

**CALENDAR ITEM  
C35**

A 54, 55

12/03/08  
W 12001  
D. Mercier  
A. Hager

S 25, 27, 28

**CONSIDER APPROVAL OF THE NINTH AMENDMENT  
TO THE LONG BEACH HARBOR TIDELANDS PARCEL  
AND PARCEL "A" OIL CONTRACT,  
LONG BEACH TIDELANDS,  
LOS ANGELES COUNTY**

**APPLICANT:**

City of Long Beach  
Long Beach Gas and Oil Department  
Attn.: Mr. Christopher Garner, Director  
211 E. Ocean Blvd., Suite 500  
Long Beach, CA 90802

**BACKGROUND:**

The City of Long Beach (City) and its Contactor under the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract (Tidelands Contract) have agreed to the Ninth Amendment to the Tidelands Contract providing minor changes to section 18.3 dealing with the valuation of crude oil for purposes of calculating net profits. Under section 10(b) of Chapter 29, Statutes of 1956, First Extraordinary Session, the advance consent of the California State Lands Commission (Commission) is required for an amendment to this contract to be effective.

The Tidelands Contract governs oil drilling and production operations on that portion of the Long Beach tidelands within the Harbor District as well as on a small parcel known as Parcel "A," all lying west of the Long Beach Unit. The Tidelands Contract was entered into in 1989 among the City and several entities comprising the Contractor. As a result of several assignments, the current Contractor is Tidelands Oil Production Company, a general partnership, 75 percent (75%) of which is owned by OXY Tidelands, Inc. and 25 percent (25%) of which is owned by OXY Wilmington, LLC. OXY Tidelands' and OXY Wilmington's performance under the Tidelands Contract is guaranteed by Occidental Oil and Gas Holding Corporation. The Tidelands Contract has been amended eight times since its inception.

CALENDAR ITEM NO. C35 (CONT'D)

Section 18.3 of the Tidelands Contract provides the method for valuing for purposes of computing net profits the crude oil that the Contractor is required to take and account for. The oil is valued currently by using the daily average of the prices posted in five California oil fields, the Wilmington, Huntington Beach, Long Beach, Inglewood and Midway Sunset oil fields, by companies either named or meeting specified qualifications. Since this valuation method was agreed upon, the number of price postings in the Wilmington, Huntington Beach, Long Beach and Inglewood oil fields has decreased significantly. There are by far more postings by qualifying companies in the Midway Sunset oil field than in the other fields, and the Midway Sunset postings have usually been several cents per barrel higher than the postings in the other fields. Additionally, a daily average of posted prices rather than a monthly average of posted prices injects into the valuation the instability of short term price fluctuations. The use of a monthly average of postings in a field where more companies post would provide a valuation based on more stable and competitive prices. The Ninth Amendment, therefore, revises Section 18.3 to prescribe a crude oil valuation based on the monthly average of the prices posted in the Midway Sunset oil field by the named companies and any other companies meeting specified qualifications. This valuation would be used for all oil taken by the Contractor on and after July 1, 2008.

A copy of the Ninth Amendment to the Long Beach Harbor Tidelands agreed to by the City and the Contractor is attached as Exhibit A and is on file in the Long Beach office of the Commission

**STATUTORY AND OTHER REFERENCES:**

- A. Section 10(b), Ch. 29, Stats. 1956, 1st E.S.

**OTHER PERTINENT INFORMATION**

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060(c)(3) and 15378.

CALENDAR ITEM NO. **C35** (CONT'D)

**EXHIBIT:**

- A. Ninth Amendment to the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract

**PERMIT STREAMLINING ACT DEADLINE:**

N/A (not a development project under the Act)

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

**CEQA FINDINGS:**

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

**AUTHORIZATION:**

1. APPROVE THE NINTH AMENDMENT TO THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A" OIL CONTRACT.
2. AUTHORIZE THE EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE ANY DOCUMENT NECESSARY TO IMPLEMENT THIS AMENDMENT.