



August 10, 2010

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager to execute the Second Amendment to the Agreement (Amendment) with Occidental Long Beach, Inc., to develop the oil reserves from State Lease PRC 186 to define the priority of the use of equipment and facilities and define the payment of well fees. (Districts 1, 2 and 3)

**DISCUSSION**

Occidental Long Beach, Inc. (OLBI) entered into an agreement with the City of Long Beach (City), as Unit Operator of the Long Beach Unit (Unit), on February 5, 2005, to develop the oil and gas reserves from the easterly adjoining State lease PRC 186 (Belmont). OLBI is continuing to develop the reserves from the existing Unit facilities per the agreement.

The Amendment modifies the priority of the use of equipment and facilities and the keep-whole calculation in the event of limitations on facility capacity. Due to limited available well locations, the Amendment allows for an increase in the price OLBI must pay to the Unit if OBLI desires to drill a new well into Belmont. Also, the Amendment clarifies language on drilling rig fees.

This item was reviewed by Deputy City Attorney Richard F. Anthony on July 15, 2010 and Budget Management Officer Victoria Bell on July 16, 2010.

**TIMING CONSIDERATIONS**

City Council action on this matter is not time critical.

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FISCAL IMPACT

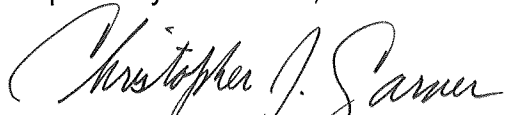
An additional \$20,000 in revenue is estimated from additional production due to an expected increase in the number of wells and a 2.5 percent pass-through royalty based on oil price and the total production in Belmont. This revenue is included in the FY 10 Budget in the Uplands Oil Fund (SR 134) in the Long Beach Gas and Oil Department (EN).

There are no job impacts associated with this action.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:CPH:lld

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER