



DEPARTMENT

CHRISTOPHER J. GARNER
DIRECTOR

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OIL OPERATIONS · OIL PRODUCTION / SUBSIDENCE

August 15, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the Assignment Consent Agreement between BreitBurn Energy Company, LLC., and BreitBurn Energy Partners, L.P. and the City of Long Beach to assign the Recreation Park Oil and Gas Lease from BreitBurn Energy Company, LLC.'s interest to BreitBurn Energy Partners, L.P. (District 3)

DISCUSSION

In 1962, the City of Long Beach and the Alamitos Land Company entered into the Recreation Park Oil and Gas Lease (area of the Long Beach Oil Field located north of 7th street and east of Federation drive in Recreation Park) with the Herbell Oil Exploration Company. The City's financial interest includes a working interest as well as royalty interests from all oil and gas produced. The Recreation Park Oil and Gas Lease had been amended at various times since and was acquired by McFarland Energy Company, Inc. (McFarland) in 1982. McFarland (then owned by Texaco, Inc.) operated the Lease until 1999, when it sold its interest to Los Angeles-based BreitBurn Energy Company, LLC. BreitBurn Energy Company, LLC., now desires to assign the lease to BreitBurn Energy Partners, L.P. The Consent to Assignment provides for the City's consent to the assignment, subject to BreitBurn Energy Partners, L.P., providing adequate assurances for accomplishing the performance of the contract. Currently, the Recreation Park Oil and Gas Lease produces approximately 2,000 barrels of oil and 4 million cubic feet of gas per month.

This item was reviewed by Deputy City Attorney J. Charles Parkin and Budget Management Officer David Wodynski on July 31, 2006.

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TIMING CONSIDERATIONS

City Council action on this matter is requested on August 15, 2006, to coincide with the assignment of interest.

FISCAL IMPACT

The approval of the Consent to Assignment will have no fiscal impact on the City. The City's ongoing interests in the Recreation Park Oil and Gas Lease are expected to generate net revenues of approximately \$440,000 in Fiscal Year 2006 (FY 06) and \$480,000 in FY 07 for the Upland Oil Fund (SR 134).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



for CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:scs

APPROVED:



GERALD R. MILLER,
CITY MANAGER

LEG 626.025d