

MINUTE ITEM

This Calendar Item No. 33
was approved as Minute Item
No. 33 by the State Lands
Commission by a vote of 3
to 0 at its 4-7-81
meeting.

CALENDAR ITEM

33

3/81
Thompson

PROPOSED SALE OF CRUDE OIL TRACT NO. 2, LONG BEACH UNIT WILMINGTON OIL FIELD

Under Article 9 of the Tract 2 Agreement, as amended, the State has the right to take in kind upon 60 days' written notice up to 12½% of the oil allocated to Tract No. 2 of the Long Beach Unit (also known as PRC 3455.1). The staff is recommending that the Commission offer for competitive bidding the entire 12½% portion which it may take in kind.

Section 6815.1 of the Public Resources Code governs the sell-off of this oil and provides, in pertinent part, that when oil is taken in kind by the Commission it shall be sold only to the highest responsible bidder upon competitive bidding and that the bidding shall be pursuant to specifications and forms adopted by the Commission prior to publication of the notice to bidders. The staff is recommending that the Commission at this time adopt the specifications for the sell-off which are listed in Exhibit "A" to this calendar item and adopt the forms prepared by staff for use in the sell-off, which are the Notice Inviting Bids, Bid Proposal and Crude Oil Sales Contract, copies of which are on file in the Commission's office. After the bids are solicited and the highest responsible bidder ascertained, the staff will return to the Commission with a recommendation regarding the award of the sales contract.

The oil will be delivered without any physical change in the existing oil production and transportation facilities. Therefore, this transaction is not a "project" and is exempt from the requirements of the California Environmental Quality Act.

EXHIBIT: A. Specifications for the Sell-Off.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE CALIFORNIA ENVIRONMENTAL QUALITY ACT IS NOT APPLICABLE TO THIS ACTION BECAUSE IT IS NOT A PROJECT WHICH MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.

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2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF 12½% OF THE OIL ALLOCATED TO TRACT NO. 2 OF THE LONG BEACH UNIT WHICH THE STATE MAY TAKE IN KIND.
3. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING 12½% OF THE OIL ALLOCATED TO TRACT NO. 2 OF THE LONG BEACH UNIT WHICH THE STATE MAY TAKE IN KIND.

EXHIBIT "A"

The significant specifications for the sell-off of 12½% of the oil allocated to Tract No. 2 of the Long Beach Unit are as follows:

1. Amount

The sell-off will be for one contract for 12½% of the oil allocated to Tract No. 2 of the Long Beach Unit. This is approximately 260 barrels per day.

2. Price

The price will be the highest price posted for like crude oil on the day of delivery in the Wilmington oil field among the postings of Chevron, Mobil, Union and ARCO, plus a bonus per barrel that is the bid factor. The price shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel.

3. Term

The term of the sell-off contract will be from July 1, 1981 through February 28, 1982.

4. Cash Deposit

Each bidder shall submit with its bid as evidence of good faith a certified or cashier's check in the amount of \$25,000 which, except in the case of the highest responsible bidder, will be returned.

5. Surety

The bonding requirement will be \$500,000, provided that the Commission may accept alternate security (such as a cash deposit or letter of credit) in a form and amount determined to be adequate.

6. Insurance

The purchaser will maintain or procure personal liability insurance of at least \$500,000 per person, \$1,000,000 for more than 1 person, and property damage insurance of at least \$1,000,000.

7. Delivery

The purchaser will take delivery by pipeline at the Long Beach Unit crude oil shipping facility at Broadway and Pico Avenue, Long Beach. Before the contract is awarded, the proposed purchaser shall give to the State Lands Commission satisfactory evidence of its present ability to take oil at the point of delivery without constructing any additional facilities. Such evidence is likely to be an agreement providing for the exchange of the oil subject to the sales contract for other oil or hydrocarbons.

8. Selection of Successful Bidder

The successful bidder shall be the responsible bidder making the highest per barrel bonus bid. In the event that two or more responsible bidders make identical high bids, the successful bidder will be determined by lot among all those responsible bidders making the identical high bids.

9. Rejection of Bids

Any portion of the royalty oil proposed to be sold may be withdrawn by the Commission at any time before the opening of the bids. The Commission reserves the right to cancel this offer at any time and to reject any or all of the bids.