

MINUTE ITEM

This Calendar Item No. 18
was approved as Minute Item
No. 18 by the State Lands
Commission by a vote of 3
to 0 at its 10/27/77
meeting.

MINUTE ITEM

10/27/77
Thompson

18. STATUS OF BIDDING, 1978 CRUDE OIL SALES CONTRACT (LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL) SELL-OFF OIL (8 $\frac{1}{2}$ INCREMENT), CITY OF LONG BEACH, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 18 attached, Mr. W. M. Thompson, Manager, Long Beach Operations, stated that no bids were received from the Long Beach tidelands parcel and the City of Long Beach Parcel "A" sell off oil. Mr. Thompson also talked about the entitlements program. Chairman Kenneth Cory asked if the length of the contract had any effect on this lack of bidding. Mr. Thompson indicated it did.

Mr. William F. Northrop, Executive Officer, stated that up until 30 days ago, he had received telephone calls from people interested in purchasing this crude oil. After the sale date, he called these same people and they indicated that because the entitlements program had so confused the market place in crude oil, he was advised they would not buy any crude for any longer than 60 days because of the uncertainty of the market and the energy program. Mr. Cory asked if it would make any sense to put it out for bid with 30-60 day cancellation clause. Mr. Northrop explained that given the existing contract, it would probably be impossible to do it in less than six months.

Mr. Thompson stated that with the problem of the energy program back between the Senate and the House, it is his opinion that nothing will be done until it is resolved.

Attachment: Calendar Item 18 (1 page)

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INFORMATIVE CALENDAR ITEM

18

10/77
Thompson

STATUS OF BIDDING, 1978 CRUDE OIL SALES CONTRACT
(LONG BEACH HARBOR DEPARTMENT TIDELANDS PARCEL)
SELL-OFF OIL (8% INCREMENT), CITY OF LONG BEACH,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The Commission, at its meeting of September 29, 1977, approved the notice inviting bids, bid forms, and crude oil sales contracts for 12½ percent of the oil from the Long Beach Harbor Department Tidelands Parcel and City of Long Beach Parcel A. The sell-off oil from the Long Beach Harbor Department Tidelands Parcel was divided into two increments of 8 percent and 4½ percent.

Bursuant to the Commission's action, notices inviting bids for sale of the 8% increment were published and mailed to all known prospective oil purchasers. Bids were returnable on October 19, 1977 at the City Clerk's office of the City of Long Beach. No bids or offers to purchase crude oil were received.

The absence of bidders is believed to be the direct result of the inequities in the Federal Department of Energy treatment of California lower tier oil in the entitlement program. Uncertainty also exists as to the future application of crude oil price controls and potential price cutting of posted prices due to an oversupply of crude oil on the west coast because of Alaska North Slope production.

The staff will keep the Commission informed of crude oil pricing developments, and will recommend a course of action to the Commission, at an appropriate time.

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