

**CALENDAR ITEM
C65**

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		G 05-04
S	28, 35	R. Boggiano

**CONSIDER APPROVAL OF THE DRAFT RESOLUTION OF THE
PORT OF LOS ANGELES PURSUANT TO PUBLIC RESOURCES CODE
SECTIONS 7060 AND 7061, TO ENTER INTO AN AGREEMENT
FOR OIL EXPLORATION IN THE WILMINGTON OIL FIELD
IN THE SAN PEDRO BAY, LOS ANGELES COUNTY**

TRUSTEE:

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.

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 legislatively granted 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.”

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

CALENDAR ITEM NO. C65 (CONT'D)

"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. The minimum royalty will be no less than sixteen and two-thirds percent (16 2/3%) of the monthly average Midway-Sunset crude oil price.

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 forth 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 authority 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 June 21, 2013, the Commission approved a similar draft resolution for the Port, pursuant to Public Resources Sections 7060 and 7061, to enter into an agreement for oil exploration in the Wilmington Oil Field in the San Pedro Bay, Los Angeles County (Calendar Item 89). The City of Los Angeles Harbor Department requested that the Port review the original RFP and re-bid the agreement, which requires another Port resolution.
2. 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.

CALENDAR ITEM NO. C65 (CONT'D)

3. The staff recommends that the Commission find that the subject approval of a proposed 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

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 proposed 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:

1. 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.
2. 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

EXHIBIT PG 26

BK3001 PG 01

BK3001

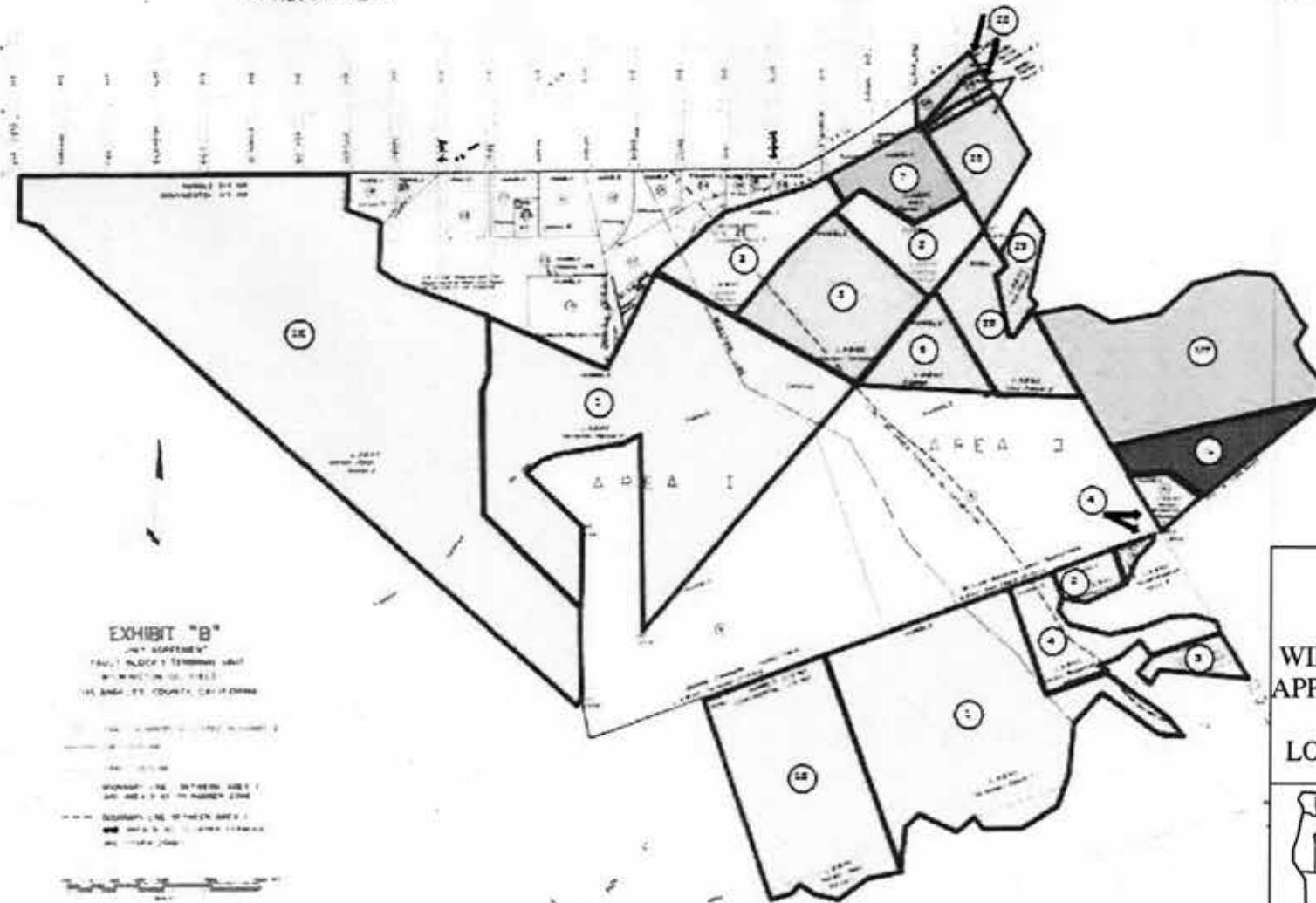


Exhibit A

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



JAK 12/10/14

Exhibit B

DATE: DECEMBER 17, 2014

FROM: REAL ESTATE DIVISION

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

SUMMARY:

The City of Los Angeles Harbor Department (Harbor Department) through acquisitions, court actions, and grants has ownership of oil and gas mineral interests from the Wilmington Oil Field in various areas within and adjacent to the Port of Los Angeles (Port). Historically, the Harbor Department has had operating contracts with various oil companies to develop the oil and gas reserves. Currently the Harbor Department 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 Harbor Department'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 Bid (RFB), the Harbor Department is seeking qualified entities to develop oil, gas, and hydrocarbon reserves that 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 issuance of a Request for Bids for Development of the Wilmington Oil Field;
2. Authorize the Executive Director to release the Request for Bids for Development of the Wilmington Oil Field in accordance with the requirements and procedures of the California Public Resources Code and the City of Los Angeles Administrative Code; and
3. Adopt Resolution No. _____.

SUBJECT: RFB FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD**DISCUSSION:**

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 Chapter 4 of the City of Los Angeles Administrative Code. Specific requirements and procedures are dictated, one of which is the prior approval by the California State Lands Commission (SLC) of a resolution by a port governing body addressing an RFB to develop oil and gas prior to the Port governing body acting on it. The SLC approved this resolution at its meeting on December 17, 2014, granting the Board this authority. The next step in the process is approving the issuance of a RFB through this Board action (Transmittal 1).

On August 28, 1968, the SLC approved the unit and operating agreements for the Fault Block I Terminal Unit (Unit), which is a pooling of oil and gas leases within the Wilmington Oil Field to form one operating area with a single operator (Transmittal 2). With a subsequent SLC action on October 24, 1968, some tracts owned by the Harbor Department became part of the 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. Subject Lands: Map describing the area in the Fault Block I Terminal Unit Agreement (Transmittal 3):
2. Rental: Royalty to be paid by the selected bidder (Operator) to the Harbor Department based on production and tied to the Midway-Sunset crude oil price benchmark.
3. Term of the Agreement: The proposed term would be for thirty-five (35) years, and is subject to a mutual termination by both parties.
4. Form of the Agreement: The form of the agreement will be an operating agreement similar to previous agreements the Harbor Department has had with oil operators, including that the financial risk will be borne by the contractor.
5. Biddable Factor: The one biddable factor the Harbor Department will utilize is Royalty Rate, which is the proposed percentage of the total revenue that the Harbor Department will receive from the mineral development of the subject area. The minimum bid that will be considered is 1/6 (16 2/3%) of the oil produced. All other information requested will be used to determine if the bidder is responsible.

SUBJECT: RFB FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

6. Operations: The successful proposer will, at its own risk drill, produce gas, water, oil and other substances, operate and conduct any and all operations.
7. Liability: 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. Environmental: The successful proposer will be responsible for obtaining any and all necessary environmental review, approvals, and permits such as well work permits, building permits, etc.
9. Public Meeting: 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.
10. Publication of Resolution: The resolution shall be published once a week for four successive weeks in one or more newspapers of general circulation in the City of Los Angeles. Additionally, notice will be sent to at least eight (8) oil companies in Los Angeles County inviting bids.

ENVIRONMENTAL ASSESSMENT:

The proposed action is limited to the approval of a Resolution to release the Request for Bids for Development of the Wilmington Oil Field. The Board action on this item does not commit the Harbor Department to the approval of any agreement or any terms or conditions thereof, or any proposed project. Any proposed project concerning development of the Wilmington Oil Field, including but not limited to, drilling, production, or operation of the oil field would be subject to environmental review and approval in accordance with the requirements of the California Environmental Quality Act (CEQA) and other applicable environmental regulations, as appropriate. As an administrative activity involving the release of a Request for Bids, the Director of Environmental Management has determined that the proposed action is exempt from CEQA in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

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

FINANCIAL IMPACT:

DATE: DECEMBER 17, 2014

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SUBJECT: RFB FOR DEVELOPMENT OF THE WILMINGTON OIL FIELD

Approval of the Resolution to release the Request for Bids for Development of the Wilmington Oil Field will have no immediate financial impact to the Harbor Department other than the cost to advertise the RFB in local publications as required by the California Public Resources Code and the Los Angeles Administration Code. This cost is approximately \$3,000. If this Resolution is approved, funds from the FY 14/15 budget will be provided from the Real Estate Division budget, Account Number 52020, Center Number 0424, and Program Number 000. Any financial costs and revenue impacts associated with the development of the Wilmington Oil Field will be detailed in a future separate Board action should an operator be selected.

CITY ATTORNEY:

The proposed resolution raises no legal issues at this time.

TRANSMITTALS:

1. Request for Bids for Development of the Wilmington Oil Field
2. Map of Terminal Unit Location
3. Map of Fault Block I

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

JACK C. HEDGE
Director of Real Estate

DAVID L. MATHEWSON
Interim Deputy Executive Director

APPROVED:

EUGENE D. SEROKA
Executive Director

Author: M. Zamora/ EA Benson

DRAFT

REAL ESTATE DIVISION

**DEVELOPMENT OF
THE WILMINGTON OIL FIELD**

REQUEST FOR BIDS



January 23, 2015

January 23, 2015

Prospective Respondent:

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

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 Los Angeles' 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 Harbor Department, acting through its Business Development Group, solicits interest in responding to this Request for Bids (RFB) to develop and operate oil and gas mineral rights owned by/or in trust by the Harbor Department within the Wilmington Oil Field (Subject Property).

The Harbor Department is seeking qualified companies to develop and produce the oil, gas, and hydrocarbon reserves that remain in the areas described in Figure 1. Some of these areas were once operated by Exxon Oil Company and/or Mobil Oil Company under Unit Agreements and/or Operating Agreements that have been terminated.

The successful Bidder will, among other things as fully described in the remainder of this document:

- At its own risk drill, produce gas, water, oil, and other substances and operate and conduct any and all operations.
- At its own risk, assume all liability associated with the operation, decommissioning, and abandonment of all wells, facilities and operations connected with the drilling, production, oil transportation or any other operations of or within the oil field.
- Comply with Harbor Department insurance and indemnity requirements (Section 2.7).
- At all times produce, pump, and flow or otherwise operate the Subject Property at maximum efficiency 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, environmental permits, etc.
- At its own cost and expense, prepare documents and obtain approvals required by any environmental laws, including, but not limited to, the California Environmental Quality Act (CEQA).
- 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 for ensuring that the Subject Property and minerals are under Port ownership and/or control.
- Provide to the Harbor Department any agreements, contracts, title to surface rights or

entitlements required to allow drilling from proposed location(s) to bottom hole locations.

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

The schedule for this RFB will be as follows:

Request for Bids Published	TBD
Questions Due	TBD
Responses Posted	TBD
Bids Due/Bid Opening	TBD (at least 60 days from publishing)

If your firm cannot agree to the requirements exactly as set forth in this RFB, please do not submit a bid.

For questions regarding this RFB, please contact Amy Benson by email at eabenson@portla.org. Questions must be submitted by **TBD**. Responses will be posted on the Harbor Department's website at http://www.portoflosangeles.org/business/rfp_proposals.asp by **TBD**. It is the responsibility of any Bidders to review the Port's website for any RFB revisions or answers to questions prior to submitting a bid in order to ensure it is complete and responsive.

Submit six (6) copies of all bid information requested to the Harbor Department's Project Manager by 1:00 p.m. on **TBD**:

Amy Benson, Project Manager
500 Pier A St.
Wilmington, CA 90744
(310) 732-3959
abenson@portla.org

Electronically transmitted bids will not be considered. All bids will be date stamped as the Harbor Department receives them. Those bids received after the indicated deadline will not be considered. All submitted material will be retained by the Harbor Department. Bids will be received and considered at a meeting open to the public immediately following the bid deadline at the above address.

By submitting a bid, Bidders certify that such bid constitutes their full and complete written response to the RFB and evidences their acknowledgement that additional written material outside of such bid shall not be considered by the City in connection with this RFB, unless the City provides a written request that they submit additional written materials. Absent such written request, Bidders are instructed to not submit to the City written or other materials outside of the bid, either in a subsequent interview or otherwise.

Thank you for your interest.

Sincerely,

TRICIA CAREY
Director of Contracts and Purchasing

1. INSTRUCTIONS TO BIDDERS

1.1 BID CONDITIONS

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

1.2 BID SUBMITTAL

The Bid should be prepared simply and economically, providing straightforward and concise descriptions of the Bidder's ability to satisfy the requirements of the Harbor Department's RFB. Special binding, colored displays, and promotional materials are not necessary. Emphasis should be placed on completeness and clarity of content.

The Bidder is responsible for all costs associated with preparation and delivery of the Bid, whether accepted or rejected by the Harbor Department.

The Harbor Department, at its sole discretion, has the right to negotiate with any or all Bidders regarding their Bids. The Harbor Department reserves the right to reject any and all bids, and the right to waive any informality in the bid when to do so would be to the advantage of the Harbor Department.

2. BID FORM AND CONTENT

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

2.1 COVER LETTER

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

2.2 INTRODUCTION OR EXECUTIVE SUMMARY

The Bidder should use this section to introduce the Bid and to summarize the key provisions of the Bid.

2.3 REQUIRED RESPONDENT INFORMATION

Include the following information in this section:

- a) The legal name, street address, telephone number, and fax number of the entity submitting the Bid.
- 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 entity. Number of years in business of any parent organizations or entities.
- d) A summary of the relevant background and experience of the firm submitting the Bid 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.
- e) Current number of full-time professional and technical personnel in the firm and in the office(s) that will participate in the proposed project.
- f) Resumes of the people who will be directly associated with this project and any relevant references.
- g) Identification of any real property owned, projects on which the firm is working, or clients by whom the firm is engaged which are located at the Port of Los Angeles or City of Los Angeles.
- h) A list of the firm's most recent projects of similar scope and value
- i) A copy of the Articles of Incorporation, Partnership Agreement, or other organizational documents of the legal entity submitting the bid.
- j) Taxpayer Identification Number, Employer Identification Number or Social Security Number of the bidding entity.
- k) Clear identification of any proprietary information in the Bid.

2.4 COMMERCIAL TERMS

- a) A signing bonus in the amount of \$2.5 million in U.S. Dollars must be paid to the Harbor Department by the winning Bidder within two months of entering into an operating agreement with the Harbor Department. A larger signing bonus will not be considered.
- b) If after two (2) years of signing an agreement with the Harbor Department, the company has been unable to commence development by drilling and completing at least one well, the selected firm may be subject to penalty of up to \$15,000 a month or termination of contract, or both.
- c) Bidder should offer a percentage royalty based on the total barrels per day of petroleum and other liquid hydrocarbons produced. The royalty amount shall be paid to the Harbor Department on a monthly basis in U.S. Dollars. Said royalty shall be bid as a fixed percentage of the total liquids produced. (No sliding scale.) The royalty paid shall be based on the actual price received but not less than the monthly average Midway-Sunset price for crude oil, (benchmark), adjusted for specific API gravity. The minimum bid that will be considered is 1/6 (16 2/3%) of the oil produced.
- d) A fixed royalty of 25% on any natural gas sold shall be paid to the Harbor Department. The 25% royalty shall be based on the actual market price received for the MMBTU's produced, removed or sold daily from the subject area without deduction for processing or transportation to the sales point. No royalty will be paid for gas used for field use,

including flaring.

- e) The term of the agreement will be thirty-five (35) years.
- f) The form of the agreement will be an Operating Agreement similar to previous agreements that the City of Los Angeles or State of California has with similar operators (examples will be provided upon request).
- g) Identify estimated production plan and number of wells anticipated to be completed.
- h) Identify facilities requirements to accommodate development and production. Include estimates of potential costs that will be incurred by the operator to satisfy facilities requirements at various potential production levels. Surface processing facilities, (including production enhancement facilities “fracking”), wells, or other facilities may not be located on Harbor Department property.
- i) Operator will be responsible for all well abandonment and other closure activities and related costs, in accordance with all applicable regulations then in effect.
- j) Identify environmental mitigation plan and measures that will be utilized during development and production activities including a subsidence management plan that will be utilized over the life of the project.

2.5 PROJECT SCHEDULE

- a) Identify drilling and production plans and commitments (capital commitment and projected number of wells and timing of such completion).
- b) Provide a schedule for development and completion activities for the first three years of the project.

2.6 REFERENCES

- a) Supply the name, address, and telephone number of at least three references for projects that the Harbor Department may contact concerning the Bidder's role and performance in each project described in section 2.3 (h).
- b) Indicate which of the personnel proposed to be assigned to this project that has participated in the referenced projects. Include the role of each of these persons in accomplishing the referenced projects.

2.7 INDEMNITY AND INSURANCE REQUIREMENTS

REQUIRED AT BID STAGE: A letter from each Bidder's carrier or representative must be provided with their bid. The letter should indicate that the requirements below are presently part of the Bidder's coverage, or that the broker is able to provide such coverage should the Bidder be selected. The broker must be aware of the indemnification requirements below. Bidders are not required to purchase the required insurance in order to respond; however, all required insurance will need to be submitted at the time of contract award.

a) Indemnification

Except for the sole negligence or willful misconduct of the City, or any of its Boards, Officers, Agents, Employees, Assigns and Successors in Interest, Contractor undertakes and agrees to defend, indemnify and hold harmless the City and any of its Boards, Officers, Agents, Employees, Assigns, and Successors in Interest from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, attorney's fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by the City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Contractor's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason of the negligent acts, errors, omissions or willful misconduct incident to the performance of this Contract by Contractor or its subcontractors of any tier. Rights and remedies available to the City under this provision are cumulative of those provided for elsewhere in this Contract and those allowed under the laws of the United States, the State of California, and the City.

b) Acceptable Evidence and Approval of Insurance

Electronic submission is the required method of submitting your insurance documents. **Track4LA™** is the City's online insurance compliance system and is designed to make the experience of submitting and retrieving insurance information quick and easy. The system is designed to be used primarily by insurance brokers and agents as they submit client insurance certificates directly to the City. It uses the standard insurance industry form known as the **ACORD 25 Certificate of Liability Insurance** in electronic format. **Track4LA's™** advantages include standardized, universally accepted forms, paperless approval transactions (24 hours, 7 days per week), and security checks and balances. Your insurance broker or agent shall obtain access to **Track4LA™** at <http://track4la.lacity.org/> and follow the instructions to register and submit the appropriate proof of insurance on your behalf.

c) General Liability Insurance

Operator shall procure and maintain in effect throughout the term of this Agreement, without requiring additional compensation from the City, commercial general liability insurance covering personal and advertising injury, bodily injury, and property damage providing contractual liability, independent contractors, products and completed operations, and premises/operations coverage written by an insurance company authorized to do business in the State of California rated VII, A- or better in Best's Insurance Guide (or an alternate guide acceptable to City if Best's is not available) within Operator's normal limits of liability but not less than One Million Dollars (\$1,000,000.00) combined single limit for injury or claim. Said limits shall provide first dollar coverage except that Executive Director may permit a self-insured retention or self-insurance in those cases where, in his or her judgment, such retention or self-insurance is justified by the net worth of Operator. The retention or self-insurance provided shall provide that any other insurance maintained by Department shall be excess of Operator's insurance and shall not contribute to it. In all cases, regardless of any deductible or retention, said insurance shall contain a defense of suits provision and a severability of interest clause. Additionally, each policy shall include an additional insured endorsement (CG 2010 or equivalent) naming the City of Los Angeles Harbor Department, its officers, agents and employees as Primary additional insureds, a 10-days notice of cancellation for nonpayment of premium, and a 30-days notice of cancellation for any other

reasons. Your insurance broker or agent shall submit for approval on your behalf said insurance to the City's online insurance compliance system**Track4LA™** at <http://track4la.lacity.org/>.

d) Automobile Liability Insurance

Operator shall procure and maintain at its expense and keep in force at all times during the term of this Agreement, automobile liability insurance written by an insurance company authorized to do business in the State of California rated VII, A- or better in Best's Insurance Guide (or an alternate guide acceptable to City if Best's is not available) within Operator's normal limits of liability but not less than One Million Dollars (\$1,000,000.00) covering damages, injuries or death resulting from each accident or claim arising out of any one claim or accident. Said insurance shall protect against claims arising from actions or operations of the insured, or by its employees. Coverage shall contain a defense of suits provision and a severability of interest clause. Additionally, each policy shall include an additional insured endorsement (CG 2010 or equivalent) naming the City of Los Angeles Harbor Department, its officers, agents and employees as Primary additional insureds, a 10-days notice of cancellation for nonpayment of premium, and a 30-days notice of cancellation for any other reasons. Your insurance broker or agent shall submit for approval on your behalf said insurance to the City's online insurance compliance system**Track4LA™** at <http://track4la.lacity.org/>.

e) Pollution Liability Insurance

Operator shall procure and maintain throughout the term of this Agreement, at its cost, Pollution Liability coverage written by an insurance company authorized to do business in the State of California rated VII, A- or better in Best's Insurance Guide (or an alternate guide acceptable to City if Best's Rating is not available), with Operator's normal limits of liability but not less than Ten Million Dollars (\$10,000,000.00) combined single limit for injury or death or property damage arising out of each accident or occurrence covering Operator's services under this Agreement. Said limits shall provide first dollar coverage except that Executive Director may permit a self-insured retention or self-insurance in those cases where, in his or her judgment, such retention or self-insurance is justified by the net worth of Operator. Operator's pollution liability shall include coverage for losses caused by pollution conditions that arise from the operation described under the scope of services of this contract and include: (a) on-site and off-site coverage for bodily injury, sickness, disease, mental anguish or shock sustained by a person, including death; (b) on-site and off-site property damage including physical injury to or destruction of tangible property including the resulting loss of use thereof, clean up costs, and the loss of use of tangible property that has not been physically injured or destroyed; (c) on-site and off-site defense including costs, charges and expenses incurred in the investigation adjustment or defense of claims for such compensatory damages.

Non-owned disposal site coverage shall also be provided if Operator is handling, storing or generating hazardous materials or any material/substance otherwise regulated under governmental laws/regulations.

The insurance provided shall contain a severability of interest clause and shall provide that any other insurance maintained by Department shall be excess of Operator's insurance and shall not contribute with it. In all cases, regardless of any deductible or retention, said insurance shall contain a defense of suits provision and severability of interest clause, have no exclusions for Contractual Liability, have no restrictions for Sole Liability of the Operator, and shall not

contain any other exclusions contrary to the Agreement with the Port.

Additionally, each policy shall include an additional insured endorsement (CG 2010 or equivalent) naming the City of Los Angeles Harbor Department, its officers, agents and employees as Primary and Non-Contributory additional insureds, a 10-days notice of cancellation for nonpayment of premium, and a 30-days notice of cancellation for any other reasons. Your insurance broker or agent shall submit for approval on your behalf said insurance to the City's online insurance compliance system**Track4LA**™ at <http://track4la.lacity.org/>.

f) Workers' Compensation and Employer's Liability

Operator shall certify that it is aware of the provisions of Section 3700 of the California Labor code which requires every employer to be insured against liability for Workers' Compensation or to undertake self-insurance in accordance with the provisions of that Code, and that the Operator shall comply with such provisions before commencing the performance of the tasks under this Agreement. Coverage for claims under U.S. Longshore and Harbor Workers' Compensation Act, if required under applicable law, shall be included. Operator shall submit Workers' Compensation policies whether underwritten by the state insurance fund or private carrier, which provide that the public or private carrier waives its right of subrogation against the City in any circumstance in which it is alleged that actions or omissions of the City contributed to the accident. Such worker's compensation and occupational disease requirements shall include coverage for all employees of Operator, and for all employees of any subcontractor or other vendor retained by Operator. Your insurance broker or agent shall submit for approval on your behalf said insurance to the City's online insurance compliance system**Track4LA**™ at <http://track4la.lacity.org/>.

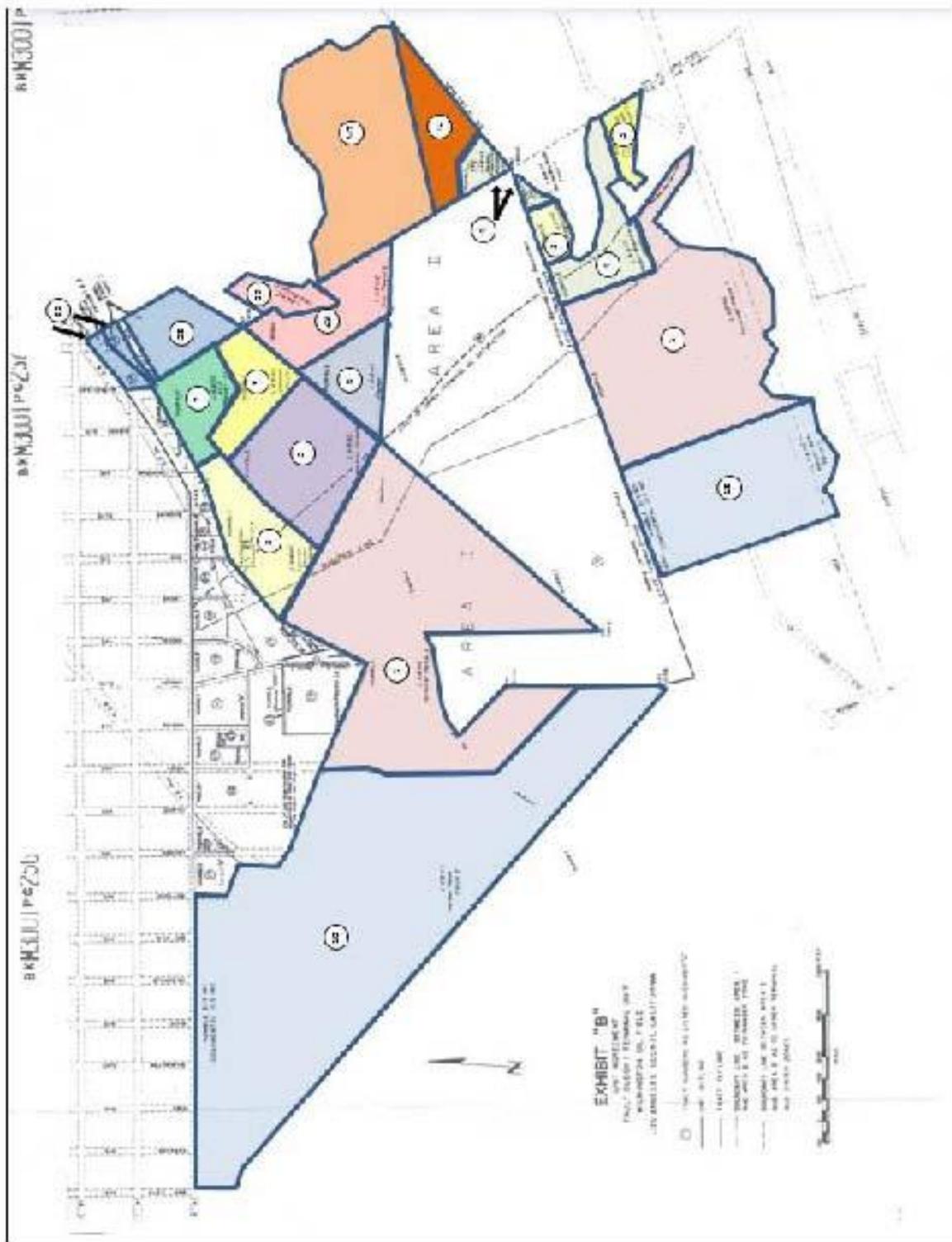
3. METHOD OF SELECTION

The Harbor Department will review responsive bids received and retains the sole and absolute discretion to select a Bidder to undertake the oil and gas development project proposed in this RFB. The agreement will be made and entered into with the highest responsible Bidder as determined in the sole judgment of the Harbor Department. Any such determinations are subject to the approval of the Director of Real Estate, the Executive Director of the Harbor Department, the Board of Harbor Commissioners, and the Los Angeles City Council.

The one biddable factor the Harbor Department will utilize is Royalty Rate. All other information requested in Sections 1 and 2 will be used to determine if the bid is responsive and the Bidder is responsible.

The determination of a responsible Bidder is described in Section 2.3.

Figure 1



Fault Block I 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

Non-Unit Fault I		
Map	Name	
MTL	Mobil Terminal Lease	
IL	ISCO Lease	

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

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

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