



DEPARTMENT

CHRISTOPHER J. GARNER
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OIL OPERATIONS • OIL PRODUCTION / SUBSIDENCE

September 19, 2006

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

Authorize the City Manager to execute an Oil and Gas Lease and Wellbore Agreement between the City of Long Beach and the Terra Exploration & Production Company regarding Oil Well "Rose 12" and authorize the City Manager to execute any subsequent amendments to the Agreement.
(District 7)

DISCUSSION

Oil well "Rose 12" (Rose 12 well) is an active oil well located on property at the northwest corner of Atlantic Avenue and Spring Street that the City of Long Beach (City) acquired in 2002 as part of the Spring Street Widening Project. With this Project, access to the Rose 12 well along Spring Street could no longer be accommodated.

The Terra Exploration and Production Company (Terra) is an oil well operating company that has operations located adjacent to the Rose 12 well site. Terra has the ability to access the Rose 12 well through its adjoining property and has offered to operate the well on behalf of the City. An Oil and Gas Lease and Wellbore Agreement (Agreement) between the City and Terra would set forth the terms and conditions under which Terra would operate and produce the oil reserves from the Rose 12 well. Under the terms of the Agreement, the City would be a one-sixth royalty interest owner, sharing in the gross revenues derived from the oil and gas production from the Rose 12 well. As a royalty interest owner, the City would not be responsible for any operating, production, or abandonment expenses.

This item was reviewed by Deputy City Attorney J. Charles Parkin on September 1, 2006 and by Budget Management Officer David Wodynski on September 5, 2006.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

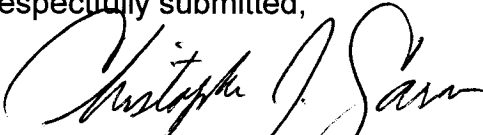
FISCAL IMPACT

The Agreement provides the City with a one-sixth royalty interest ownership in the gross revenues derived from the oil and gas production from the Rose 12 well. Currently, the Rose 12 well produces approximately five barrels of oil per day and, at a crude oil price estimated at \$50 per barrel, would generate approximately \$15,000 in revenues to the General Fund per year.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:mat

APPROVED:

LEG 638.000



GERALD R. MILLER
CITY MANAGER