



## AUDIT COMMITTEE

Report to the  
Board of Harbor Commissioners

### “FOR INFORMATION ONLY”

**DATE: MAY 16, 2013**

**TO: AUDIT COMMITTEE OF THE BOARD OF HARBOR COMMISSIONERS  
DOUGLAS KRAUSE, CHAIR  
SUNG WON SOHN, Ph.D., MEMBER**

**FROM: PLANNING & ECONOMIC DEVELOPMENT**

**SUBJECT: UPDATE ON THE STATUS OF OIL ROYALTIES**

#### **SUMMARY:**

At the Audit Committee of the Board of Harbor Commissioners (Board) meeting of April 18, 2013, Commissioners Krause and Sohn requested staff to inform them on the status of the oil royalties' project as it moves forward. This memo provides updates on the status of Fault Blocks I and II.

#### **Status of Fault Block I**

The California Public Resources Code requires that the California State Lands Commission (SLC) review and approve any Request for Proposals (RFP) for the exploration and/or production of petroleum products on State Tidelands. Port staff submitted a draft RFP (Transmittal 1) for the development of the Port's ownership of Fault Block I within the Wilmington Oil Field to the SLC on May 8, 2013, initiating this process. The RFP is scheduled to be presented at the next SLC meeting on June 21, 2013, likely as a consent item.

#### **Status of Fault Block II**

Port staff sent a correspondence to the City of Long Beach (Transmittal 2) on May 1, 2013, requesting that the Port replace Mobil Oil as a Working Interest Owner in Fault Block II and that Long Beach discontinue the separation of the waterflood and steamflood accounting and allow the Port to be a part of the Fault Block II waterflood on a go forward basis without a negative balance. Port staff has been in contact with staff from the City of Long Beach Gas & Oil Department and will meet to finalize the details of this arrangement.

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**Future Board Action**

After the SLC approves the Port's RFP for development of the Port's ownership of Fault Block I, Port staff will submit the RFP to the Board to be adopted as a Resolution as required by Los Angeles Administrative Code Section Chapter 4, Article 2. Assuming no unforeseen complications or objections to the RFP occur, it is anticipated that the Resolution will be submitted to the Board no later than August 2013. There is no future action required by the Board for the Port's participation in Fault Block II.

**TRANSMITTALS:**

1. Draft RFP for Development of the Wilmington Oil Field
2. Correspondence to the City of Long Beach