

**CALENDAR ITEM
C89**

A	70	06/21/13
		G05-04
S	28, 35	S. Guerrieri

CONSIDER APPROVAL OF THE PROPOSED RESOLUTION OF THE PORT OF LOS ANGELES PURSUANT TO PUBLIC RESOURCES CODE SECTIONS 7060, TO ENTER INTO AN AGREEMENT FOR OIL EXPLORATION IN THE WILMINGTON OIL FIELD IN THE SAN PEDRO BAY, LOS ANGELES COUNTY

APPLICANT:

Port of Los Angeles
425 S. Palos Verdes Street
San Pedro, CA 90731

The City of Los Angeles, acting by and through the Port of Los Angeles (Port), is trustee of sovereign tide and submerged lands granted by the Legislature pursuant to Chapter 656, Statutes of 1911 and Chapter 651, Statutes of 1929, and as amended, no minerals reserved to the State (statutory trust grant).

BACKGROUND:

Pursuant to the provisions of sections 7060 and 7061 of the Public Resources Code, the Port has submitted for approval by the State Lands Commission (Commission) a proposed resolution of intention to enter into an offshore oil and gas operating agreement for the exploration and production of oil, gas, and other hydrocarbons, from tide and submerged lands in the San Pedro Bay, as shown in Exhibit A.

Section 7058.5 of the Public Resources Code provides in pertinent part:

“Before a lease or any operating agreement or other type of agreement for the production of oil, gas, or other hydrocarbons is entered into...the governing body of a city shall in open meeting adopt a resolution declaring its intention to take such action. The resolution shall describe the property involved in such manner as to identify it, specify the minimum rental, royalty, or other consideration, and the term of the lease or agreement, the form of the lease or agreement, and one variable, biddable factor, on which bids will be received, and fix a time not less than 30 days thereafter and place for a public meeting of said governing body, at which meeting sealed proposals to lease or contract will be received and considered.”

CALENDAR ITEM NO. **C89** (CONT'D)

Section 7060, subdivision (a) of the Public Resources Code provides in pertinent part:

“No such lease or agreement shall be effective unless prior to adopting the resolution provided for by Section 7058.5 the city shall have petitioned the State Lands Commission for approval of the proposed resolution, and the proposed resolution shall have been approved by the State Lands Commission.”

STAFF ANALYSIS:

The proposed resolution includes the substantive contents required under section 7058.5 of the Public Resources Code. The resolution provides a map of the area in the Fault Block I Terminal Unit Agreement that identifies the property. The one biddable factor the Port will utilize is the Royalty Rate. All other information requested will be used to determine if the bidder is responsible. There is a rental fee of one thousand dollars (\$1,000) per acre of land per year, if after two (2) years of signing an agreement with the Port, the company has been unable to commence development of Port mineral rights by drilling and completing at least one well. The form of the agreement will be an Operating Agreement, similar to previous agreements the Port has had with oil operators and with terms as set form in the draft Request for Proposal, attached as Exhibit C. The maximum lease term is 35 years. The time and place for the public meeting to consider the proposals will be not less than 30 days after the adoption of the resolution, but has not been set at this time because according to the City Charter the meeting must be set not less than 60 days from adoption of the resolution. Staff recommends the Commission delegate to the Executive Officer the ability to approve the time and place of the public meeting in the future but before the Port adopts the resolution.

OTHER PERTINENT INFORMATION:

1. On August 28, 1968, the Commission approved the Unit and Operating Agreements for the Fault Block I Terminal Unit. On October 24, 1968, the Commission added additional Tracts owned by the City to the Fault Block I Terminal Unit. The Unit terminated in 1994 and the Tracts have remained idle since that time.
2. The staff recommends that the Commission find that the subject approval of a resolution does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, not a project in accordance with the California Environmental Quality Act (CEQA).

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

CALENDAR ITEM NO. **C89** (CONT'D)

EXHIBITS:

- A. Location and Site Map
- B. Proposed Port of Los Angeles Resolution
- C. Draft Request for Proposal

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the subject approval of a resolution is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

AUTHORIZATION:

Approve the proposed resolution of the Port of Los Angeles, substantially in the form of the attached Exhibit "B," and by reference made a part hereof, to release a request for proposals for the exploration and production of oil, gas, and other hydrocarbons from certain legislatively granted tide and submerged lands lying in the San Pedro Bay, Los Angeles County, pursuant to sections 7060 and 7061 of the Public Resources Code.

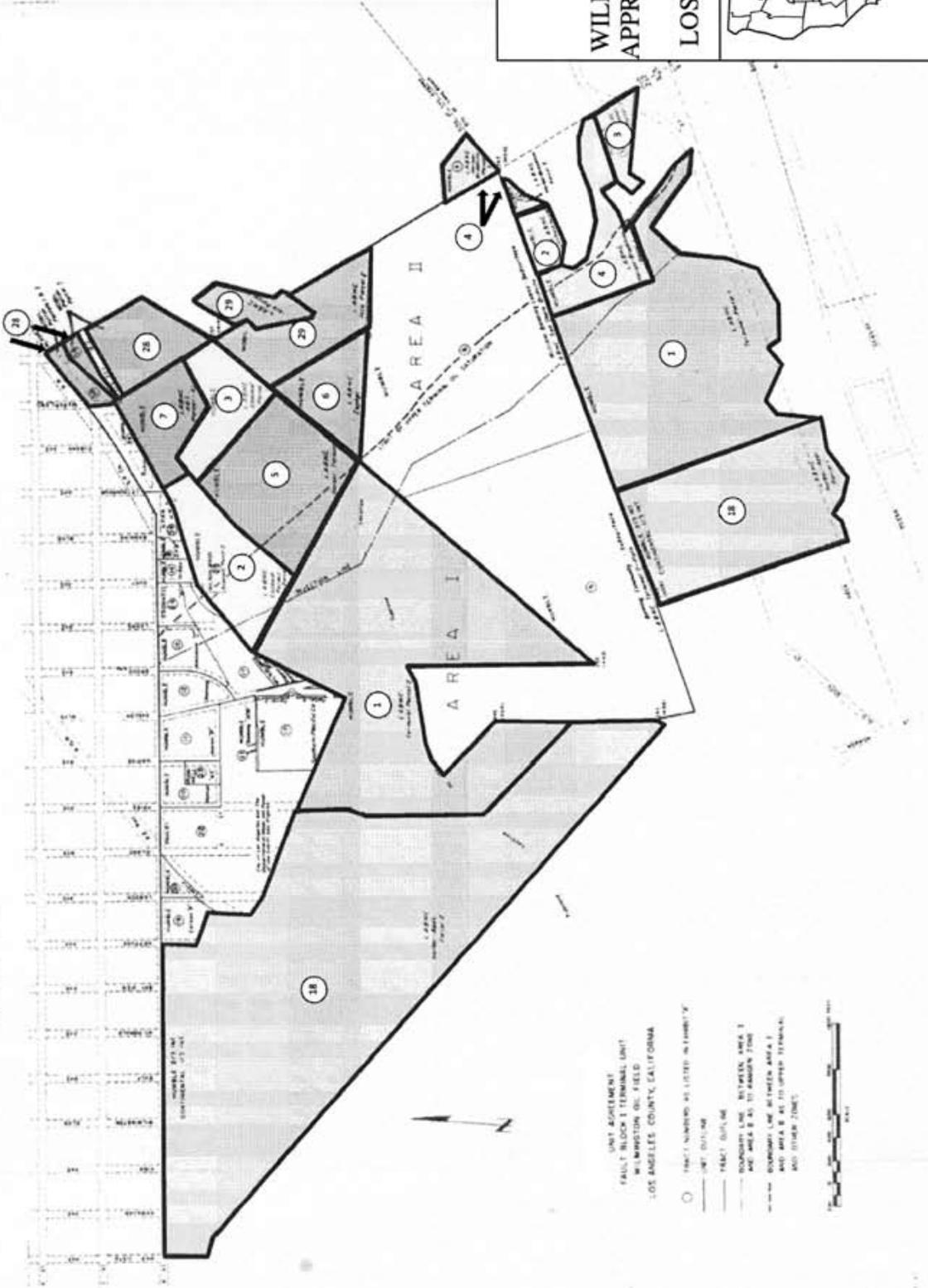
Delegate to the Executive Officer of the California State Lands Commission the approval of the time and place for the public meeting to consider the proposals prior to the Port's adoption of the resolution.

SITE

BK M3001 F

BK M3001 PG 231

BK M3001 PG 236



UNIT AGREEMENT
 FAULT BLOCK 1 TERMINAL UNIT
 WILMINGTON OIL FIELD
 LOS ANGELES COUNTY, CALIFORNIA

○ FACT NUMBER AS LISTED IN TABLE "A"
 --- UNIT OUTLINE
 --- UNIT BOUNDARY
 --- BOUNDARY LINE BETWEEN AREA I AND AREA II AS TO TERMINAL ZONE
 --- BOUNDARY LINE BETWEEN AREA I AND AREA II AS TO UPPER TERMINAL AND OTHER ZONES

SCALE
 0 100 200 300 400 500 FEET

Exhibit A
 G05-04
 WILMINGTON OIL FILED
 APPROVAL OF PROPOSED
 RESOLUTION
 LOS ANGELES COUNTY



JAK 6/13/13

This Exhibit is solely for purposes of generally defining the lease premises, is based on unverified information provided by the Lessee or other parties and is not intended to be, nor shall it be construed as, a waiver or limitation of any State interest in the subject or any other property.

EXHIBIT B - Proposed Port of Los Angeles Resolution

DATE: TO BE DETERMINED, 2013

FROM: PLANNING & ECONOMIC DEVELOPMENT

SUBJECT: RESOLUTION NO. _____ – RELEASE OF A REQUEST FOR PROPOSALS FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

SUMMARY:

The City of Los Angeles Harbor Department (Port) through acquisitions, court actions, and granting has ownership of oil and gas mineral interests from the Wilmington Oil Field in various areas within and adjacent to the Port. Historically, the Port has had operating contracts with various oil companies to develop the oil and gas reserves. Currently the Port maintains one operating contract within a unit agreement outside of State Tidelands and is a participant in one unit agreement within State Tidelands.

Recovery operations of a portion of the Port's mineral rights were formally operated by Exxon Oil Company (Exxon) and/or Mobil Oil Company (Mobil) under Unit Agreements and/or Operating Agreements that have been terminated. Through a Request for Proposals (RFP), the Port is seeking qualified entities to develop oil, gas, and hydrocarbon reserves that may remain in those areas previously operated by Exxon and/or Mobil.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the RFP for Development of the Wilmington Oil Field;
2. Authorize the Executive Director to release the Request for Proposals for Development of the Wilmington Oil Field in accordance with the requirements and procedures of the California Public Resources Code and the Los Angeles Administrative Code; and
3. Adopt Resolution No. _____.

DISCUSSION:

SUBJECT: RFP FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

Background/Context - Leasing within the Tidelands area for the extraction of oil, gas, or other hydrocarbons is governed by both the California Public Resources Code and the Los Angeles Administrative Code. Specific requirements and procedures are dictated, one of which is the prior approval of the California State Lands Commission (SLC) of this resolution before the Board has the authority to act on it. The SLC approved of this resolution at its meeting on June 21, 2013, granting the Board this authority.

On August 28, 1968, the SLC approved the Unit and Operating Agreements for the Fault Block I Terminal Unit, which is a pooling of oil and gas leases within the Wilmington Oil Field to form one operating area with a single operator. With a following SLC action on October 24, 1968, some Tracts owned by the Port became part of the Fault Block I Terminal Unit operated by Exxon. The Unit terminated in 1994 and the Tracts have remained idle since that time.

The elements required in this Resolution per the California Public Resource Code and the Los Angeles Administration Code are the following:

1. Map describing the area in the Fault Block I Terminal Unit Agreement (Transmittal 1):
 - Tract 1 – Drilling and Operating Contract of 1968 by and between the Port and Humble Oil and Refining Company
 - Tract 2 – Drilling and Operating Contract of 1968 by and between the Port and Humble Oil and Refining Company
 - Tract 3 – Drilling and Operating Contract of 1968 by and between the Port and Humble Oil and Refining Company
 - Tract 4 – (Harbor –Brookline Permit)
 - Tract 5 – (Harbor – Terminal Permit)
 - Tract 6 – (Harbor –Zephyr Permit)
 - Tract 7 – (Harbor – K. G. S. Permit)
 - Tract 18 – (Harbor – Apex Permit)
 - Tract 28 – (Patten Lease)
 - Tract 29 – (Isco Permit)
2. The Fault Block I lands will be subject to a rental fee of one thousand dollars (\$1,000) per acre per year and would only be applicable if the entity has been unable to commence development of Port mineral rights by drilling and

SUBJECT: RFP FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

completing at least one well within two years of executing the agreement with the Port. Payment (if any) will be made for the first two years, and each year after that a well has not been completed, or until either party exercises its right of termination.

3. The term of the agreement will be for thirty-five (35) years, and is subject to a mutual termination by both parties.
4. The form of the agreement will be an Operating Agreement similar to previous agreements the Port has had with oil operators, including that the financial risk will be borne by the contractor.
5. The one biddable factor the Port will utilize is Royalty Rate, which is the proposed percentage of the total revenue that the Port will receive from the mineral development of the subject area. All other information requested will be used to determine if the bidder is responsible.
6. The successful proposer will, at its own risk drill, produce gas, water, oil and other substances, operate and conduct any and all operations
7. The successful proposer will, at its own risk, assume all liability with the abandonment of any operations connected with the drilling, production, or operation of the oil field
8. The date, time and location for the public opening of the bids will be determined if this Resolution is approved. The bid opening will not occur earlier than 30 days after this Resolution is approved.
9. The resolution shall be published once a week for four successive weeks in one or more newspapers of general circulation in the city.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval of a Resolution to release the Request for Proposals for Development of the Wilmington Oil Field. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

DATE: TO BE DETERMINED

PAGE 4 OF 4

SUBJECT: RFP FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

Approval of the Resolution will have no employment impact in the five-county region.

FINANCIAL IMPACT:

Approval of the Resolution to release the Request for Proposals for Development of the Wilmington Oil Field will have no immediate financial impact to the Port other than the cost to advertise the RFP in local publications as required by the California Public Resources Code and the Los Angeles Administration Code. This cost is yet to be determined. If this Resolution is approved, funds from the FY 13/14 budget will be provided from the Planning & Economic Development Division budget, Account Number 52020, Center Number 0428, and Program Number 000.

CITY ATTORNEY:

The Office of City Attorney has reviewed this Resolution and RFP and approved as to form and legality.

TRANSMITTALS:

1. Map of Fault Block I

FIS Approval: _____ (initials)
CA Approval: _____ (initials)

DAVID L. MATHEWSON
Director of Planning & Economic Development

KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:

GERALDINE KNATZ, Ph.D.
Executive Director

Author: M. Zamora

EXHIBIT C - Draft Request for Proposal

Date TBD

SUBJECT: REQUEST FOR PROPOSAL FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

Dear Vendor:

The Port of Los Angeles, America's Port® and the premier gateway for international commerce, is located in San Pedro Bay, 20 miles south of downtown Los Angeles. This thriving seaport not only sustains its competitive edge with record-setting cargo operations, but is also known for its groundbreaking environmental initiatives, progressive security measures, diverse recreational and educational facilities, and LA's emerging waterfront destination.

The Port of Los Angeles (Port) encompasses 7,500 acres of land and water along 43 miles of waterfront. It features 24 passenger and cargo terminals, including automobile, break bulk, container, dry and liquid bulk, and warehouse facilities that handle billions of dollars' worth of cargo each year. When measured by container throughput, the Port has consecutively ranked as the number one port in the nation since the year 2000.

The Port of Los Angeles acting through its Business Development Group solicits your interest in responding to this Request for Proposal (RFP) to develop and operate oil and gas mineral rights owned by/or in trust by the Port within the Wilmington Oil Field.

Some mineral rights of the Port (please see Exhibit F) were formally operated by Exxon Oil Company and/or Mobil Oil Company under Unit Agreements and/or Operating Agreements that have been terminated. The Port is seeking qualified companies to consider development of the oil, gas, and hydrocarbon reserves that may remain in the areas described in Exhibit F.

The successful proposer will:

- At its own risk drill, produce gas, water, oil and other substances, operate and conduct any and all operations
- At its own risk, assume all liability with the abandonment of any operations connected with the drilling, production, or operation of the oil field
- Conform with the Port's insurance requirements
- At all times produce, pump, and flow or otherwise operate the Subject Property at maximum efficient rates, except that the Subject Property may be operated at a lesser rate when such rate shall conform to well-established and recognized production practices.
- Be responsible for obtaining any and all necessary approvals and permits such as well work permits, building permits, etc.
- Be responsible for all development work by way of exploring, drilling and operating for oil, gas and other hydrocarbon substances and for taking, storing, removing and disposing of the same.
- Demonstrate the financial capability to perform all aforementioned commitments.

- Be responsible to ensure the Subject Property and minerals is under Port ownership and/or control

The term of the agreement contemplated by the subject RFP will be for thirty-five (35) years. This stipulation and others in this RFP are governed in part by both the Public Resource Code of the State of California and the City of Los Angeles Administrative Code.

If you or your firm is interested in performing the services as related to this project, please submit the information requested in the enclosed Request for Proposal packet. Submit six (6) copies of all proposal information requested in Exhibit A to the Port's Project Manager:

Michael Zamora, Management Analyst II
425 S. Palos Verdes Street
San Pedro, CA 90731
(310) 732-7660
MZamora@portla.org

Proposals must be received at the above address no later than 4:00 p.m., _____. Those proposals received after the indicated deadline will not be considered. All submitted material will be retained by the Port of Los Angeles.

If you have any questions regarding this RFP, please contact my office at (xxx) xxx-xxx between 7:30 a.m. and 4:30 p.m., Monday through Friday.

Thank you for your interest.

Sincerely,

Attachments

INSTRUCTIONS TO PROPOSERS

GENERAL INSTRUCTIONS

This Request for Proposal contains the following five Exhibits that describe the requirements and background information necessary to prepare a response to the request:

- EXHIBIT A - Proposal Form and Content
- EXHIBIT B - Crude Oil Marketing
- EXHIBIT C - Produced Gas Use and Marketing
- EXHIBIT D - Method of Selection
- EXHIBIT E - Port of Los Angeles' Responsibilities
- EXHIBIT F - Map of Areas considered

Please review the entire package before preparing your response. Responses that do not include six (6) copies of all items required in Exhibit A, Proposal Form and Contents, will be deemed non-conforming and immediately rejected.

Proposals must be submitted by **Time and date TBD.**

Additional information submitted after the formal closing date and time will not be considered, unless the Port has requested that additional information.

OFFICIAL CONTACT

Any questions related to contractual procedures, or any other communication with the Port, whether by telephone, fax ((562) 570-3922), or personal meetings, must be directed through the Port's Project Manager:

Michael Zamora, Management Analyst II
425 S. Palos Verdes Street
San Pedro, CA 90731
(310) 732-7660
MZamora@portla.org

This includes any technical information the proposer deems necessary to respond to the RFP. As of the issuance date of this RFP, prospective proposers are specifically prohibited from contacting any other Port employees for discussions relating to this RFP, except as directed by the Port's Project Manager.

PROPOSAL CONDITIONS

The Proposal should be considered the proposer's basic plan for performing the services described in the Port's RFP, and any supplemental tasks should be identified. The Proposal should also provide information that demonstrates an understanding of, and the ability to meet and perform all requirements of this project.

PROPOSAL SUBMITTAL

The Proposal should be prepared simply and economically, providing straightforward and concise descriptions of the proposer's abilities to satisfy the requirements of the Port's RFP. Special binding, colored displays and promotional materials are not necessary. Emphasis should be placed on completeness and clarity of content.

Proposer is responsible for all costs associated with preparation and delivery of Proposal, whether accepted or rejected by the Port.

The Port, at its sole discretion, has the right to negotiate with any or all proposers regarding their Proposals. Additionally, the Port may reject or accept any or all Proposals or parts thereof, submitted in response to this RFP.

EXHIBIT "A"

PROPOSAL FORM AND CONTENT

The form and content of the Proposal is to be as follows:

COVER LETTER

A one or two-page cover letter signed by a duly constituted company / corporate official (if proposer is a corporation) legally authorized to bind the firm to its Proposal.

SECTION 1 - INTRODUCTION OR EXECUTIVE SUMMARY

The proposer may use this section to introduce the Proposal or to summarize the key provisions of the Proposal.

SECTION 2 - REQUIRED RESPONDENT INFORMATION

Include the following information in this section:

- a) The legal name, street address, telephone number, and fax number of the firm submitting the Proposal.
- b) The address and telephone number of the office(s) where the service is to be undertaken and the name, title, street address, and telephone number of the person(s) to contact who is authorized to represent the firm and whom correspondence should be directed.
- c) Number of years in business as the currently-named firm.
- d) Current number of full-time professional and technical personnel in the firm and in the office(s) that will participate in the proposed project.
- e) Resumes of the people who will be directly associated with this project and any relevant references.
- f) A summary of the relevant background and experience of the firm submitting the Proposal as a corporate or other entity. Include adequate documentation on the financial status of the firm to ensure that the firm will continue in business through the project period and can finance the costs of adequate personnel and support facilities.
- g) A brief description of the scope of services provided by you or your firm that would include the use of any outside consultants.

- h) Identification of any real property you own, projects on which you are working or clients by whom you are engaged which are located in the Port.
- i) A list of your firm's latest related projects.
- j) If the firm is a corporation, the State of Incorporation. If the firm is a partnership, whether you are a general or limited partnership, and the state in which Articles of Partnership were filed.
- k) Your Taxpayer Identification Number, Employer Identification Number or Social Security Number.
- m. Clear identification of any proprietary information in the Proposal.

SECTION 3 – COMMERCIAL TERMS

- a) Subject lands will be subject to a rental fee of one thousand (\$1,000) per acre of land if after two (2) years of signing an agreement with the Port, the company has been unable to commence development of Port mineral rights by drilling and completing at least one well. Payment (if any) will be made for the first two years, and each year after that a well have not been completed, or until either party exercises its right of termination.
- b) The Port is interested in a royalty arrangement. Please identify royalty to be paid to the Port, as a percent of total oil revenue. Royalty will be based on the actual market price received for oil produced from the subject area.
- c) Identify a fixed gas royalty paid to the Port, as percent of total gas revenue. Gas royalty will be based on the actual market price received for the gas produced from the subject area. No royalty will be paid for gas used for field use.
- d) The term of the agreement will be for thirty-five (35) years, unless the agreement is terminated by both parties prior to the 35 years.
- e) The form of the agreement will be Operating Agreement similar to previous agreements the Port has had with similar oil operators (examples will be provided on request)
- f) Identify value of (if any) signing bonus to be paid to the Port. Signing bonus will be paid within two months of entering an operating agreement with the Port.
- g) Identify exploration drilling commitments (capital commitment or projected number of wells and timing of such commitment).
- h) Identify facilities requirements to accommodate production and injection wells. Include estimate of potential costs that will be incurred by operator to satisfy facilities requirements at various potential production levels. Surface processing facilities, wells, or other facilities may not be located on Port property.
- i) Operator will be responsible for all well abandonment activities and related costs, in accordance with all applicable regulations.
- j) Identify all environmental mitigation measures that will be utilized during development activities.

SECTION 4 - PROJECT SCHEDULE

Provide a projected schedule for exploration and development activities for the first three years of the project.

SECTION 5 - CORPORATE CAPABILITY

- a) Describe your company's past success on similar projects.
- b) Demonstrate financial capability to perform the proposed project.
- c) Describe your company's human resource commitment related to this project.

SECTION 6 - REFERENCES

- a) Please supply the name, address and telephone number of references for these projects that the Port may contact concerning your role and performance in each project described in section 5.
- b) Please indicate which of the personnel you propose to use on this project that has participated in the referenced projects. Include the role of each of these persons in accomplishing the referenced projects.

SECTION 7 - RFP ITEMS NOT COVERED

Include a separate and specific description of each point in the RFP, which is not completely met by the Proposal. If the proposer has covered all items in the RFP, this section should include the statement, "All RFP items have been covered in this Proposal".

SECTION 8 - ADDITIONAL DATA PROPOSER WISHES TO PRESENT

Any other data that the proposer feels is applicable to the evaluation of the Proposal or of proposer's qualifications for accomplishing the project should be included.

If there is no additional data the proposer wishes to present, this section should consist of the statement, "There is no additional data we wish to present".

EXHIBIT "B"

CRUDE OIL MARKETING

PURPOSE:

Maximize the value of the Port's share of crude oil production.

Marketing Formula:

Midway-Sunset will be used as the crude oil price benchmark but adjusted for API Gravity.

EXHIBIT "C"

PRODUCED GAS USE AND MARKETING

Producer has the right to use produced gas for field purposes (field purposes do include flaring if allowed). Excess produced gas will be marketed.

EXHIBIT “D”

METHOD OF SELECTION

The Port will review and recommend a proposer to undertake the oil and gas exploration and development proposed in this RFP. The agreement will be made and entered into with, the highest responsible bidder in the judgment of the Port, though at any time the Port can reject any and all bids. After the highest responsible bidder is determined, the Port will develop a recommendation to the Deputy Executive Director Business Development Group.

The one biddable factor the Port will utilize is Royalty Rate. All other information requested in Sections 1 through 8 will be used to determine if the bidder is responsible.

The determination of a responsible bidder will include but will not be limited to:

Qualifications and Experience of Personnel: How well the Proposer firm’s staff is trained, educated and qualified to explore, develop and produce oil and gas.

Longevity, Stability and Reputation of Firm: The number of years that the Proposer firm has been in the oil and gas exploration and development business, the stability of the Proposer firm, and the reputation of the firm are important factors in the evaluation process.

Services Provided: The manner in which the Proposer firm recommends carrying out the program, the organization of the Program, and anticipated reporting and associated tasks are important factors in the evaluation process.

Oil and Gas Revenues: Maximizing the revenues and the ability to lock in favorable terms are important factors in the selection process but will not be the sole criteria.

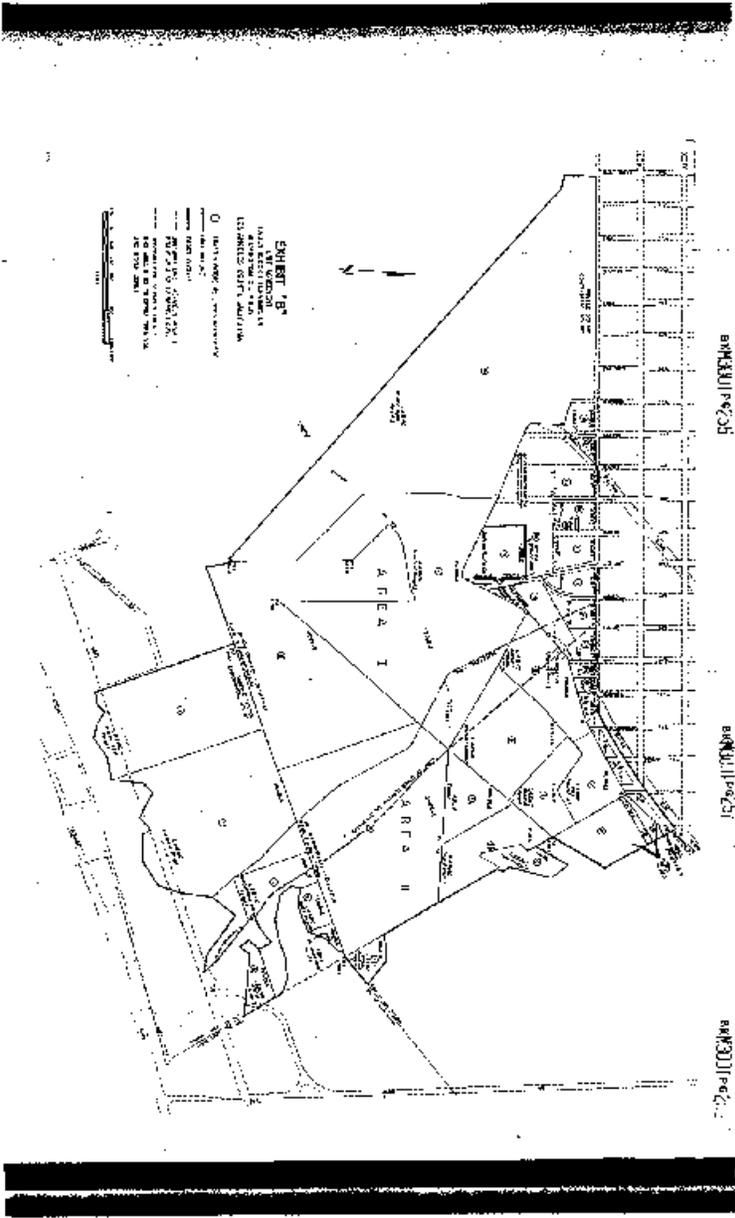
EXHIBIT "E"

PORT RESPONSIBILITIES

The Port of Los Angeles will:

- a) Make available data and information as determined by the Port to be related as required by the successful firm.
- b) Provide reasonable and timely staff input such that the successful firm can meet the approved project completion schedule.

EXHIBIT "F"



Fault Block 1 Terminal Unit Agreement		
Tract No.	Parcels	Remarks
1	1, 2, 3 & 4	
2	1 & 2	
3	1 & 2	
4	1, 2 & 3	
5		
6		
7		
18	1 & 2	
28	1, 2 & 3	
29	1 & 2	See note below

Fault Block II Unit Agreement		
Tract No.	Parcels	Remarks
4	2 & 3	See note below

Note: Parcels 2 & 3 in Tract 4 of Fault Block II Unit Agreement and Parcels 1 & 2 of Tract 29 of FBI UA are the same parcels.

The Parcels described in either the Fault Block 1 Terminal Unit Agreement and/or the Fault Block II Unit Agreement listed above are those pertaining to this RFP. The map attached references more Parcels than pertains to this RFP.

Copies of the Fault Block 1 Terminal Unit Agreement and Fault Block II Unit Agreement can be provided upon request