

MINUTE ITEM

This Calendar Item No. 72
was approved as Minute Item
No. 72 by the State Lands
Commission by a vote of 3
to 0 at its 6/11/90
meeting.

CALENDAR ITEM

A 57, 58

72

06/11/90
W 9603.27
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**REJECTION OF BIDS FOR THE CRUDE OIL SALES CONTRACTS,
TRACT NO. 1, LONG BEACH UNIT,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY**

BACKGROUND:

At its meeting on March 27, 1990, the Commission made the determination of the term and quantities of the sale and approved the other sales provisions proposed by the City of Long Beach and authorized the Executive Officer to notify the City of Long Beach to direct the Field Contractor to offer for sale, by competitive bidding, 12-1/2 percent of the crude oil allocated to Tract No. 1, Long Beach Unit, Wilmington Oil Field. This production is solely from the Field Contractor's 80 percent share. These actions were taken pursuant to Section 3(e), Chapter 138, Statutes of 1964, 1st E.S.

The Field Contractor, with the City of Long Beach, offered the crude oil for competitive bidding on May 9, 1990. The crude oil was offered under two (2) separate contracts, one for 7% and one for 5 1/2% of the crude oil allocated to Tract No. 1. The 7% segment consists of approximately 2,500 barrels per day of 17.7° API gravity crude oil. The 5 1/2% segment consists of approximately 1,950 barrels per day of 17.7° API gravity crude oil.

STAFF RECOMMENDATIONS

On May 9, 1990, the City of Long Beach opened the bids offered for this crude oil. The results of the bidding are shown on Exhibit "A".

Pursuant to Section 10(a) of Chapter 29, Statutes of 1956, 1st E.S., the crude oil sales contracts shall be of no effect unless and until approved by the State Lands Commission.

(ADDED 06/08/90)

-1-

CALENDAR PAGE	<u>494</u>
MINUTE PAGE	<u>1616</u>

Staff recommends the rejection of the bids for both Tract 1 sell-off contracts. The high bonus bids of ten cents and five cents by Texaco Trading & Transportation, Inc. are not sufficiently high to make a sell-off a worthwhile venture.

Under the terms of the Contractors' Agreement, another sell-off cannot be commenced until the first part of 1991 because the sell-off provisions can be invoked only once in a twelve-month period. Staff will undertake a new sell-off as soon as the contractual time limitations permit.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 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. Code Regs. 15378.

EXHIBIT: A. Results of Bids.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. PURSUANT TO SECTION 10(a), CHAPTER 29, STATUTES OF 1956, 1ST E.S., REJECT BIDS FOR THE CRUDE OIL SALES CONTRACTS FOR OIL ALLOCATED TO TRACT NO. 1, LONG BEACH UNIT, WILMINGTON OIL FIELD, AND DIRECT THE CITY TO RETURN ITS SHARE OF THE CRUDE OIL ALLOCATED TO TRACT NO. 1, LONG BEACH UNIT BACK TO THE FIELD CONTRACTOR.

(ADDED 06/08/90)

-2-

CALENDAR PAGE	4941
MINUTE PAGE	1617

W 9603.27

EXHIBIT "A"

TRACT NO. 1 BID OPENING

MAY 9, 1990 10:00 A.M.

7 Percent Segment
2,500 B/D 17.7° API

Bidder

Bonus Bid
(Per Barrel, Above Base Price)

1. Texaco Trading & Transportation, Inc. \$0.10

5 1/2 Percent Segment
1,950 B/D, 17.7° API

Bidder

Bonus Bid
(Per Barrel, Above Base Price)

1. Texaco Trading & Transportation, Inc. \$0.05

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CALENDAR PAGE	494.2
MINUTE PAGE	1618