



Legislation Text

File #: 12-0173, **Version:** 1

Recommendation to authorize City Manager to execute the First Amendment to the Crude Oil Sales Contract with Signal Hill Petroleum, Inc., to modify the calculation of the oil sales price. (Citywide)

In January 2000, the City entered into a Crude Oil Sales Contract (contract) with Signal Hill Petroleum, Inc., (SHP) for the sale of the City's allocated oil from certain specified tracts in the Signal Hill East Unit and the Signal Hill West Unit for resale by SHP. The contract allows SHP to purchase the City's share of the oil at a price based upon the average of various market indices. However, these market indices no longer reflect the actual market price that SHP is able to attain in the reselling of the City's share of the oil.

As a result, SHP has provided the City a 90-day written notice of cancellation of the current contract. An alternative that is agreeable to SHP is a modification to Section 3 of the current contract to reflect a pass-through of the actual market price that SHP secures in reselling the City's share of the oil. As SHP sells the City's share along with SHP's own share of the oil, the City is assured that SHP has the incentive to obtain the best price possible in the applicable market place. The limited alternatives for the City are economically less attractive.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 1, 2012 and by Budget Management Officer Victoria Bell on February 3, 2012.

SHP has provided the City a 90-day written notice of cancellation of the current contract. To avoid the contract expiring and leaving the City with very limited alternatives, City Council approval is requested on March 6, 2012.

This action will protect the City's best financial interests in the sale of this oil. There is no impact upon local jobs associated with this action.

Approve recommendation.

CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST
CITY MANAGER