



Legislation Text

File #: 04-2116, **Version:** 1

Agreement between Signal Hill Petroleum, Inc., and City of Long Beach for mineral interests. (District 5)

Signal Hill Petroleum, Inc., (SHPI) is the operator of three waterflood oil recovery Units in the Long Beach Oil Field adjacent to the Long Beach Airport. SHPI desires to collect technically advanced geological information in the Long Beach Oil Field by conducting a three-dimensional (3D) seismic survey. The new geological information will be used to

improve both the waterflooding operations and the ultimate oil recovery from the field.

While the seismic equipment is onsite, SHPI is interested in expanding the survey area beyond the limit of the Long Beach Oil Field and into areas where the City owns the mineral fee interests in anticipation of finding additional oil reserves to develop.

SHPI is proposing to lease approximately 1,100 acres of City mineral-fee property adjoining the Long Beach Oil Field to conduct the survey. The lease rate offered to the City is \$15 per acre per year for a minimum of five years with no right to surface entry. Should the survey result in commercial production of mineral resources in the leased acreage, the City

would receive a one-sixth royalty of gross revenues, which is the industry standard.

This item was reviewed by Deputy City Attorney Charles Parkin on August 9, 2004 and Budget Management Officer David Wodynski on August 18, 2004.

[Timing Considerations]

The rental fee would generate approximately \$15,000 per year to the Upland Oil Fund (SR 134) for the next five years. If mineral resources were commercially developed by SHPI, the Upland Oil Fund would realize unanticipated additional revenues through well permits, barrel tax, and royalties.

Authorize City Manager to enter into a five-year agreement.

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[Respectfully Submitted,]