



DEPARTMENT

EDWARD FARRELL
ACTING DIRECTOR

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February 9, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the Second Amendment of the Crude Oil Pricing Provision of the Long Beach Unit Contractor's Agreement to remove the posted prices in the Midway-Sunset oil field. (Citywide)

DISCUSSION

The Long Beach Unit (Unit) consists of two offshore tracts (Tract 1 and Tract 2) and over 90 onshore town lot areas. Tract 1 is the largest tract in the Unit and consists of tide and submerged lands granted by the California State Legislature to the City of Long Beach (City) subject to the public trust. Tract 1 is operated pursuant to the Unit Contactor's Agreement (Agreement) authorized by Chapter 138 of the Statutes of 1964, First Extraordinary Session.

California Resources Corporation (CRC) is the City's contractor responsible for the day-to-day operations of the Unit. CRC is also required to market the sale of oil. A provision in the Agreement governs the calculation of the value of the oil. The initial oil price valuations are based on posted prices in certain named fields. Today, the Midway-Sunset oil field is the only named field that continues to post an oil price. Under current market conditions, Midway-Sunset does not represent the oil market in the Wilmington oil field because local refineries are only offering contracts below the Midway-Sunset posted price. Therefore, the recommended change is to remove the Midway-Sunset oil field as one of the named fields under the Agreement. Without a posted price, the Agreement values the oil at the actual price realized from the sales contract.

The change to the Agreement requires approval by the City, the State Lands Commission, and CRC. The City has worked with both the State and CRC on the recommended change to the Agreement. All the impacted parties' interests are aligned; thus, the City is assured that CRC has the incentive to obtain the best oil price possible. The State Lands Commission will consider approval of this change at its next meeting on April 5, 2016.

HONORABLE MAYOR AND CITY COUNCIL
February 9, 2016
Page 2

This matter was reviewed by Deputy City Attorney Richard Anthony and by Budget Management Officer Vitoria Bell on January 14, 2016.

TIMING CONSIDERATIONS

City Council action is requested on February 9, 2016, to ensure approval prior to the State Lands Commission meeting on April 5, 2016.

FISCAL IMPACT

There is no fiscal impact or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



EDWARD FARRELL
ACTING DIRECTOR OF LONG BEACH GAS AND OIL

Kmt:Rag

APPROVED:



PATRICK H. WEST
CITY MANAGER