



February 8, 2011

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California**RECOMMENDATION:**

Authorize the City Manager to execute any and all documents necessary for a Facility Sharing Agreement between the City of Long Beach as Unit Operator of the West Wilmington oil operations and Occidental Petroleum Long Beach, Inc., as owner of the Pico oil operations; and authorize the City Manager to execute any and all documents necessary for a pipeline agreement between the City of Long Beach as a municipal corporation and Occidental Petroleum Long Beach, Inc., as owner of the Pico oil operations. (Districts 1 and 2)

**DISCUSSION**

Occidental Petroleum Long Beach, Inc. (OLBI), has requested to enter into an agreement with the City of Long Beach (City) as Unit Operator of the West Wilmington Unit and non-Unit oil operations to process gas, water and oil from the Pico oil operations (Pico) site and to return pressurized water for injection (Facilities Sharing Agreement). In conjunction with the Facilities Sharing Agreement, a pipeline would be constructed between the Pico operations and the West Wilmington oil field facilities, requiring a pipeline agreement between the City as a municipal corporation and OLBI.

The facilities of Pico are located between the 710 freeway and the Los Angeles River, north of Ocean Boulevard on Los Angeles County flood control property. The wells are drilled easterly into the Wilmington Oil Field, but are not part of the oil operations the City controls as Unit Operator.

In July 2008, OLBI purchased Pico to produce and possibly increase oil production from the site. Additional drilling will increase the amount of fluid processed over the amount Pico can now process. OLBI is requesting the City, as Unit Operator of the West Wilmington oil operations, to process the fluids and return pressurized water to Pico for injection purposes. The City, as Unit Operator of the Long Beach Unit, entered into a similar contract with OLBI in 2005 concerning PRC 186 (Belmont).

The Facilities Sharing Agreement covers production process/injection services and materials, and includes dehydration, water clarification, oil shipping, gas processing, makeup water, electricity, field labor, field supervision, and an administration fee. The charges will be based on the allocated share of volumes (oil, produced water, and pressured injection water).

These matters were reviewed by Deputy City Attorney Richard Anthony and by Budget Officer Victoria Bell on January 18, 2011.

TIMING CONSIDERATIONS

City Council action is requested on February 8, 2011, so that the agreements can be executed prior to March 1, 2011.

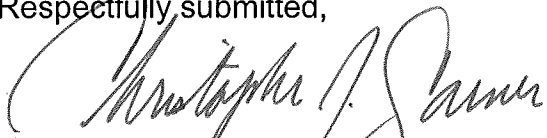
FISCAL IMPACT

The City will realize an additional \$70,000 per year in the Upland Oil Fund (SR 134) as part of the administrative overhead. The pipeline agreement will generate approximately \$15,000 per year to the Tidelands Operating Fund (TF 401). The additional revenues are not projected to be realized until FY 2012. There is no impact to jobs associated with this request.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:CPH:lld

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER