

MINUTE ITEM

This Calendar Item No. ~~C74~~ was approved as Minute Item No. ~~74~~ by the California State Lands Commission by a vote of ~~3~~ to ~~0~~ at its 9-3-99 meeting.

**CALENDAR ITEM
C74**

A 57, 58

09/03/99

W 9603.56

S 29

J. Tanner

M. Voskianian

**CONSIDER APPROVAL OF THE SPECIFICATIONS AND FORMS
FOR THE SALE OF THE CITY'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**

APPLICANT:

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

BACKGROUND:

The City of Long Beach (City) has a crude oil sales contract with Paramount Petroleum Company (Paramount) 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, 1999, and is scheduled to expire on February 1, 2000. Paramount is paying the City a bonus of \$0.691 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, Equiva and Union 76. The City's share of production from these tracts is approximately 500 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 for a period of eighteen months commencing on February 1, 2000, and to expire on August 1, 2001. Specifications for the sale are listed in Exhibit B to this Calendar Item.

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The Long Beach City Council will approve the bid package either on August 17 or August 24, 1999. The City requests California State Lands Commission (Commission) approval of the bid package. Under Section 10(a) of the Chapter 29, Statutes of 1956, 1st E.S., 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 13, 1999. The Commission must then approve the awarding of this contract by the City.

STATUTORY AND OTHER REFERENCES:

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

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), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity 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, section 15378.

- 2. The bid package prepared by the City is similar to bid packages approved by the Commission in the past. However, the City has decided to lengthen the contract period from one year to eighteen months.

EXHIBITS:

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

PERMIT STREAMLINING ACT DEADLINE:

N/A

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RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDINGS

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE 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.

AUTHORIZATION:

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.

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EXHIBIT A

LIST OF TRACTS

FAULT BLOCK IV UNIT

5	29	112A
6	38	114
9	41	116
16	61	125
20	79	126
21	81	127
26	102	132
27	104	136
28	109	143
28A	111	144

FAULT BLOCK V RANGER ZONE UNIT

2	17	31	45	69	208
3	18	32	46	80	248
4	19	33	47	90	253
5	20	34	48	92	271
6	21	35	49	96	405
7	22	36	50	98	406
8	23	37	51	104	407
9	24	38	52	108	408
10	25	39	53	110	409
12	26	40	54	113	410
13	27	41	55	122	411
14	28	42	56	187	414
15	29	43	57	188	415
16	30	44	64	189	

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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 500 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, Equiva and Union 76.

3. Term

The contract will be for a term of eighteen months commencing February 1, 2000 and expiring on August 1, 2001.

4. Surety

A Letter of Credit in the amount of Three Hundred Thousand Dollars (\$300,000) will be required as well as public liability and property damage insurance in amounts not less than Two Million Dollars (\$2,000,000).

5. Bid Deposit

A bid deposit of \$25,000 will be required which, except for the highest responsible bidder, will be returned.

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.

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