



Legislation Text

File #: 20-0123, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute all documents necessary to amend Contract No. 32869 between the City of Long Beach, Tidelands Oil Production Company, and Oil Operators, Inc., for the delivery and receipt of produced water, to extend the term for six years, and maintain the provision to allow for automatic renewal for successive one-year periods, unless any party elects to terminate the contract within 30 days of its expiration. (Districts 1,2)

In 2001, the City of Long Beach (City), acting in its capacity as Unit Operator for Unit Agreements for Fault Block Units II, III, IV, and V Ranger Zone, as operator of certain non-unitized formations in the Wilmington Oil Field, and the Tidelands Oil Production Company (Contractor), the City's oil field contractor, entered into a Produced Water Agreement (Agreement), with Oil Operations, Inc. (OOI), a private company operating in Long Beach and Signal Hill. The Agreement covered the terms of delivery of water produced by OOI as a normal by-product of its oil production operations. The City uses the water in its West Wilmington oil operations, which has an ongoing need for additional injection water.

City Council authorization is requested to execute the Third Amendment (Amendment) to the Agreement, Contract No. 32869, to extend the term for six years, and maintain the provision for automatic renewal for successive one-year periods, unless any party elects to terminate the Agreement within 30 days of its expiration. OOI plans to make significant capital improvements to its pipeline that delivers its produced water to the City and desires to secure this Amendment.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 14, 2020, Purchasing Agent Tara Yeats on January 16, 2020, and by Revenue Management Officer Geraldine Alejo on January 27, 2020.

City Council action on this matter is not time critical.

The Third Amendment includes the continuation of a payment from OOI to the City for water treatment costs. Annual revenue to the City is estimated at \$167,000. The estimated revenue is based on 17,000 barrels per day and maintains the current rate of \$.027 per barrel of water. The revenue is included as part of the FY 20 budget in the Tideland Oil Revenue Fund in the Energy Resources Department. This recommendation has no staffing impact beyond the normal scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

ROBERT DOWELL
DIRECTOR OF ENERGY RESOURCES

APPROVED:

THOMAS B. MODICA
ACTING CITY MANAGER