



October 2, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a Water Sales Agreement and Amendments thereto between the City of Long Beach as Fault Block Operator and City of Long Beach as Long Beach Unit Operator for a one-year term, with a month-to-month continuance until termination upon thirty-days notice by either party. (Districts 1 and 2)

DISCUSSION

The City of Long Beach, as Unit Operator under the Fault Block II, III, IV, and V Ranger Zone Unit Agreements and as operator of certain un-unitized properties (Seller), owns pipelines and facilities capable of processing, distributing and delivering injection water under pressure to the City of Long Beach, as Unit Operator under the Long Beach Unit Agreement (Purchaser), for the purpose of injecting water into oil wells to ameliorate subsidence and improve recoveries.

In 1999, the Seller entered into an agreement with the Purchaser for the sale of produced water from the Pier J Water Plant. The agreement was amended in 2000 to provide for higher treatment costs and to extend the term. In 2002, the agreement was amended again to provide for higher delivery volumes and to provide for higher treatment costs.

The subject agreement will supersede the 1999 Agreement, as amended, to provide the Purchaser with delivery of approximately 50,000 barrels of water per day. The Purchaser will pay a per barrel price for the water which shall be adjusted periodically. The Seller will allocate the Pier J Water Plant operating and maintenance costs to the Purchaser in proportion to volumes delivered. The agreement will also provide for the terms and cost allocation of any future capital investments. The term is for one year, with a month-to-month continuance until termination upon thirty-days notice by either party.

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This item was reviewed by Principal Deputy City Attorney J. Charles Parkin on June 4, 2007 and Budget and Performance Management Bureau Manager David Wodynski on September 17, 2007.

TIMING CONSIDERATIONS

City Council action on this matter is requested on October 2, 2007 to provide the terms and conditions for making capital improvements to increase water injection delivery rates from the Pier J Water Plant and allocating associated charges.

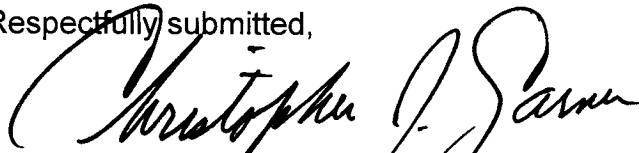
FISCAL IMPACT

There is no fiscal impact associated with this action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:scs

LEG 638.000

APPROVED:



PATRICK H. WEST
CITY MANAGER