

MINUTE ITEM  
This Calendar Item No. C80  
was approved as Minute Item  
No. 80 by the State Lands  
Commission by a vote of 2  
to 0 at its 2/27/96  
meeting.

CALENDAR ITEM  
**C80**

A 57, 58

S 29

02/27/96  
W 9603.93  
Tanner  
PRC 7894

**APPROVE PROPOSED SALE OF IN-KIND OIL,  
TRACT NO. 2, LONG BEACH UNIT,  
WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY**

**BACKGROUND:**

At the present time, the State Tract No. 2 Contractor is receiving and, accounting for, under the net profit provisions of the Tract No. 2 Agreement, crude oil allocated to the Tract No. 2, Long Beach Unit, Wilmington Oil Field from Los Angeles County (approximately 1,700 B/D). Pursuant to the provisions of the Tract No. 2 Agreement, the State may elect, after 90 days written notice to the Tract No. 2 Contractor, to receive in-kind up to 35 percent of the oil allocated to Tract No. 2. Oil in-kind must be sold by competitive bid.

**STAFF RECOMMENDATIONS:**

Section 6815.1 of the Public Resources Code Section governs the sell-off of in-kind oil and provides 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 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, authorize the sale of in-kind crude oil from Tract No. 2 and adopt the specifications for the sell-off which are listed on Exhibit "A" to this calendar item. Staff also recommends that the Commission adopt the forms prepared by the staff for use in the sell-off, which are the notice inviting bids, bid proposal, and the crude oil sales contract, copies of which are on file in the Commission's office in Long Beach.

After the bids are solicited, the highest responsible bidder will be determined and awarded the contract. Staff will advise the Commission regarding the bidding

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procedure and award of the sales contract. The oil will be delivered without any change in the existing oil production and transportation facilities.

**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: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

**AB 884:**

N/A

**EXHIBITS:**

- A. Specifications for Sale
- B. Tentative Sell-off Schedule

**IT IS RECOMMENDED THAT THE COMMISSION:**

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. AUTHORIZE THE EXECUTIVE OFFICER TO OFFER FOR SALE BY COMPETITIVE BIDDING THE IN-KIND OIL ALLOCATED TO TRACT NO. 2, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

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3. ADOPT THE SPECIFICATIONS LISTED IN EXHIBIT "A" AND THE REFERENCED FORMS FOR USE IN THE SALE OF THE IN-KIND OIL FROM TRACT NO. 2, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.
  
4. DELEGATE TO THE EXECUTIVE OFFICER AUTHORIZATION TO AWARD THE SELL-OFF SALES CONTRACT FOR IN-KIND OIL ALLOCATED TO TRACT NO. 2, LONG BEACH UNIT, WILMINGTON OIL FIELD, TO THE HIGHEST RESPONSIBLE BIDDER.

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**EXHIBIT "A"**

The significant specifications set forth in the sell-off bid forms are as follows:

1. Amount

The sell-off will offer the State's monthly in-kind share of crude oil which is 35 percent of the oil allocated to Tract No. 2.

2. Price

The price will be the highest of the posted prices in the Wilmington field among the postings of Mobil, Union, Chevron, and Texaco, for oil of like gravity on the day of delivery, plus a bonus per barrel that is the bid factor. The prices for the oil shall be computed to the closest tenth of each degree of API gravity and the closest tenth of a cent per barrel. A minimum bonus bid of \$0.25 per barrel above the posted price will be required. In addition, the purchaser will be invoiced monthly. Furthermore, a staggered late penalty of between one percent (1%) and five percent (5%) will be used for late payments. Interest will continue to be assessed at the rate of one and one-half percent (1 ½%) per month.

3. Term

The contract will be for a term of 12 months. There are no provisions for renewal or extension.

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. Except in the case of the successful bidder, the bid deposit will be returned to each bidder.

5. Surety

An irrevocable letter of credit will be required in the amount equivalent to 60 days of State in-kind oil production. An alternate form of security will be accepted as a substitute for the letter of credit, subject to conditions prescribed by State Lands Commission staff and the Office of the Attorney General.

6. Insurance

The Purchaser will maintain or procure personal liability and property damage insurance of at least \$2,000,000 combined single limit per occurrence or \$4,000,000 aggregate.

7. Delivery

An agreement providing for the exchange or other disposition of the oil subject to the sales contract must be submitted as evidence to establish the bidder's ability to take the oil at the point of delivery.

8. Selection of Successful Bidders

The successful bidder for the contract shall be the responsible bidder making the highest per barrel bonus bid. The minimum acceptable bid will be \$0.25. In the event that two or more responsible bidders make identical high bids, the successful bidder will be determined by lot among all those responsible bidders making such identical high bids.

9. Rejection of Bids

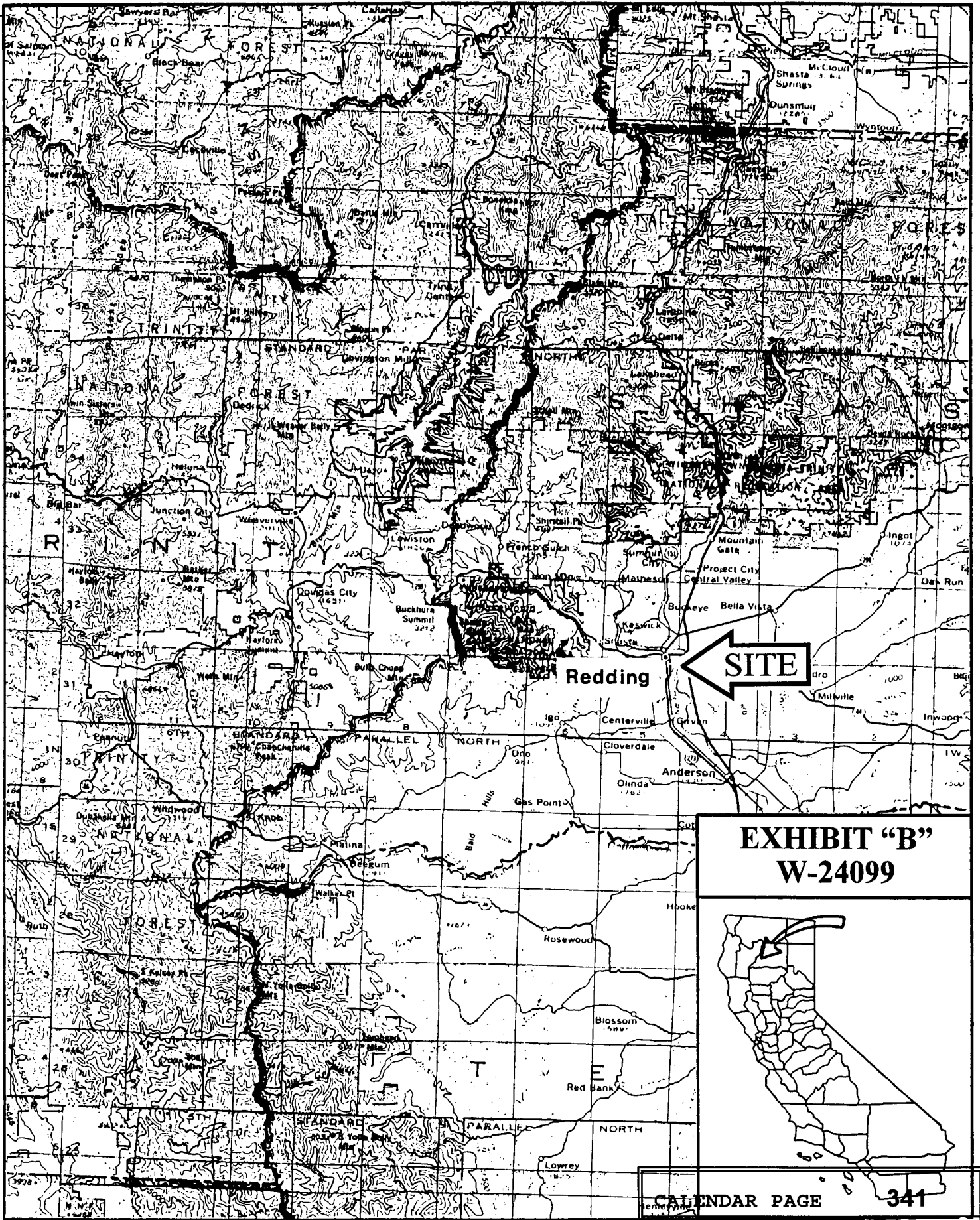
All or any portion of the in-kind oil proposed to be sold may be withdrawn by the Commission at any time before the opening of the bids. The Commission also reserves the right to cancel this offer at any time and the right to reject any and all of the bids.

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EXHIBIT "B"

SELL-OFF SCHEDULE (TENTATIVE)

| Lease                                  | Vol.<br>(B/D)  | Notice<br>Pd.<br>(days) | Notice<br>Published | Bid<br>Opening | Award of<br>Contracts | Effective<br>date | Expiration<br>Date | Contact<br>Length<br>(Mths) |
|--|----------------|-------------------------|---------------------|----------------|-----------------------|-------------------|--------------------|-----------------------------|
| PRC<br>3455<br>Tract<br>No. 2<br>(LBU) | 600<br>(17.0°) | 90                      | 2/28/96             | 3/14/96        | 8/1/96                | 8/1/97            | 2/1/98             | 12                          |



**SITE**

**Redding**

**EXHIBIT "B"**  
**W-24099**



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