

This Calendar Item No. 20  
was approved as Minute Item  
No. 26 by the State Lands  
Commission by a vote of 9  
to 0 at its 10/25/84  
meeting.

CALENDAR ITEM

A 57, 58

S. 27

20

10/25/84  
W 9603.27  
Pace/Hager

ADMENDMENT TO NOTIFICATION TO CITY OF LONG BEACH  
TO DIRECT FIELD CONTRACTOR TO SELL-OFF CRUDE OIL  
FROM TRACT NO. 1 OF THE LONG BEACH UNIT

In March 1984, the Commission directed the Executive Officer to notify the City of Long Beach to direct the Field Contractor to offer for sale by competitive bid 12 1/2% of the oil allocated to Tract No. 1 of the Long Beach Unit which comes from the Field Contractor's 80% share. That directive included the Commission's determinations regarding the amounts of crude oil to be offered for bid in single contracts and the duration of those contracts.

With the Commission's consent, notification to the City has been delayed until either the Attorney General's office, acting on behalf of the Commission, completes negotiations with the companies comprising the Field Contractor for a settlement of a dispute regarding liability for loss in the event of a default by a sell-off purchaser or those negotiations break down. At this time, a settlement appears to be near. A settlement would require changes in the form of the sell-off contracts, thereby necessitating the delay in the bid offering. That delay has been with the agreement of all parties concerned that it will not prevent new sell-offs from commencing on March 1, 1985, as originally contemplated.

In the meantime, staff has concluded that consolidating the sell-off in two contracts, rather than in the previously approved four contracts, may yield a greater return for the State. This conclusion is drawn from previous sell-offs where larger bids were received on the contracts with the larger quantities of oil. Accordingly, staff is now recommending that the Tract No. 1 sell-offs be offered in two separate contracts, one for 7% of the oil from Tract No. 1 and another for 5 1/2%

CALENDAR ITEM NO. 20 (CONT'D)

of the oil from Tract No. 1. The 7% contract will provide for delivery of approximately 4,200 B/D of 17.7° API crude, and the 5% contract will provide for delivery of approximately 3,300 B/D of 17.7° API crude.

AB 884: N/A

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACTING PURSUANT TO SECTION 3(e) OF CHAPTER 138, STATUTES OF 1964, 1ST E.S., AMEND ITS DIRECTIVE TO THE EXECUTIVE OFFICER REGARDING NOTIFICATION TO THE CITY OF LONG BEACH TO DIRECT THE FIELD CONTRACTOR TO OFFER 12 1/2% OF THE TRACT NO. 1 CRUDE OIL FOR COMPETITIVE BID BY REQUIRING THE OFFER TO BE IN TWO CONTRACTS, ONE FOR 7% OF SUCH OIL AND THE OTHER FOR 5 1/2% OF SUCH OIL, WITH ALL OTHER ELEMENTS OF THE ORIGINAL DIRECTIVE TO REMAIN THE SAME.