

MINUTE ITEM

Minute Item No. 27
was approved as Minute Item
No. 27, the State Lands
Commission by a vote of 3
0 at its 11/29/84
meeting.

CALENDAR ITEM

A 57, 58

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11/29/84
W 9603.06
Tanner

PROPOSED SALE OF CRUDE OIL, TRACT 2,
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY

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 12 1/2 percent of the oil allocated to Tract 2 of the Long Beach Unit (also known as PRC 3455.1). The oil is now being sold to Gasco Gasoline, Inc. under a sell-off contract that will expire on May 1, 1985. The staff recommends that the Commission re-offer for competitive bidding the 12 1/2 percent portion of the oil presently being sold off.

Section 6815.1 of the P.R.C. 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 public 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 recommends 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 in Long Beach. After the bids are solicited and the highest responsible bidder determined, 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.

OTHER PERTINENT INFORMATION:

Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

CALENDAR ITEM NO. 27 (CONT'D)

Authority: P.R.C. 21065 and 14 Cal. Adm. Code 15378.

AB 884: N/A.

EXHIBIT: A. Specifications.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF 12 1/2 PERCENT OF THE OIL ALLOCATED TO TRACT 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 12 1/2 PERCENT OF THE OIL ALLOCATED TO TRACT 2 OF THE LONG BEACH UNIT, WHICH THE STATE MAY TAKE IN KIND.

EXHIBIT "A"

The significant specifications for the sell-off of 12 1/2 percent of the oil allocated to Tract No. 2 of the Long Beach Unit are as follows:

1. Amount

The sell off will be one contract for 12 1/2 percent of the oil allocated to Tract No. 2 of the Long Beach Unit. This is approximately 350 barrels per day (17.60 API).

2. Price

The purchaser shall pay an amount per barrel equal to the base price plus a bid bonus of not less than 35 cents per barrel. The base price will be 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 U.S.A. Inc., Mobil Oil Corporation, Union Oil Company of California, ARCO Petroleum Products Company and Texaco, Inc. The base 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 May 1, 1985 to November 1, 1986.

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

A letter of credit in the amount of \$485,000 will be required.

6. Insurance

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