



December 2, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute the Surface Use Agreement between the City of Long Beach and Signal Hill Petroleum, Inc., which will authorize additional operations within the current surface use area for land owned by the Long Beach Water Department. (District 4)

DISCUSSION

Signal Hill Petroleum, Inc. (SHPI), is the Unit Operator of the Signal Hill East Unit (Unit). SHPI has proposed drilling a non-Unit well from the existing Water Department drill site. The existing agreements allow SHPI use of the land for Unit purposes. The purpose of the proposed Surface Use Agreement is to authorize SHPI use of the land to drill non-Unit wells. The City Charter exclusively authorizes the City Council to approve all gas and oil contracts affecting real property owned by the Long Beach Water Department. The size of the existing drill site will not increase. The City will receive a 2.5 percent royalty of gross revenues from any non-Unit well drilled from the location. In addition, the Long Beach Water Department will receive a one-time payment of \$5,000. This payment amount has been discussed with and deemed acceptable by the General Manager of the Long Beach Water Department. The non-Unit well will pay an equitable share of the Unit costs to process any fluids produced and other associated expenses.

This matter was reviewed by Deputy City Attorney Richard Anthony on October 22, 2014 and by Budget Management Officer Victoria Bell on October 23, 2014.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

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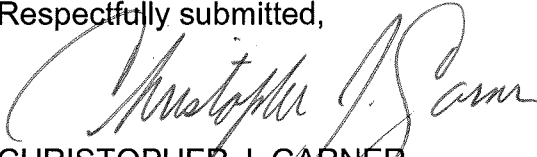
FISCAL IMPACT

If mineral resources are commercially developed by SHPI, additional revenues could be generated through well permits, barrel tax, and royalties, but cannot be estimated at this time. There is no impact to local jobs associated with the recommended action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED



PATRICK H. WEST
CITY MANAGER