



# CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

C-9

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July 6, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Extend Crude Oil Marketing Agreement With West Coast Energy Marketing, LLC. (Districts 1 & 2)

## DISCUSSION

Since 1994, the City, as Unit Operator of the Long Beach Unit, began selling oil on behalf of the Townlot Working Interest Owners (WIOs) who elected not to sell their own oil, as allowed by Article 5.14 of the Long Beach Unit Agreement. The purchase contract between the City and Oxy Long Beach, Inc., did not provide for Oxy Long Beach, Inc. to share a bonus with the WIOs. Under the contract, the WIOs received the same price for the oil that the City received from THUMS Long Beach Company, which is the higher of the prices calculated under Article 9B (1) or (2) of the Contractors' Agreement.

In December 2002, the City entered into a marketing agreement with West Coast Energy Marketing, LLC. (West Coast), who provided for splitting the bonus received for the oil. That eighteen-month agreement will expire on July 31, 2004. A request for proposal was issued to competitively select a marketer for the crude oil, and the submitted proposals are still being evaluated. In view of the imminent expiration of the marketing agreement with West Coast, it is requested that it be extended by three months, with the term expiring on October 31, 2004, with the provision of an additional three-month extension, if required.

Deputy City Attorney J. Charles Parkin reviewed this item on July 1, 2004.

## TIMING CONSIDERATIONS

City Council action on this matter is time critical because the current marketing agreement expires on July 31, 2004.

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FISCAL IMPACT

Not applicable.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a three-month extension of the crude oil marketing agreement, between the City of Long Beach, as Long Beach Unit Operator, and West Coast Energy LLC., changing its termination date to October 31, 2004 and provide for the City Manager to approve an additional three-month extension, if required, to the agreement for the sale of the oil allocated to the Long Beach Unit Townlot Working Interest Owners.

Respectfully submitted,



*for* CHRISTOPHER J. GARNER  
DIRECTOR OF OIL PROPERTIES

CJG:SCS  
LEG 636.009

APPROVED:

*for*   
GERALD R. MILLER  
CITY MANAGER