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DEPARTMENT

OIL OPERATIONS · OIL PRODUCTION / SUBSIDENCE

November 18, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager to execute the Ninth Amendment to the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract to modify the pricing of oil. (District 2)

**DISCUSSION**

Tidelands Oil Production Company (Tidelands) is the contractor for the City of Long Beach under the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract (Contract). The Contract has been amended eight times, most recently as approved by City Council on January 24, 2006.

Section 18.3 of the Contract, as modified by the Eighth Amendment, defines the method by which the crude oil is valued for the purpose of computing net profits and also allows for negotiation and modification to that section. The oil is valued by using the daily average of the prices posted by companies named in the Eighth Amendment in five oil fields in California: the Wilmington, Huntington Beach, Long Beach, Inglewood, and Midway-Sunset oil fields. Presently, there are few posted prices other than those that exist for the Midway-Sunset oil field. Additionally, the current use of posted prices on a daily average has led to major short-term price fluctuations.

The requested Ninth Amendment to the Contract stipulates that the average prices posted for the Midway-Sunset oil field will be used solely in determining the price of crude oil, and that Tidelands will also use a monthly average of posted prices rather than a daily average of posted prices.

This item was reviewed by Principal Deputy City Attorney J. Charles Parkin and Budget Management Officer Victoria Bell on October 29, 2008.

TIMING CONSIDERATIONS

City Council action on this matter is requested on November 18, 2008 so that the California State Lands Commission can consider the Ninth Amendment at its next scheduled meeting on December 3, 2008.

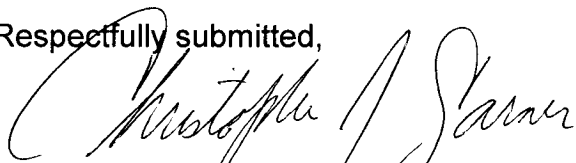
FISCAL IMPACT

Approval of the Ninth Amendment to the Contract will have no immediate fiscal impact. The sole use of the Midway-Sunset and the monthly average will provide for more price stability for the purpose of financial planning throughout the year.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:CPH

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER