



NEWPORT BEACH

City Council Staff Report

May 12, 2026
Agenda Item No. 11

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Amendment to Professional Services Agreement with Sampson Oil
Company for Oil Well Management Services

ABSTRACT:

The Utilities Department oversees the operation of the City of Newport Beach's 16 oil wells. A specialty service contractor is responsible for the daily maintenance, repair and operation of the oil wells and the production tank facility. This includes coordinating regulatory agency inspections and compliance, purchasing materials, and managing subcontractor repairs. The Utilities Department is requesting City Council approval to amend and extend the existing agreement with Sampson Oil Company (Sampson).

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Approve Amendment No. Eight to the Professional Services Agreement with Sampson Oil Company, Inc. for Oil Well Management Services, which extends the contract to June 30, 2027, and increases the contract amount by \$850,000, and authorize the Mayor and City Clerk to execute the Agreement.

DISCUSSION:

Sampson has managed and operated the City's oil fields in West Newport since the 1980s. Its operations and services include daily maintenance, repair, operation and regulatory compliance of the City's 16 oil wells, including one injection well, a production tank facility and pipelines. Sampson also coordinates regulatory agency inspections, prepares compliance reporting, procures materials, and manages subcontractors for as-needed repairs. With decades of experience, Sampson has the expertise and familiarity necessary for the effective management and operation of the City's oil fields.

Over the last several years of the current agreement, the City and Sampson have made significant oil well repairs to increase oil production and maintain compliance with California's new Idle Well Program requirements. During the previous and current fiscal

years, expenditures were necessary for regulatory compliance with idle wells and injection wells, replacement of tubing and inner liners, casing repairs, pump and motor replacements, cementing, haul-offs, zone abandonments, rehabilitations, and investigations into underperforming wells. As a result of these efforts, oil well production significantly increased, reaching more than 22,000 barrels sold during calendar year 2024 with another solid year of oil production of approximately 21,000 barrels sold in calendar 2025.

Following the California Geologic Energy Management Division's June 2024 regulations under Senate Bill 1137, major rehabilitation of existing oil wells is now prohibited. While basic maintenance is still permitted and operations may continue temporarily, the inability to perform significant repairs threatens long-term cost-effectiveness. Consequently, the City is following regulatory guidance to decommission its idle and underperforming wells.

In 2025, the City reinstated an Oil Ad Hoc Advisory Committee (Committee), comprising Mayor Pro Tem Noah Blom, Councilmembers Michelle Barto and Sarah J. Weber with administrative support from the Utilities Department staff. The Committee convened for the first time on May 7, 2025, and has met two additional times. These meetings provide Utilities Department staff with an opportunity to inform committee members about the latest issues related to the operation of the City's oil fields, ranging from oil production, expenses and revenues, oil sector economics, and the navigation of oil operations within the State's regulatory climate.

Following Amendment No. Seven, staff originally planned to issue a formal request for proposals to hire a new operator, anticipating the near-future retirement of the owner of Sampson. However, based on State regulations, discussions with Sampson, and discussions with the Committee, staff is recommending an extension of the existing agreement, as it provides the best value to the City.

Sampson will maintain the routine management and operation of the City's wells, with staff and contractors handling all necessary repairs. The contract accounts for material costs and unforeseen subcontractor repairs, while also covering the administrative time required to ensure full compliance with state regulations. Staff recommends the City Council approval of Amendment No. Eight to the Professional Services Agreement with Sampson Oil Company for Oil Well Management Services, extending the contract to June 30, 2027, and increasing the total contract amount by \$850,000.

FISCAL IMPACT:

Sufficient funding for this agreement is included in the adopted Fiscal Year 2025-26 and the proposed Fiscal Year 2026-27 budgets, respectively, and will be drawn from operating funds in the Tidelands Fund (Fund 100). Additional funding has been allocated in the Capital Improvement Program.

Revenue from oil sales help offset expenditures with net proceeds from oil operations deposited into the Tidelands Fund and the Oil Well Abandonment Fund. While monthly oil production has been relatively consistent in calendar year 2026, geopolitical events

have brought volatility to the oil markets with a significant increase in per barrel price since early February. The uncertainty in the oil markets will likely continue through the end of the current fiscal year and into the start of the next fiscal year. Preliminary full-year net revenues for FY 2025-26 are estimated at \$400,000.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – Amendment No. Eight to Professional Services Agreement