

MINUTE ITEM

This Calendar Item No. 32
was approved as Minute Item
No. 32 by the State Lands
Commission by a vote of 2
0 at its 12/12/1989
meeting.

CALENDAR ITEM

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12/12/89

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AWARD OF THE SELL-OFF OIL SALES
CONTRACT, STATE PRC 3455, TRACT NO. 2,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

BACKGROUND

At its meeting on May 31, 1989, the State Lands Commission authorized staff to re-offer for sale the State's share of crude oil allocated to State PRC 3455, Tract No. 2, Long Beach Unit, Wilmington Oil Field, Los Angeles County. The State's share of oil allocated to Tract No. 2 is 12 1/2 percent, or approximately 250 barrels per day of 17.5° API gravity crude oil. A sale of this oil was previously held on May 1, 1989 and there were no bidders. Therefore, the oil was returned to the Tract No. 2 contractor, Century Resources Development, Inc.

A Notice Inviting Bids was published in the Long Beach Press-Telegram on October 6, 1989 and sent to all known interested parties. Bids were received and opened on October 23, 1989. (See Exhibit "A").

STAFF RECOMMENDATIONS

Fiscal and legal reviews of the submitted bid material were done by the SLC Auditing and Legal units respectively. The highest responsible bidder, as indicated by these reviews, is the second highest bidder, Ultramar, Inc.

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Staff recommends awarding the new sell-off oil sales contract to Ultramar, Inc. rather than to Edgington Oil Company, the highest bidder, because of Edgington's past financial performance of defaulting on several City of Long Beach oil sales contracts. In contrast Ultramar, Inc., after acquisition of a large Wilmington refinery (100,000 B/D capacity) is now one of the largest independent refinery and marketing businesses in California. Ultramar operates from a very secure and stable financial condition.

The difference between the Edgington and Ultramar bids, \$0.0125 per barrel, would only amount to approximately \$96 a month. Therefore, staff recommends that it would be in the State's best interest to accept the lower bid and award the sales contract to Ultramar, Inc.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the California Environmental Quality Act (CEQA) because it is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21056 and 14 Cal. Code Regs. 15378.

EXHIBIT: A. Results of Bid Opening.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE IT IS NOT A PROJECT AS DEFINED BY P.R.C. 21056 AND 14 CAL. CODE REGS. 15378.
2. REJECT THE BID OF EDGINGTON OIL COMPANY AND AWARD TO ULTRAMAR, INC. THE SELL-OFF OIL SALES CONTRACT STATE PRC 3455, TRACT NO.2, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, FOR THE PERIOD FEBRUARY 1, 1990 UNTIL AUGUST 1, 1991.

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EXHIBIT "A"

BID OPENING, STATE PRC 3455,
TRACT NO. 2, LONG BEACH UNIT,
WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

October 23, 1989

11:00 a.m.

<u>Bidder</u>	<u>Bonus Bid</u> <u>(Per barrel, Above Base Price)</u>
1. Edgington Oil Company	1. \$0.5225
2. Ultramar, Inc.	2. \$0.51

The highest responsible bidder is Ultramar, Inc..

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