



Legislation Details (With Text)

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Title: Recommendation to approve the Modification and Supplement of the Long Beach Unit Annual Plan (July 2012 through June 2013). (Citywide)
Sponsors: Long Beach Gas and Oil
Indexes: Contracts
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Attachments: 1. 060413R-17sr.pdf

Date	Ver.	Action By	Action	Result
6/4/2013	1	City Council	approve recommendation	Pass

Recommendation to approve the Modification and Supplement of the Long Beach Unit Annual Plan (July 2012 through June 2013). (Citywide)

In accordance with Chapter 138, California Legislature, 1964 First Extraordinary Session, an Annual Plan of Development and Operations and Budget for the Long Beach Unit (LBU) must be adopted by the City of Long Beach and approved by the State Lands Commission (SLC).

Chapter 941, California Legislature, 1991 Sessions, amended Chapter 138 and requires the City and the Contractor, Occidental Long Beach, Inc., to prepare a one-year plan (Annual Plan), which includes an itemized budget of intended expenditures. The Annual Plan covering the period of July 1, 2012 through June 30, 2013 was adopted by the City of Long Beach on February 21, 2012 and approved by the SLC on March 29, 2012.

In accordance with the provision of Section 2.06 of the Optimized Waterflood Program Agreement and provisions of Part IV, Sections A and B of the Annual Plan, we are submitting the First Modification and Supplement of the Annual Plan covering the period of July 1, 2012 through June 30, 2013. The modification and the supplement are required to account for additional well-drilling activities to take advantage of the ongoing high oil price environment.

The Annual Plan is being modified to increase the number of wells drilled from 67 to 81 during the Plan period. The Annual Plan will also require a \$29.4 million supplement because the additional drilling costs will exceed 120 percent of the budgeted amount in the Development Drilling Category. The requested supplement is wholly funded out of LBU operating profits and will increase the Development Drilling Category budget amount from \$118.5 million to \$147.9 million.

This matter was reviewed by Deputy City Attorney Richard Anthony on May 9, 2013 and by Budget Management Officer Victoria Bell on May 10, 2013.

Chapter 941, California Legislature, 1991 Sessions, requires that any modification is subject to

review and revision by the SLC, and that the SLC have a 30-day review period after formal submission by the City. Chapter 138 (Section 5g) gives the SLC executive officer the power to consent to a modification provided that her consent is ratified by the SLC at its next scheduled meeting (June 21, 2013). In order to meet these timing requirements, City Council action on this matter is requested on June 4, 2013.

City Council approval of the Modification and Supplement of the Annual Plan for transmission to the SLC has no fiscal impact or local job impact. The additional drilling investments (\$29.4 million) made out of LBU gross revenues will be more than offset by revenues generated by additional oil produced and higher oil prices.

Approve recommendation.

CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST
CITY MANAGER