

**PLANNING & ECONOMIC
DEVELOPMENT DIVISION**

**DEVELOPMENT OF
THE WILMINGTON OIL FIELD**

REQUEST FOR PROPOSALS



September 6, 2013

September 6, 2013

Prospective Respondent:

SUBJECT: REQUEST FOR PROPOSALS 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 your interest in responding to this Request for Proposals (RFP) to develop and operate oil and gas mineral rights owned by/or in trust by the Harbor Department within the Wilmington Oil Field.

Some mineral rights of the Harbor Department (Figure 1) were formally operated by Exxon Oil Company and/or Mobil Oil Company under Unit Agreements and/or Operating Agreements that have been terminated. The Harbor Department is seeking qualified companies to consider development of the oil, gas, and hydrocarbon reserves that may remain in the areas described in Figure 1.

The successful proposer will:

- 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 with the abandonment of any operations connected with the drilling, production, or operation of the oil field.
- Comply with the Harbor Department's insurance requirements (Section 2.8).
- 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, etc.
- 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 to ensure that the Subject Property and minerals are under Port ownership and/or control.
- Provide to the Harbor Department – agreements, contracts, or title of surface rights allowing for drilling from proposed location(s) to bottom hole locations.

The term of the agreement contemplated by the subject RFP will be for thirty-five (35) years. This stipulation and others in this RFP 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 RFP will be as follows:

Request for Proposals Published	Friday, September 6, 2013
Questions Due	Wednesday, September 25, 2013
Responses Posted	Wednesday, October 9, 2013
Proposals Due/Proposal Opening	Thursday, November 7, 2013 by 1PM

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

For questions regarding this RFP, please contact Michael Zamora by email at mzamora@portla.org. Questions must be submitted by Wednesday, September 25, 2013. Responses will be posted on the Harbor Department's website at http://www.portoflosangeles.org/business/RFP_proposals.asp by Wednesday, October 9, 2013. It is the responsibility of any proposers to review the Port's website for any RFP revisions or answers to questions prior to submitting a proposal in order to ensure their proposal is complete and responsive.

Submit six (6) copies of all proposal information requested to the Harbor Department's Project Manager by 1:00 p.m. on Thursday, November 7, 2013:

Michael Zamora, Management Analyst II
500 Pier A St.
Wilmington, CA 90744
(310) 732-7660
MZamora@portla.org

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

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

Thank you for your interest.

Sincerely,

GLENN ROBISON
Director of Contract and Purchasing

1. INSTRUCTIONS TO PROPOSERS

1.1 PROPOSAL CONDITIONS

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

1.2 PROPOSAL SUBMITTAL

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

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

The Harbor Department, at its sole discretion, has the right to negotiate with any or all proposers regarding their Proposals. The right to reject any and all proposals shall, in every case, be reserved, as shall the right to waive any informality in the proposal when to do so would be to the advantage of the Harbor Department.

2. PROPOSAL FORM AND CONTENT

The form and content of the Proposal 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 proposer is a corporation) legally authorized to bind the firm to its Proposal.

2.2 INTRODUCTION OR EXECUTIVE SUMMARY

The proposer may use this section to introduce the Proposal or to summarize the key provisions of the Proposal.

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 firm submitting the Proposal.
- 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 firm.
- d) Current number of full-time professional and technical personnel in the firm and in the office(s) that will participate in the proposed project.
- e) Resumes of the people who will be directly associated with this project and any relevant references.
- f) A summary of the relevant background and experience of the firm submitting the Proposal 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.
- g) A brief description of the scope of services provided by you or your firm that would include the use of any outside consultants.
- h) Identification of any real property owned, projects on which you or your firm are working, or clients by whom you or your firm are engaged which are located at the Port of Los Angeles.
- i) A list of you or your firm's latest related projects.
- j) If the firm is a corporation, the State of Incorporation. If the firm is a partnership, whether you are a general or limited partnership, and the state in which Articles of Partnership were filed.
- k) Your Taxpayer Identification Number, Employer Identification Number or Social Security Number.
- l) Clear identification of any proprietary information in the Proposal.

2.4 COMMERCIAL TERMS

- a) Subject lands will be subject to a rental fee of one thousand (\$1,000) per acre (approximately 435 acres) of land if after two (2) years of signing an agreement with the Harbor Department, the company has been unable to commence development of Harbor Department mineral rights by drilling and completing at least one well. Payment (if any) will be made for the first two years, and each year after that a well have not been completed, or until either party exercises its right of termination.
- b) The Harbor Department is interested in a royalty arrangement. Please identify royalty to be paid to the Harbor Department, as a percent of total oil revenue. Royalty will be based on the actual market price received for oil produced from the subject area.
- c) Identify a fixed gas royalty paid to the Harbor Department, as percent of total gas revenue. Gas royalty will be based on the actual market price received for the gas produced from the subject area. No royalty will be paid for gas used for field use.
- d) The term of the agreement will be for thirty-five (35) years, unless the agreement is terminated by both parties prior to the 35 years.
- e) The form of the agreement will be an Operating Agreement similar to previous agreements that the Harbor Department has had with similar oil operators (examples will

- be provided upon request).
- f) Identify the value of (if any) signing bonus to be paid to the Harbor Department. Signing bonus will be paid within two months of entering into an operating agreement with the Harbor Department.
 - g) Identify exploration drilling commitments (capital commitment or projected number of wells and timing of such commitment).
 - h) Identify facilities requirements to accommodate production and injection wells. Include estimates of potential costs that will be incurred by the operator to satisfy facilities requirements at various potential production levels. Surface processing facilities, wells, or other facilities may not be located on Harbor Department property.
 - i) Operator will be responsible for all well abandonment activities and related costs, in accordance with all applicable regulations.
 - j) Identify all environmental mitigation measures that will be utilized during development activities.

2.5 PROJECT SCHEDULE

Provide a projected schedule for exploration and development activities for the first three years of the project.

2.6 CORPORATE CAPABILITY

- a) Describe your company's past success on similar projects.
- b) Demonstrate financial capability to perform the proposed project.
- c) Describe your company's human resource commitment related to this project.

2.7 REFERENCES

- a) Please supply the name, address, and telephone number of references for these projects that the Harbor Department may contact concerning your role and performance in each project described in section 5.
- b) Please indicate which of the personnel you propose to use on this project that has participated in the referenced projects. Include the role of each of these persons in accomplishing the referenced projects.

2.8 INDEMNITY AND INSURANCE REQUIREMENTS

REQUIRED AT PROPOSAL STAGE: A letter from each proposer's broker must be provided with their proposal. The letter should indicate that the requirements below are presently part of the proposer's coverage, or that the broker is able to provide such coverage should the proposer be selected. The broker must be aware of the indemnification requirements below. Proposers 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. Where Operator provides or dispenses alcoholic beverages, Host Liquor Liability coverage shall be provided as above. Where Operator provides pyrotechnics, Pyrotechnics Liability shall be provided as above. 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. CRUDE OIL MARKETING

3.1 PURPOSE

Maximize the value of the Harbor Department's share of crude oil production.

3.2 MARKETING FORMULA

Midway-Sunset will be used as the crude oil price benchmark but adjusted for API Gravity.

4. PRODUCED GAS USE AND MARKETING

Producer has the right to use produced gas for field purposes (field purposes do include flaring, if allowed). Excess produced gas will be marketed.

5. HARBOR DEPARTMENT RESPONSIBILITIES

The Harbor Department will:

- a) Make available data and information as determined by the Harbor Department to be related as required by the successful firm.
- b) Provide reasonable and timely staff input such that the successful firm can meet the

approved project completion schedule.

6. METHOD OF SELECTION

The Harbor Department will review and recommend a proposer to undertake the oil and gas exploration and development proposed in this RFP. The agreement will be made and entered into with the highest responsible bidder in the judgment of the Harbor Department. All recommendations are subject to the approval of the Director of Planning and Economic Development, 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 bidder is responsible.

The determination of a responsible bidder will include, but may not be limited to:

Qualifications and Experience of Personnel: How well the Proposer firm's staff is trained, educated and qualified to explore, develop and produce oil and gas.

Longevity, Stability and Reputation of Firm: The number of years that the Proposer firm has been in the oil and gas exploration and development business, the stability of the Proposer firm, and the reputation of the firm are important factors in the evaluation process.

Services Provided: The manner in which the Proposer firm recommends carrying out the program, the organization of the Program, and anticipated reporting and associated tasks are important factors in the evaluation process.

Oil and Gas Revenues: Maximizing the revenues and the ability to lock in favorable terms are important factors in the selection process but will not be the sole criteria.

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

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 RFP. The map attached references more Parcels than pertains to this RFP.

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