

Staff Report 69

GRANTEE:

City of Long Beach

PROPOSED ACTION:

Consider delegation of authority for the Executive Officer to execute an agreement to terminate the OWPA Depository Agreement for Software Media Storage, Long Beach Unit, Wilmington Oil Field, Los Angeles

BACKGROUND:

The Long Beach Unit (LBU or Unit) is an oil and gas production unit, established in 1965, operating from tidelands legislatively granted to the City of Long Beach (City). The City, as the Unit operator, manages the operation in trust on behalf of the State. In 1992, the LBU participants executed the Optimized Waterflood Program Agreement (OWPA) whereby, among other things, the LBU's private oil company contractor (Field Contractor) agreed to invest into improved oil recovery methods to increase the productive life of the LBU. In exchange, the State would receive a smaller net profit share (42.5 percent) on the sale of oil incrementally produced as a direct result of the improved recovery methods.

In September 2016, a clause was triggered within the OWPA that resulted in a change in the percentage share of net profits realized in the unit. Prior to September 2016, the State's net profits share in the LBU was approximately 96 percent of the oil produced from wells existing pre-OWPA (i.e., Base Production) and 42.5 percent of the oil produced from wells after OWPA (i.e., Incremental Production). The City informed staff ([Item 64, December 6, 2016](#)) that, starting in October 2016 and from then on, Base Production would no longer be calculated, and the State's share of all Unit net oil profits will be adjusted to a flat 42.5 percent (i.e., all production is considered incremental).

Prior to October 2016, the volume of oil considered "Base Production" was calculated by a computer model and software based on Fortran software

language (i.e., the Computer Program) developed at the time the OWPA was executed. To protect and preserve the Computer Program, an exact copy was transferred to a disk and stored in a secured depository. A Depository Agreement was entered into on November 5, 1991, by and among National Safe Depository, a California limited partnership (Depository), the State of California, by and through the Commission, the City, Atlantic Richfield Company, a Delaware corporation (ARCO), and ARCO Long Beach, Inc., a Delaware corporation and a wholly owned subsidiary of ARCO (ALBI).

Since the calculation of Base Production was suspended in October 2016, the Computer Program has no use in relation to the LBU. Relatedly, there is no longer a need for the Computer Program to be stored by a third party. The fee charged to store the program is approximately \$1,000 per year, charged as a unit expense.

In May 2021, the City submitted a letter for approval of termination of the Depository Agreement (Exhibit A) to avoid the continued storage charges for the Computer Program, which is no longer used. Because the Depository Agreement is an agreement approved by the Commission, staff seeks authorization from the Commission to terminate that agreement by consent of all parties.

OTHER PERTINENT INFORMATION:

1. This action is consistent with paragraph 2b of the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
2. Termination of the Depository Agreement is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15378, subdivision (b)(5).

EXHIBIT:

- A. Letter from the City of Long Beach dated May 7, 2021.

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Consider delegation of authority for the Executive Officer to execute an agreement to terminate the OWPA Depository Agreement for Software Media Storage contract with Depository company, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

EXHIBIT A

May 7, 2021

W 17102.9

NCC Group Inc.
650 California St, Ste 2950
San Francisco, CA 94108

Subject: Termination of OWPA Depository Agreement for Software Media Storage

The original or current successors to the Parties of the Depository Agreement dated November 5, 1991 with National Safe Depository, hereby terminate said agreement pursuant to section 4(b) of the Depository Agreement. Please reference the attached NCC Group Inc. invoice No. 020252, dated 12/09/20 to properly identify the correct account. California Resources Corporation (CRC) is the current owner of Oxy Long Beach Inc. (OLBI) and successor to original ARCO Parties.

Pursuant to section 4(c) of the Depository Agreement, the stored Media property shall be delivered to the City within 15 business days. Delivery by FedEx/USPS/UPS certified parcel service is acceptable to the Parties. Please deliver the stored Media property at the address printed above on the letterhead to the attention of Kevin Tougas.

Please contact Kevin Tougas at (562) 570-3963 or via email at Kevin.Tougas@LongBeach.gov if you need additional information.

Dated: _____

The City of Long Beach

By _____

Tom Modica
City Manager

Dated: _____

The State of California

By _____

Jennifer Lucchesi
Executive Officer
State Lands Commission



May 7, 2021

NCC Group Inc.

Subject: Termination of OWPA Depository Agreement for Software Media Storage

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Dated: _____

California Resources Corporation,
a Delaware Corporation

By _____
Mark McFarland
President

Dated: _____

California Resources Long Beach Inc.,
a Delaware Corporation

By _____
Mark McFarland
President

