



CITY OF LONG BEACH
DEPARTMENT OF OIL PROPERTIES

C-12

211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (562) 570-3900 • FAX 570-3922

June 22, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Crude Oil Marketing Agreement With Tidelands Oil Production Company
(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, and a request for proposal was issued to competitively select a marketer for the crude oil. Five proposals were received, and Tidelands Oil Production Company's proposal was determined to best provide marketing services to the City for the benefit of the WIOs. The marketing agreement will have a three-year term with two one-year extensions.

Deputy City Attorney J. Charles Parkin reviewed this item on June 16, 2004.

TIMING CONSIDERATIONS

City Council action on this matter is time critical because the current marketing agreement expires on July 31, 2004. Tidelands Oil Production Company must begin entering into crude oil sales contracts well in advance of the start date of its new marketing contract on August 1, 2004.

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FISCAL IMPACT

Not applicable.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a crude oil marketing agreement between the City of Long Beach, as Long Beach Unit Operator, and Tidelands Oil Production Company and provide for the City Manager to approve extensions or to terminate the agreement for the sale of the oil allocated to the Long Beach Unit Townlot Working Interest Owners. The agreement will have a three-year term, starting August 1, 2004, with two one-year extensions at the discretion of the City Manager.

Respectfully submitted,


for CHRISTOPHER J. GARNER
DIRECTOR OF OIL PROPERTIES

CJG:SCS
LEG 636.009

APPROVED:


for GERALD R. MILLER
CITY MANAGER