

MINUTE ITEM
This Calendar Item No. C66
was approved as Minute Item
No. 66 by the State Lands
Commission by a vote of 2
to 0 at its 7/11/97
meeting.

CALENDAR ITEM
C66

A 57, 58

07/11/97

S 29

W 9603.56

J. Tanner

**CONSIDER APPROVAL OF THE SPECIFICATIONS AND FORMS
FOR THE SALE OF THE CITY OF LONG BEACH'S SHARE OF CRUDE OIL
FROM VARIOUS TRACTS WITHIN THE FAULT BLOCK IV UNIT
AND FAULT BLOCK V RANGER ZONE UNIT,
WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

BACKGROUND:

The City of Long Beach (City) has a crude oil sales contract with Texaco Trading & Transportation, Inc. (Texaco) for crude oil allocated to the City from certain tracts (listed on Exhibit A) within the Fault Block IV Unit and Fault Block V Ranger Zone Unit. Some of these tracts are tidelands tracts. This sales contract commenced on February 1, 1997, and is scheduled to expire on February 1, 1998. Texaco is paying the City a bonus of \$0.681 per barrel above a Base Price defined as the arithmetic average of the prices posted for oil of like gravity and quality in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields on the day of delivery by Chevron, Mobil, Texaco and Union. The City's share of production from these tracts is approximately 700 barrels per day of 17.5° API gravity crude oil.

The City proposes to re-offer this oil for sale by competitive public bid under a new sales contract to commence on February 1, 1998, and to expire on February 1, 1999. Specifications for the sale are listed in Exhibit B to this Calendar Item.

The Long Beach City Council will approve the bid package on August 5, 1997. The City requests State Lands Commission (Commission) approval of the bid package. Under Section 10(a) of the Chapter 29, Statutes of 1956, First Extraordinary Session, the specifications and forms for the purpose of inviting bids for the sale of Long Beach tideland crude oil must be approved by the Commission prior to the publication of the notice to bidders. The City plans to hold a bid opening on October 1, 1997. The Commission must then approve the awarding of this contract by the City.

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: Division 6, Parts 1 and 2; Division 13.
- B. California Code of Regulations: Title 2, Division 3; Title 14, Division 6.

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CALENDAR ITEM NO. C66 (CONT'D)

PERMIT STREAMLINING ACT DEADLINE:

N/A

OTHER PERTINENT INFORMATION:

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

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

2. The bid package prepared by the City is similar to bid packages approved by the Commission in the past.

EXHIBITS:

- A. List of Tracts
- B. Specifications of Sale

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.
2. APPROVE THE SPECIFICATIONS IN EXHIBIT B AND FORMS REFERENCED ABOVE FOR INVITING BIDS FOR THE SALE BY THE CITY OF LONG BEACH OF CRUDE OIL ALLOCATED TO CERTAIN TRACTS LISTED IN EXHIBIT A IN THE FAULT BLOCK IV UNIT AND FAULT BLOCK V, RANGER ZONE UNIT, SOME OF WHICH ARE TIDELAND TRACTS, WITHIN THE WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

EXHIBIT A

LIST OF TRACTS

FAULT BLOCK IV UNIT

| | |
|-----|------|
| 5 | 61 |
| 6 | 81 |
| 9 | 103 |
| 16 | 104 |
| 20 | 109 |
| 21 | 111 |
| 26 | 112A |
| 27 | 114 |
| 28 | 115 |
| 28A | 125 |
| 29 | 126 |
| 38 | 127 |
| 41 | |

FAULT BLOCK V RANGER ZONE UNIT

| | | | | |
|----|----|----|-----|-----|
| 2 | 19 | 35 | 51 | 406 |
| 3 | 20 | 36 | 52 | 407 |
| 4 | 21 | 37 | 53 | 408 |
| 5 | 22 | 38 | 54 | 409 |
| 6 | 23 | 39 | 55 | 410 |
| 7 | 24 | 40 | 56 | 411 |
| 8 | 25 | 41 | 57 | 414 |
| 9 | 26 | 42 | 64 | 415 |
| 10 | 27 | 43 | 69 | |
| 12 | 28 | 44 | 80 | |
| 13 | 29 | 45 | 90 | |
| 14 | 30 | 46 | 92 | |
| 15 | 31 | 47 | 96 | |
| 16 | 32 | 48 | 122 | |
| 17 | 33 | 49 | 271 | |
| 18 | 34 | 50 | 405 | |

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EXHIBIT B
SPECIFICATIONS

Specifications of sale by the City of Long Beach of crude oil allocated to certain tracts in the Fault Block IV Unit and Fault Block V Ranger Zone Unit, Wilmington Oil Field, Los Angeles County, some of which are tidelands tracts.

1. Volume

The oil will be 100 percent of the City's working interest share of crude oil allocated to certain tracts within the Fault Block IV Unit and Fault Block V Ranger Zone Unit, Wilmington Oil Field, Los Angeles County. This is approximately 700 barrels per day of 17.5° API gravity crude oil.

2. Price

The biddable factor will be a bonus bid per barrel above a Base Price defined as the arithmetic average of the prices posted for like crude oil on the day of delivery in the Wilmington, Long Beach (Signal Hill), Huntington Beach and Inglewood Oil Fields by Chevron, Mobil, Texaco and Union.

3. Term

The contract will be for a term of twelve months commencing February 1, 1998 and expiring on February 1, 1999.

4. Surety

a letter of credit in the amount of five hundred thousand dollars (\$500,000) will be required as well as public liability and property damage insurance in amounts not less than two million dollars (\$2,000,000) combined single limit per occurrence, or four million dollars (\$4,000,000) general aggregate.

5. Bid Deposit

A bid deposit of \$25,000 will be required to indicate the bidder's good faith and will be returned upon full execution of the contract.

6. Right to Reject Bids

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