

MINUTE ITEM

This Calendar Item No. C43 was approved as Minute Item No. 43 by the California State Lands Commission by a vote of 3 to 0 at its 1-30-02 meeting.

**CALENDAR ITEM
C43**

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**CONSIDER NOTIFICATION TO THE CITY OF LONG BEACH
TO DIRECT FIELD CONTRACTOR TO
SELL OFF CRUDE OIL FROM TRACT NO. 1,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

Department of Oil Properties
City of Long Beach
211 East Ocean Boulevard, Suite 500
Long Beach, CA 90802

BACKGROUND:

Section 3(e), Chapter 138, Statutes of 1964, 1st. E.S. and Article 11 of the Contractors' Agreement for the Long Beach Unit, Wilmington Oil Field, provides for the sell-off of up to twelve and one half percent (12-1/2%) of the crude oil allocated to Tract No. 1 of the Long Beach Unit, all of which is to come from the Field Contractors' 80 percent (80%) share.

Two crude oil sales contracts, one for the seven percent (7%) Segment and one for the five and one-half percent (5-1/2%) Segment, were entered into with Edington Oil Company and Huntway Refining Company, respectively. Huntway Refining subsequently assigned its sales contract to Valero Energy Company, California on May 31, 2001. The term of each Contract was from September 1, 2001, until March 1, 2003. The Commission must notify the City of Long Beach (City) again to direct the Field Contractor to offer the oil for competitive bid. This notice cannot be given more than once in any twelve month period and was last given on March 15, 1999. In giving its notice, the Commission must provide for a fixed term for the sell-off and specify the amount of oil to be put out for bid. The necessary specifications are set forth in Exhibit A, attached hereto, to this Calendar Item.

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Under the terms of the Contractors' Agreement, the oil must be offered for competitive bidding by the Field Contractor not more than 60 days after the notice from the Commission. If approved, a period of at least 180 days must elapse between the execution of the contracts and their effective date.

STATUTORY AND OTHER REFERENCES:

- A. Section 3(e), Chapter 138, Statutes of 1964, 1st. E. S.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBIT:

- A. Specifications for Sale of Crude Oil

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

AUTHORIZATION:

PURSUANT TO SECTION 3(e) OF CHAPTER 138, STATUTES OF 1964, 1ST E.S., DIRECT THE EXECUTIVE OFFICER OR HIS DESIGNEE TO

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CALENDAR ITEM NO. C 43 (CONT'D)

NOTIFY THE CITY OF LONG BEACH TO DIRECT THE FIELD CONTRACTOR TO OFFER FOR SALE BY COMPETITIVE PUBLIC BID, TWELVE AND ONE-HALF PERCENT (12-1/2%) OF THE OIL ALLOCATED TO TRACT NO. 1 OF THE LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, IN THE AMOUNTS AND FOR THE TERMS AND PURSUANT TO CONTRACTS WITH THE PRICING PROVISION SET FORTH IN EXHIBIT A, ATTACHED HERETO.

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**EXHIBIT A
SIGNIFICANT SPECIFICATIONS FOR PROPOSED SELL OFF
OF CRUDE OIL FROM TRACT NO. 1, OF THE
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

1. Crude Oil Amount

The crude oil which is available for sale is twelve and one-half percent (12-1/2%) of the oil allocated to Tract No. 1, all of which shall come from the Field Contractor's 80 percent share. The oil will be offered in two contracts:

- A. One contract will cover seven percent (7%) of the oil allocated to Tract No.1. This will be approximately 2,366 barrels per day of 17.7 API gravity crude oil.
- B. One contract will cover five and one-half percent (5-1/2%) of the oil allocated to Tract No. 1. This will be approximately 1,860 barrels per day of 17.7 API gravity crude oil.

2. Crude Oil Price

The purchaser shall pay for the oil a bonus per barrel, which is the bid factor, plus a base price equal to 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 ChevronTexaco, Exxon Mobil Corporation, Equiva Trading Company, Union 76 and any successors in interest to these companies. The pricing provision shall state that the price shall be computed to the closest tenth of a degree of API gravity and the closest tenth of a cent per barrel. The provision also shall contain the statement that if at any time the base price plus the bonus shall be lower than the amount per barrel at which the Field Contractor accounts for like oil under Article 9(b) of the Contractors' Agreement, then and only then, the price to be paid by the sell-off purchaser shall be the amount per barrel provided by Article 9(b).

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3. Contract Term

Each Contract will be for a term of 18 months commencing March 1, 2003.

4. Surety

A Letter of Credit in the amount of \$2.6 million for the seven percent segment and a Letter of Credit in the amount of \$2 million for the five and one-half percent segment will be required. Comprehensive general and automobile liability insurance will be required in amounts of not less than \$2 million combined single limit per occurrence or \$4 million general aggregate.

5. Bid Deposit

A bid deposit of \$25,000 for each contract 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 and the Commission reserve the right at any stage of these proceedings to withdraw this offer to receive bids. The City reserves the right at any stage of these proceedings to reject any or all bids.