



# CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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November 23, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**SUBJECT: Memorandum of Understanding Between the Department of Oil Properties and the Harbor Department (Districts 1 and 2)**

## DISCUSSION

On September 20, 2004, the Board of Harbor Commissioners approved a Memorandum of Understanding (MOU) between the Harbor Department (Harbor) and the Department of Oil Properties (DOP). The MOU is the result of months of collaboration between the staff of the two departments to resolve some of the outstanding issues and to establish guidelines for the future of oil operations within the Harbor District. The MOU has been signed by the Executive Director of the Harbor Department on October 5, 2004 and the Director of Oil Properties on October 8, 2004.

This MOU allows the Harbor to have a better understanding of the work that is being undertaken in the oil operations without changing the role the DOP must play in managing the Wilmington Oil Field. Developing this MOU has improved the working relationship between the two departments and will continue to allow for collaboration.

The MOU covers the following issues:

- Land Use – Areas termed Oil Operating Areas (OOA) are identified as those where oil operations can continue into the future without conflicting with the Harbor's land development. The MOU also addresses the process for abandoning wells and facilities in non-long term set aside areas, also referred to as Oil Working Areas (OWA). The OWAs will continue to support oil operations until the Harbor requires the abandonment of the oil facilities for land development.
- Net Present Value (NPV) – The MOU details the process and methodology for determining the future value of production wells that will be abandoned when the Harbor develops the land previously utilized for oil operations. Both the DOP and the Harbor will evaluate the NPV of wells on a case-by-case basis.
- Bioremediation Area – The Harbor has agreed to take responsibility for the bioremediation area on Pier A West, including cleanup and removal of existing material and property. The DOP will replace the bioremediation area with a

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slurrification well that will be drilled on Pier G in an OOA. This new well will be funded by all working interest owners based on current well activity and volume of waste material generated by well and by fault block.

- Investment Well Work – The Harbor and the DOP agreed to the process necessary to continue with investment projects within the oil operations. In those areas where the Harbor has 100% ownership, the Harbor will be able to review and concur with the DOP's proposal. In those areas where the Harbor has less than 100% ownership, then the information concerning the work will be given to the Harbor for review.
- Budget Approval - The estimated expenditures for the Harbor's interests in oil operations will be presented to the Board of Harbor Commissioners on a biannual basis, rather than on a quarterly basis to make the process more efficient.
- Post Production Wells – A Post Production Well (PPR) is a well that is deemed necessary after the economic life of the oil field for continued injection and monitoring purposes. If a Harbor development project necessitates the abandonment of a PPR, the DOP will determine if an alternative well can be used as a replacement. If a replacement well is not required or is to be determined at a later date, the DOP will keep track of the Harbor's liability and maintain an inventory of potential future PPR wells.

Deputy City Attorney J. Charles Parkin reviewed this matter on October 12, 2004.

TIMING CONSIDERATIONS

Council action on this matter is not time critical.

FISCAL IMPACT

Not applicable.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Receive and file this letter.

Respectfully submitted,

  
CHRISTOPHER J. GARNER  
DIRECTOR OF OIL PROPERTIES

CJG:CPH

APPROVED:

  
GERALD R. MILLER  
CITY MANAGER