

MINUTE ITEM

This Calendar Item No. 33
 was approved as Minute Item CALENDAR ITEM
 No. 33 by the State Lands
 Commission by a vote of 3
 to 0 at its 12/17/81
 meeting.

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12/17/81
 Thompson
 W 40295

REJECTION OF BIDS
 CRUDE OIL SELL-OFF
 TRACT NO. 2, LONG BEACH UNIT

On October 30, 1981, the Commission authorized the Executive Officer to offer for sale by competitive bidding 12½ percent of the oil allocated to Tract No. 2 of the Long Beach Unit, which is the total share that the State may take in kind under the terms of the Tract No. 2 Agreement. The offer was made pursuant to a bid proposal which stated that the Commission reserves the right to cancel the offer at any time and reject any bids received. Bids were solicited in the form of a commitment to execute a crude oil sales contract and to pay a bonus per barrel, which is the bid factor, over a contractually defined base price. The following bonus bids were received:

Champlin Petroleum Company	\$0.135
Beacon Oil Company	\$0.08
Marlex Oil & Refining Company	\$0.05
Powerine Oil Company	\$0.00

The Tract No. 2 Contractor pays for the oil a price that essentially is ten cents per barrel over the base price provided in the proposed sell-off contract. Therefore, the high bid, which provides a bonus of 13.5 cents per barrel, will net the State only an additional 3.5 cents per barrel, which is approximately \$300 per month. The proposed crude oil sales contract is for a term of 18 months beginning March 1, 1982. The staff does not believe that the State's financial interests would be best served by entering into an 18-month contract at such a low bonus. If the demand for oil increases, the State's in-kind share of oil from Tract No. 2 can again be put out for bid. A higher bid at a later time could bring to the State, in the long run, considerably more revenue than would acceptance of the present high bid.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. REJECT ALL BIDS RECEIVED UNDER THE CURRENT OFFERING FOR SALE OF THE 12½ PERCENT SEGMENT OF CRUDE OIL ALLOCATED TO PRC 3455, WHICH IS TRACT NO. 2, LONG BEACH UNIT, WILMINGTON OIL FIELD.

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