

MINUTE ITEM

This Calendar Item No. 32  
was approved as Minute Item  
No. 32 by the State Lands  
Commission by a vote of 3  
to 0 at its 1/22/87  
meeting.

CALENDAR ITEM

32

A 57, 58

S 29

01/22/87  
W 9603.56  
Tanner

APPROVAL OF SPECIFICATIONS AND FORMS FOR  
INVITING BIDS FOR CRUDE OIL FROM FAULT BLOCK IV UNIT  
AND FAULT BLOCK V RANGER ZONE UNIT, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY, BY THE CITY OF LONG BEACH

Since 1977, the City of Long Beach has had a crude oil sales contract with Petrominerals Corporation for the oil allocated to the City from certain tracts (listed in Exhibit "A") within the Fault Block IV Unit and Fault Block V Ranger Zone Unit. Due to the world-wide decline in crude oil prices over the past year, Petrominerals Corporation has given the City the required one-year notice of termination so that this contract with the City will terminate on May 1, 1987. Petrominerals Corporation was paying the City for this oil the average of posted prices in the Wilmington Oil Field among the postings of Chevron U.S.A. Inc.; Union Oil Company of California; Texaco Inc; Mobil Oil Corporation and ARCO Petroleum Products Company until ARCO stopped posting.

In addition, the City has a crude oil sales contract with MacMillan Ring Free Oil Company for the oil from Tract Number 20 of the Fault Block IV Unit and Tract Number 92 of the Fault Block V Ranger Zone Unit as noted in Exhibit "B". This contract commenced on June 1, 1986 and will terminate on June 1, 1987. MacMillan is paying the City \$1.959 per barrel below 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 Texaco.

The City's share of crude oil from these tracts amounts to approximately 200 barrels per day of 170 API gravity crude oil. The City's interests are working interests, so the oil cannot be returned to a lessee or contractor. Therefore, the

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City must sell the oil at this time. To reduce costs, the two crude oil sales contracts will be combined so that one crude oil sell-off will be held.

Under Section 10(a) of Chapter 29, Statutes of 1950, 1st E.S., the specifications and forms for the purpose of inviting bids for the sale of Long Beach tidelands crude oil must be approved by the State Lands Commission prior to publication of the notice to bidders. The City plans to hold a bid opening on March 4, 1987. The Commission must then approve the awarding of this contract by the City.

**OTHER PERTINENT INFORMATION:**

1. 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 the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

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

**EXHIBITS:**

- A. Lists of Tracts - Petrominerals Corporation.
- B. Lists of Tracts - MacMillan.
- C. Specifications of Sale.

**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 THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE THE SPECIFICATIONS LISTED IN EXHIBIT "C" AND FORMS REFERENCED ABOVE FOR INVITING BIDS FOR THE SALE BY THE CITY OF LONG BEACH OF CRUDE OIL FROM CERTAIN TRACTS, LISTED IN EXHIBITS "A" AND "B", IN THE FAULT BLOCK IV UNIT AND FAULT BLOCK V RANGER ZONE UNIT, WILMINGTON OIL FIELD.

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EXHIBIT "A"

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LIST OF TRACTS  
(Petrominerals Corporation)

Fault Block IV Unit

5	112A
6	114
16	125
103	126
104	127
111	

Fault Block V Ranger Zone Unit

27	46
28	47
29	48
30	49
31	50
32	51
33	52
34	53
35	54
36	55
37	56
38	57
39	405
40	406
41	407
42	408
43	409
44	411
45	414
	415

EXHIBIT "B"

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LIST OF TRACTS  
(MacMillan)

Fault Block IV Unit

20

Fault Block V Ranger Zone Unit

92

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EXHIBIT "C"

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SPECIFICATIONS OF SALE OF CRUDE OIL  
PRODUCED FROM FAULT BLOCK IV UNIT  
AND FAULT BLOCK V RANGER ZONE UNIT,  
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

1. Volume

The oil will be 100% of the City's working interest share of crude oil produced from tracts within the Fault Block IV Unit and Fault Block V Ranger Zone Unit, Wilmington Oil Field, Los Angeles County. This is approximately 200 barrels per day of 170 API gravity crude oil.

2. Price

The biddable factor will be a bonus bid per barrel above the Base Price defined as 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 USA, Mobil Oil Corporation and Union Oil Company of California.

3. Term

The contract will be for a term of 12 months commencing May 1, 1987 and expiring on May 1, 1988. Deliveries from some tracts will not begin until June 1, 1987.

4. Surety

A Letter of Credit in the amount of \$150,000 will be required as well as Public Liability and Property Damage insurance in amounts not less than \$1 million.

5. Bid Deposit

A bid deposit of \$25,000 will be required which, except for the highest responsible bidder, will be returned.

6. Right to Reject Bids

The City reserves the right to cancel this offer at any time and to reject all bids received.

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