

MINUTE ITEM

This Calendar Item No. C42
was approved as Minute Item
No. C42 by the State Lands
Commission by a vote of 3
to 0 at its 6/11/90
meeting.

CALENDAR ITEM

R 57, 58

C 4 2

06/11/90

W 12036

S 29

W 12037

W 12038

Tanner

**PROPOSED CRUDE OIL SELL-OFF
LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A"
(FIRST 10% SEGMENT AND SECOND 10% SEGMENT),
WILMINGTON OIL FIELD, LOS ANGELES COUNTY**

BACKGROUND:

Under the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract, the City of Long Beach may take in kind up to 20 percent (20%) of the oil allocated to the Contractor, TOPKO. The quantity of oil is approximately 1,800 barrels per day of 17° API gravity crude oil. The City is presently taking in kind ten percent (10%) of the oil and selling it to Edgington Oil Company under a sales contract that terminates December 1, 1990. Edgington is paying the City a bonus of \$0.22 per barrel above a 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, U.S.A., Inc.; Mobil Oil Corporation and Union Oil Company of California. Edgington bid a bonus of \$0.09 per barrel above the base price for the second ten percent (10%) segment, but on April 26, 1989, the Commission rejected the bid and the City returned the oil to TOPKO. The bonus paid by TOPKO on the oil returned to them has averaged \$0.49 per barrel for the period June 1989 through March 1990, which justifies the bid rejection.

STAFF RECOMMENDATIONS:

The City has proposed seeking competitive public bids for new sales contracts effective on December 1, 1990 and terminating on June 1, 1992. The quantity of oil to be offered is

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approximately 800 barrels per day for each of the two contracts, of 17° API gravity crude oil. In cooperation with the Commission's staff, the City has prepared a notice inviting bids, bid forms, and crude oil sales contracts to be used in the proposed crude oil sell-offs. The significant specifications are set forth in Exhibit "A" to this calendar item. Copies of the notices inviting bids, bid forms and crude oil sales contracts are available for inspection in the offices of the Commission.

A major difference from the current crude oil sales contracts for these parcels is in the definition of the base price. The base price is now defined as the arithmetic average of the prices posted in the Wilmington Field by Chevron, U.S.A., Inc., Mobil Oil Corporation, Texaco Trading & Transportation, Inc., and Union Oil Company of California for oil of like gravity on the day of delivery. This will facilitate a comparison of bonus bids for the sell-offs with the prices obtained by TOPKO and used to value the oil under the TOPKO contract. A minimum bid of \$.50 per barrel above the base price will be required.

Section 10(a) of Chapter 29, Statutes of 1956, First Extraordinary Session, requires that all specifications and forms for the purpose of inviting bids in connection with the disposition of oil derived from the Long Beach tidelands be approved by the State Lands Commission prior to publication of the notice to bidders.

When the bids are received, they will be analyzed by the City of Long Beach and the Commission's staff and will be presented to the Commission for approval before acceptance.

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 it 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. Significant Specifications for Proposed Sell-offs.

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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 IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. ACT PURSUANT TO SECTION 10(a) OF CHAPTER 29, STATUTES OF 1956, 1ST E.S., TO APPROVE THE SPECIFICATIONS PROPOSED AND THE FORMS PREPARED FOR THE SALE OF THE OIL AVAILABLE FOR SELL-OFF FROM THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A", (FIRST 10 PERCENT SEGMENT AND SECOND 10 PERCENT SEGMENT), WILMINGTON OIL FIELD.

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EXHIBIT "A"

SIGNIFICANT SPECIFICATIONS FOR PROPOSED CITY OF LONG BEACH
CRUDE OIL SELL-OFF LONG BEACH HARBOR TIDELANDS
PARCEL AND PARCEL "A" (FIRST 10% SEGMENT
AND SECOND 10% SEGMENT)

1. CRUDE OIL AMOUNT:

The oil will be sold in two contracts:

- (a) The contract for the first ten percent (10%) segment is for ten percent (10%) of the oil allocated to the Long Beach Harbor Tidelands Parcel and Parcel "A" for the period December 1, 1990 to June 1, 1992, amounting to approximately 800 barrels per day of 17° API gravity crude Oil.
- (b) The contract for the second ten percent (10%) segment is for ten percent of the oil allocated to the Long Beach Harbor Tidelands Parcel and Parcel "A" for the period December 1, 1990 to June 1, 1992, which amounts approximately 800 barrels per day of 17° API gravity crude oil.

2. CRUDE OIL PRICE:

The purchaser shall pay for the oil a bonus price per barrel, which is the bid factor, plus a base price equal to the arithmetic average of the prices posted in the Wilmington Field by Chevron U.S.A., Inc., Mobil Oil Corporation, Union Oil Company of California and Texaco Trading & Transportation, Inc. for oil of like gravity on the day of delivery. A minimum bonus bid of \$0.50 per barrel above the base price will be required.

3. CONTRACT TERM:

The term for both contracts will be December 1, 1990 until June 1 1992.

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4. SURETY:

A letter of credit in the amount of \$700,000 will be required for each contract. Public liability and property damage insurance in amounts not less than \$2 million, combined single limit per occurrence, or \$4 million general aggregate, will also be required for each contract.

A bid deposit of \$25,000 will be required for each contract.

5. RIGHT TO REJECT BIDS:

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

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