



## AGENDA REPORT

**Meeting Date:** May 20, 2014  
**Item Number:** D-20  
**To:** Honorable Mayor & City Council  
**From:** Mark Cuneo, City Engineer

**Subject:** APPROPRIATION OF \$75,000 FROM THE GENERAL FUND; AND  
APPROVAL OF A PURCHASE ORDER IN THE AMOUNT OF \$78,375  
FOR OIL RELATED CONSULTING SERVICES TO DONALD D.  
CLARKE, CONSULTING PETROLEUM GEOLOGIST.

**Attachments:**

1. Agenda Report - May 1, 2012
2. Agreement No. 158-12 (Amendment No.1 to Agreement #29-09)

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### RECOMMENDATION

It is recommended that the City Council appropriate \$75,000 from the General Fund and approve a purchase order in the amount of \$78,375 for oil related consulting services to Donald D. Clarke, Consulting Petroleum Geologist for services related to the Venoco Claim Evaluation and Pricing Analysis Report and review of an oil well drilling permit.

### INTRODUCTION

In March 2010, Venoco, Inc. submitted a claim to the City of Beverly Hills for overpayment of oil royalties to the City. In order to evaluate the claim, City Council approved an amendment to an agreement with Donald D. Clarke, Consulting Petroleum Geologist, to review, verify and reconcile oil volumetric production and royalty price for a five year period. The consulting work was satisfactorily completed in 2013; however, the appropriated funds had been returned to fund balance by that time. This report recommends appropriating funds from the General Fund and issuing a purchase order to pay for the oil related consulting services performed.

**DISCUSSION**

In May 2012, the City Council approved Amendment No. 1 to Agreement No. 29-09, between the City of Beverly Hills and Donald D. Clarke, Consulting Petroleum Geologist, for oil related consulting services and approved a purchase order in the amount of \$75,000 for services related to the Venoco claim.

The amendment was completed and a purchase order was issued at that time; however, the purchase order was closed at the end of the fiscal year prior to the completion of services and payment in accordance with the Agreement. Staff has reviewed the invoices and verified that the work was satisfactorily performed and no payment was made.

Currently, sufficient funding is not available in the FY2013-2014 operating budget to pay the outstanding invoices. It is therefore recommended that the City Council appropriate \$75,000 from the General Fund so a purchase order can be issued and outstanding invoices can be paid.

**FISCAL IMPACT**

Funds in the amount of \$75,000 are to be appropriated from the General Fund.

David Lightner   
Approved By

# **Attachment 1**



## AGENDA REPORT

**Meeting Date:** May 1, 2012  
**Item Number:** G-5  
**To:** Honorable Mayor & City Council  
**From:** Ara Maloyan, City Engineer *AM*  
Juan I. Martinez, Civil Engineer *JM*

**Subject:** APPROVAL OF AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN THE CITY OF BEVERLY HILLS AND DONALD D. CLARKE, CONSULTING PETROLEUM GEOLOGIST, FOR OIL RELATED CONSULTANT SERVICES; AND

APPROVAL OF A PURCHASE ORDER IN THE AMOUNT OF \$ 75,000 FOR THESE SERVICES

**Attachments:**

1. Amendment No.1
2. Existing Agreement #29-09
3. Venoco's Claim

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### RECOMMENDATION

Staff recommends that the City Council move to approve a) Amendment No.1 to the existing Agreement #29-09 between the City of Beverly Hills and Donald D. Clarke, Consulting Petroleum Geologist, for Oil Related Consultant Services; and b) A one-time increase in the amount of \$75,000 to the existing purchase order to Donald D. Clarke; for a total not to exceed amount \$110,000

### INTRODUCTION

On March 2010, Venoco Inc submitted a claim to the City of Beverly Hills for overpayment since 2005 of oil royalties to the City. Venoco's claim is based on findings generated by a new accounting software system installed at Venoco's main office in Denver, Colorado, which "uncovered" a royalty payment error originally generated in 2005. Since 2005, a cumulative error in royalty payments allegedly amounting to \$2.2 million in royalty overpayments to the City. In order to verify Venoco's claim, an oil production and royalties consulting expert must verify and confirm volumetric production in addition to performing oil and royalties price reconciliation for the 5 year claim period.

**DISCUSSION**

The scope of work required to be performed by Mr. Clarke is itemized as follows.

1. Oil production volumetric confirmation
2. Pricing reconciliation
3. Detailed Review of Venoco's already submitted accounting and oil production document.
4. Assessment and support meetings between City's and Venoco's representative
5. Final report of findings and conclusions

Staff evaluated the proposal received from Mr. Donald Clarke for the required scope of work and has determined after reviewing background, credentials, experience, and the familiarity of the consultant with the subsurface geology of the Beverly Hills area, that Mr. Donald Clarke is qualified to perform the work required.

It is therefore recommended that the City amend its existing agreement # 29-09 with Mr. Donald Clarke for these specialized services in the performance of the required scope of work for an hourly fee of \$125, with a not to exceed fee of \$110,000. After the termination date, the agreement shall continue on a year to year basis, unless terminated by either party upon 30 days written notice.

**FISCAL IMPACT**

Funds for this project are provided as follows:

DEPT	FUND	ACCOUNT	FUNDING SOURCE	AMOUNT
35	01	73122	General Funds	\$ 75,000

  
\_\_\_\_\_  
Scott Miller  
Finance Approval

  
\_\_\_\_\_  
David Gustavson  
Approved By

# **Attachment 2**

AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN THE  
CITY OF BEVERLY HILLS AND DONALD D. CLARKE,  
CONSULTING PETROLEUM GEOLOGIST, FOR OIL  
RELATED CONSULTANT SERVICES

NAME OF CONSULTANT: Donald D. Clarke

RESPONSIBLE PRINCIPAL  
OF CONSULTANT: Donald D. Clarke

CONSULTANT'S ADDRESS: 5838 Graywood Avenue  
Lakewood, California 90712

CITY'S ADDRESS: City of Beverly Hills  
345 N. Foothill Road  
Beverly Hills, CA 90210  
Attention: Ara Maloyan, City Engineer

COMMENCEMENT DATE: January 23, 2009

TERMINATION DATE: June 20, 2013 unless extended pursuant  
to Section 2 of the Agreement

CONSIDERATION: Original Contract: Not to exceed \$35,000  
per year, based on the rates set forth in  
Exhibit B-1

Amendment No. 1: An additional \$75,000 as  
further described in Exhibits A-1 and B-3

Total not to exceed: \$110,000

AMENDMENT NO. 1 TO AN AGREEMENT BETWEEN THE  
CITY OF BEVERLY HILLS AND DONALD D. CLARKE,  
CONSULTING PETROLEUM GEOLOGIST, FOR OIL  
RELATED CONSULTANT SERVICES

This Amendment No. 1 (this "Amendment") is to that certain Agreement between the City of Beverly Hills, a municipal corporation ("CITY"), and Donald D. Clarke, (hereinafter called "CONSULTANT") dated January 22, 2009 and identified as Contract No. 29-09, for oil related consultant services ("Agreement"), a copy of which is on file in the Office of the City Clerk.

RECITALS

A. CITY entered into the Agreement with CONSULTANT for oil related consultant services on January 22, 2009.

B. CITY and desires to amend the Termination Date, to expand the Scope of Services, and increase the Consideration to compensate CONSULTANT for such additional services.

NOW, THEREFORE, the parties agree as follows:

Section 1. The Termination Date shall be amended as set forth above.

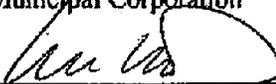
Section 2. The Scope of Services shall be amended to include the additional services ("Additional Services") set forth in Exhibit A-1, Scope of Additional Services, attached hereto and incorporated herein by this reference.

Section 3. Exhibit B-3, Rates for Additional Services, attached hereto and incorporated herein by this reference, shall be added to the Agreement.

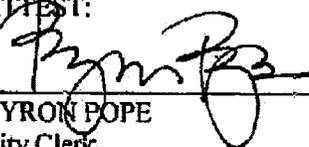
Section 4. Except as specifically set forth in this Amendment, the remaining provisions of the Agreement shall remain in full force and effect.

EXECUTED the 1<sup>st</sup> day of May 2012, at Beverly Hills, California.

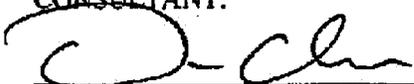
CITY OF BEVERLY HILLS  
A Municipal Corporation

  
WILLIAM W. BRIEN, M.D.  
Mayor of the City of Beverly Hills,  
California

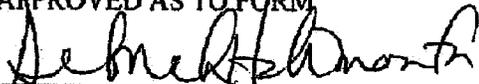
ATTEST:

  
BYRON POPE (SEAL)  
City Clerk

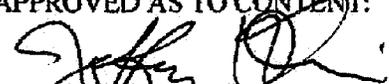
CONSULTANT:

  
DONALD D. CLARKE  
Sole Proprietor

APPROVED AS TO FORM

  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

  
JEFFREY KOLIN  
City Manager

  
DAVID D. GUSTAVSON  
Director of Public Works & Transportation

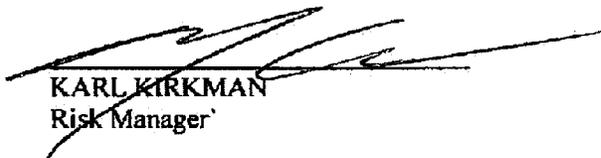
  
KARL KIRKMAN  
Risk Manager

EXHIBIT A-1

SCOPE OF ADDITIONAL SERVICES

CONSULTANT shall perform the following Additional Services:

1. Oil production and volumetric confirmation of the Venoco claim.
2. Pricing reconciliation of the Venoco claim.
3. Review of Venoco's submitted accounting and oil production documents.
4. Assessment and support meetings with CITY and Venoco's representative.
5. Final report of findings and conclusions of the Venoco claim.

### EXHIBIT B-3

#### RATES FOR ADDITIONAL SERVICES

CITY shall pay CONSULTANT for the satisfactory performance of the additional services set forth in Exhibit A-1 of this Agreement at the rate of One Hundred Twenty Five Dollars (\$125.00) per hour, up to an amount not to exceed Seventy-Five Thousand Dollars (\$75,000.00) annually, including reimbursement for directly associated expenses including, but not limited to: telephonic, mileage (at the current Internal Revenue Service optional standard mileage rate), photostat, duplication maps, drafting, and, with prior written approval, extraordinary stenographic services, if required.

CITY shall pay CONSULTANT for the satisfactory performance of the services set forth in Exhibits A and A-1 an amount not to exceed One Hundred Ten Thousand Dollars (\$110,000).