MINUTE ITEM

This Calendar Item No. 23 was approved as Minute Item No. 23 by the State Lands Commission by a vote of 3 to 0 at its 3/22/84 meeting.

CALENDAR ITEM

23

3/22/84
W 9603.27
Tanner

NOTIFICATION TO CITY OF LONG BEACH
TO DIRECT FIELD CONTRACTOR TO SELL OFF
CRUDE OIL FROM TRACT NO. 1 OF THE LONG BEACH UNIT

Section 3(e) of Chapter 138, Statutes of 1964, 1st E.S. and Article 11 of the Contractors' Agreement for the Long Beach Unit, Wilmington Oil Field, provide for the sell-off of up to 12½ percent 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 share. At present, all 12½ percent of the oil is being sold off under contracts that are due to expire on March 1, 1985. Present purchasers of this crude oil are Champlin Petroleum Company and Pilot Petroleum Corporation. Due to the lead time required to put a sell-off into operation, certain procedures must be undertaken at this time.

The initial step in undertaking a sell-off is for the State Lands Commission to notify the City of Long Beach 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. It was last given for the current contracts on January 27, 1983. In giving its notice, the Commission must provide for a fixed term for the sell-off and specify the amounts of oil to be put out for bid. The significant specifications are set forth in Exhibit "A" to this Calendar Item.

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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 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.

AB 884: N/A.

EXHIBIT: A. SPECIFICATIONS FOR PROPOSED SELL-OFF OF CRUDE OIL.

IT IS RECOMMENDED THAT THE COMMISSION, ACTING PURSUANT TO SECTION 3(e) OF CHAPTER 138, STATUTES OF 1964, 1st E.S.:

DIRECT THE EXECUTIVE OFFICER TO NOTIFY THE CITY OF LONG BEACH TO DIRECT THE FIELD CONTRACTOR TO OFFER FOR SALE BY COMPETITIVE PUBLIC BID 12½ PERCENT OF THE OIL ALLOCATED TO TRACT NO. 1 OF THE LONG BEACH UNIT IN THE MANNER AND IN THE AMOUNTS AND FOR THE TERM SET FORTH IN EXHIBIT "A" AND PURSUANT TO CONTRACTS WITH THE PRICING PROVISION SET FORTH IN EXHIBIT "A".

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EXHIBIT "A"

SIGNIFICANT SPECIFICATIONS FOR PROPOSED SELL-OFF OF CRUDE OIL FROM TRACT NO. 1 OF THE LONG BEACH UNIT

1. CRUDE OIL AMOUNT:

The crude oil which is available for sale is 12½ percent of the oil allocated to Tract No. 1. The oil will be offered in four contracts:

(1) One contract covering seven percent of the oil allocated to Tract No. 1. This will be approximately 3,500 B/D of 17.7° API gravity crude oil.

(2) Two contracts of two percent each of oil allocated to Tract No. 1. Each contract will be for approximately 1,000 B/D of 17.7° API gravity crude oil.

(3) One contract covering 1½ percent of oil allocated to Tract No. 1. This will be approximately 750 B/D of 17.7° API gravity crude oil.

2. CRUDE OIL PRICE:

The purchaser shall pay for the oil a bonus price per barrel, which is the bid factor, plus a base price equal to the highest price posted for like crude oil on the day of delivery in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields among the postings of Chevron, Mobil, Union and ARCO. The pricing provision should 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 should contain the statement that if at anytime the price based on the highest posting in the four fields plus a bonus is 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. <u>Contract term:</u>

The contracts will be for a term of 18 months commencing March 1, 1985.

4. <u>MINIMUM BIDS:</u>

The minimum acceptable bid for each contract will be $0.35 per barrel over the base price as described above.

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