



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JUNE 19, 2013

FROM: PLANNING & ECONOMIC DEVELOPMENT

SUBJECT: RESOLUTION NO. _____ – PROPOSED FIRST AMENDMENT TO AGREEMENT NO. E6651 BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND CGEOIL LLC

SUMMARY:

CGEOIL LLC (CGEOIL) provides the City of Los Angeles Harbor Department (Harbor Department) with oil consulting services relating to mineral interests owned by the Harbor Department. The agreement was originally approved as a one-year Executive Director Agreement on July 12, 2012, in the amount of \$50,000. Completion of the original scope of work for the agreement requires additional time due to state regulatory requirements related to public notification and additional research required for royalty payments. The First Amendment would extend the existing agreement an additional 12 months to July 12, 2014, in order to allow CGEOIL to complete the work. The total agreement amount would remain the same at \$50,000 and no additional funds are being requested.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the First Amendment to Agreement No. E6651 to extend the agreement an additional 12 months;
2. Authorize the Executive Director and the Board Secretary to execute and attest to the First Amendment for and on behalf of the Board; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On July 12, 2012, the Harbor Department entered into an Executive Director Agreement with CGEOIL (Transmittal 1) to provide crude oil rights consulting services, including advising the Harbor Department on its mineral rights and assisting in the selection of an operator for crude oil extraction activities. The agreement

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had a one-year term with compensation not to exceed \$50,000. The services provided include determining existing Port of Los Angeles (Port) property and mineral rights relative to Fault Blocks I and II of the Wilmington Oil Field, obtaining and analyzing past Harbor Department agreements to determine the Port's interests and past royalties due, advising the Harbor Department with regard to its options for future participation in the extraction of remaining oil reserves, and assisting the Harbor Department with preparing a Request for Proposals (RFP) to select a qualified firm for oil extraction activities offering the most value to the Harbor Department.

To date, CGEOIL has provided the Harbor Department with a thorough assessment of its mineral rights ownership in the Fault Block II unit, and negotiated an arrangement with the City of Long Beach allowing the Harbor Department to replace Mobil Oil as a Working Interest Owner in the unit, thereby resuming the collection of oil royalties. The Harbor Department is expecting its first royalty payment, estimated at \$20,000 to \$30,000, in July 2013. These payments will continue monthly as long as revenues exceed expenses relative to extraction activities and the unit remains active. In addition, CGEOIL assisted Port staff in the preparation of an RFP for the selection of an oil extraction operator for the Port's mineral rights ownership in the Fault Block I unit. While these tasks did not go significantly over budget, they did require more time than originally anticipated due to state regulatory requirements related to public notification and additional research required for royalty payments. The majority of the remaining tasks for CGEOIL will consist of assisting the Harbor Department with evaluating the proposals received from the RFP and negotiating the terms of a new royalty agreement with an oil extraction operator for Fault Block I. The proposed First Amendment to Agreement No. E6651 with CGEOIL would extend the term an additional 12 months beginning July 12, 2013, with a new expiration date of July 12, 2014, allowing the time needed for CGEOIL to complete these tasks (Transmittal 2). The original contract amount of \$50,000 will remain unchanged.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of an Amendment to an Agreement with CGEOIL LLC to extend the term of the agreement by 12 months with no change to the scope or funding amount. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

Approval of the proposed First Amendment will have no employment impact in the five-county region.

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FINANCIAL IMPACT:

Approval of the proposed First Amendment will extend the term by an additional 12 months. The original agreement amount of \$50,000 will remain the same. Of this amount, \$35,700 will be spent in FY 12/13. Although the entire \$50,000 was anticipated to be spent in FY 12/13, funds are available in FY 13/14 to provide for the remaining \$14,300. If the Board approves the recommended actions, funds from the FY 13/14 budget will be provided from the Planning & Economic Development Division budget, Account Number 54290, Center Number 0428, and Program Number 000.

CITY ATTORNEY:

The Office of City Attorney has prepared and approved the First Amendment as to form and legality.

TRANSMITTALS:

1. Agreement No. E6651
2. First Amendment to Agreement No. E6651

FIS Approval:  (initials)
CA Approval:  (initials)


DAVID L. MATHEWSON
Director of Planning & Economic Development


KATHRYN McDERMOTT
Deputy Executive Director

APPROVED:


GERALDINE KNATZ, Ph.D.
Executive Director

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