

MINUTE ITEM

This Calendar Item No. 31
was approved as Minute Item
No. 31 by the State Lands
Commission by a vote of 3
to 0 at its 08/30/89
meeting.

CALENDAR ITEM

31

A 57, 58

S 29

08/30/89
W 12016
Pace
Hager

APPROVAL OF CONSENT BY CITY OF LONG BEACH TO
FIRST AMENDMENT TO LONG BEACH HARBOR TIDELANDS PARCEL
AND PARCEL "A" OIL CONTRACT

The City of Long Beach, acting with the approval of the State Lands Commission, entered into the Long Beach Harbor Tidelands Parcel and Parcel "A" Oil Contract ("Contract"), effective March 1, 1989, with Tidelands Oil Production Company ("TOPKO"), a partnership of Neste Oil Service, Inc. and Chasse Long Beach Production Corporation. As the Contractor under the Contract, TOPKO is responsible for conducting oil field operations on the Long Beach Harbor Tidelands Parcel and Parcel "A" in the Long Beach Harbor Tidelands. Part of TOPKO's responsibility is carrying out the City's duties as Unit Operator for Segment I, the tidelands portion of the four Fault Block units encompassing a portion of the lands subject to the Contract.

Mobil Exploration & Producing U.S., Inc. ("Mobil") is the unit operator for the uplands area, Segment II, of two of the four Fault Block units, namely the Fault Block IV Unit and the Fault Block V Ranger Zone Unit. Mobil has contracted with TOPKO for the purpose of having TOPKO perform its field operating duties as unit operator for Segment II for these two units. For TOPKO to perform these functions, it is necessary that TOPKO be able to use portions to the Contract lands, facilities on the Contract lands and TOPKO personnel. However, the Contract requires that such lands facilities, and personnel be used solely for operations on the Contract lands.

If the Contract lands, facilities, and personnel are used by TOPKO to perform the duties of the unit operator for Segment II and the costs attributable to Segment II operations are

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allocated to Segment II, a savings to the City and the State will result from a greater efficiency in field operations. One company conducting field operations for both the tidelands and uplands portions of the units should provide these operations at a lesser cost. This lesser cost will reduce unit expense which is a reimbursable expense under the Contract. In addition, having TOPKO use certain facilities for uplands as well as tidelands operations will spread part of the costs of these facilities to the uplands, reducing the costs reimbursable to TOPKO under the Contract.

As amendment to the Contract has been prepared that permits TOPKO to use the Contract lands, facilities on these lands and TOPKO personnel in the performance of operations on Segment II in the Fault Block units and provides for apportioning the costs attributable to Segment II operations to Segment II in accordance with the accounting procedures of the Fault Block units. A copy of that amendment is on file in the Commission's Long Beach office. Because TOPKO's performance of these functions should lead to greater operating efficiencies and cost savings to the City and the State, the staff believes that an amendment to the Contract to permit TOPKO to perform these functions would be in the State's best interest. Under Section 10(b) of Chapter 29, Statutes of 1956, 1st E.S., any amendment to a Long Beach tidelands oil operating contract must receive the consent of the State Lands Commission before it can be made by the City.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Code Regs.: Title 2, Div. 3;
Title 14, Div. 6.

AB 884: N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA under the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. The staff believes there is no possibility that this project may have a significant effect on the environment.

Authority: 14 Cal. Code Regs. 15061(b)(3).

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THERE IS NO POSSIBILITY THAT THE ACTIVITY MAY HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT. (14 CAL. CODE REGS. 15061(b)(3))
2. CONSENT TO THE FIRST AMENDMENT TO THE LONG BEACH HARBOR TIDELANDS PARCEL AND PARCEL "A" OIL CONTRACT PERMITTING THE CONTRACTOR TO CONDUCT FIELD OPERATIONS ON SEGMENT II OF THE FAULT BLOCK UNITS AND TO ALLOCATE THE COSTS ATTRIBUTABLE TO SEGMENT II OPERATIONS TO SEGMENT II IN ACCORDANCE WITH APPLICABLE UNIT ACCOUNTING PROCEDURES.