TO NOTIFY THE CITY OF LONG BEACH TO DIRECT THE FIELD CONTRACTOR TO OFFER CRUDE OIL FOR SALE BY COMPETITIVE BIDDING.

EXHIBIT "A"  
OFFER TO SELL CRUDE OIL, TRACT 1, LONG BEACH UNIT  
FIXED TERM, QUANTITIES, AND PROVISIONS OF SALE

1. Amount:

The sell-off oil will be offered in three separate contracts for 7 $\frac{1}{2}$ , 4 $\frac{1}{2}$  and 1 $\frac{1}{2}$ , respectively, of the uncontrolled portion of the oil allocated to Tract 1, Long Beach Unit, which is approximately 93 $\frac{1}{2}$  of all oil allocated to Tract 1. Such amounts are approximately 3,600 B/D, 2,000 B/D and 770 B/D, respectively.

2. Price

The price to be provided in each contract will be the average of the prices posted for uncontrolled crude oil in the Wilmington Field by Chevron, USA, Inc., Mobil Oil Corporation, Union Oil Company of California and Arco Petroleum Products Company for oil of like gravity on the day of delivery, plus a bonus per barrel that is the bid factor. The price for the oil shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel. The price at all times will be the higher of the bid price or the amount per barrel at which the Field Contractor accounts for that oil, computed as provided in Article 9(b) of the Contractors' Agreement, Long Beach Unit.

3. Term:

The term of each contract shall be for a one-year period commencing on the first day of the first calendar month following a period of one hundred eighty (180) days after the contract is fully executed by all parties.

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4. Cash Deposit

Each bidder shall submit a certified or cashier's check with his bid in the amount of:

- \$35,000 for the 7% portion.
- \$20,000 for the 4% portion.
- \$ 7,500 for the 1 1/2% portion.

5. Security

Prior to the commencement date of the contract, each purchaser shall submit a good and sufficient letter of credit in the amount equal to thirty-five times the contract price per barrel times the number of barrels specified below, rounded to the nearest thousand dollars:

- 3,600 barrels for the 7% portion.
- 2,000 barrels for the 4% portion.
- 770 barrels for the 1 1/2% portion.

A purchaser may, with prior written approval by the City and State, provide alternate security in an amount to be determined by the City and State.

6. Insurance

Each purchaser shall procure, prior to the commencement date of the contract, and maintain during the term of the contract, public liability and property damage insurance in amounts not less than:

- (a) \$500,000 for injury or death of one person.
- (b) \$1,000,000 for injury or death of more than one person.
- (c) \$1,000,000 for damages to or destruction of property.

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7. Delivery

All oil shall be taken at the Long Beach Unit oil delivery location and under the same conditions and procedures as Long Beach Unit oil is taken by other purchasers. All equipment and facilities necessary to take delivery of the subject oil shall be installed by the successful bidders at no expense to the City, State or Long Beach Unit.

8. Bid Procedure

- a. The notice of intention to receive bids, the bid form, and the crude oil sales contracts will be prepared by the City of Long Beach, subject to approval of the Executive Officer, State Lands Commission, and shall contain the provisions listed in this Exhibit "A".
- b. The bid form shall provide for joint bids by one or more parties.
- c. Bids shall be opened on consecutive days starting with the largest portion.
- d. All bids may be kept open for consideration for a reasonable period determined by the City and State.
- e. The right to reject any and all bids will be reserved by the City and State.
- f. The successful bidder for each contract shall be the responsible bidder making the highest bonus bid per barrel for the particular contract.
- g. In the event that two or more responsible bidders make identical bids, the successful bidder will be determined by lot among all those responsible bidders making such identical bids.
- h. The present purchasers will be given 15 days in which to meet the offers of the successful bidders. If the present purchasers

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elect to meet any of the offers by agreeing to pay the bid price for the contract term, the crude oil subject to any such matched offer must continue to be delivered to the present purchasers by virtue of the DOE's crude oil supplier/purchaser rule.

9. Responsibility

Each bidder shall submit a certified current financial statement and a summary of experience with the bid. Evidence of the bidder's ability to take the crude at the specified point of delivery shall also be submitted with the bid. Final plans and documents relating to the bidder's ability to take the crude at the specified point of delivery shall be submitted within five working days subsequent to the date of bid opening.

10. Payment.

City shall invoice purchasers for oil delivered prior to the 15th day of any calendar month on or about the 25th day of such month, and payment shall be made by the 5th day of the succeeding month. Likewise, City shall invoice purchasers for oil delivered between the 15th day and the last day of any calendar month on or about the 10th day of the succeeding month and payment shall be made by the 20th day of that month.

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(Added, 1/23/80)