

CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

C-15

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March 8, 2005

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve and adopt the Long Beach Unit Program Plan (July 2005 – June 2010) and Long Beach Unit Annual Plan (July 1, 2005 - June 30, 2006). (Citywide)

DISCUSSION

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 allowed for the creation of the Agreement for Implementation of an Optimized Waterflood Program (OWPA). The OWPA is an investment and oil development plan for the Long Beach Unit and requires the City and the Contractor, Oxy Long Beach, Inc. (OLBI), to prepare a five-year plan of development (Program Plan) and to review and replace this plan every two years. Also required is the preparation of a one-year plan (Annual Plan), which consists of the applicable portion of the Program Plan plus an itemized budget of intended expenditures. Preparation of the Program and Annual Plans (Plans) is a joint effort by the staffs of the City of Long Beach, Department of Oil Properties (Unit Operator), OLBI (Field Contractor), and Thums Long Beach Company (Agent for Field Contractor). Copies of the Plans are attached.

Assuming an average oil price of \$28 per barrel for the first two years and \$23 per barrel for the last three years and an average gas price of \$5.50 per thousand cubic feet the first year, \$4.50 per thousand cubic feet the second year and \$4.00 per thousand cubic feet the last three years, total net income from the Long Beach Unit is estimated to be \$362,500,000 in the five-year Program Plan and \$73,800,000 in the Fiscal Year 2005-06 Annual Plan. Expenses are estimated to total \$1,153,700,000 and \$272,000,000 for the Program Plan and Annual Plan, respectively.

This item was reviewed by Deputy City Attorney Charles Parkin on February 22, 2005 and Budget Management Officer David Wodynski on February 25, 2005.

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TIMING CONSIDERATIONS

Chapter 941, California Legislature, 1991 Sessions, also requires that the City submit formal copies of the Plans to the SLC for approval not later than March 21, 2005. To meet that requirement, City Council approval is requested on March 8, 2005.

FISCAL IMPACT

As a Working Interest Owner, as the Unit Operator, and as a revenue sharer under the Optimized Waterflood Program in the Long Beach Unit, the oil operations will generate an estimated income for the City in the amounts of \$8,300,000 over the Program Plan period and \$2,400,000 over the Annual Plan period for the Tideland Operating Fund (TF 401) and \$13,100,000 over the Program Plan period and \$3,000,000 over the Annual Plan period for the General Fund (GP).

SUGGESTED ACTION:

Approve recommendation.


Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF OIL PROPERTIES

CJG:scs
FIN 312.006

APPROVED:


GERALD R. MILLER
CITY MANAGER

Attachments:

Long Beach Unit Annual Plan
Long Beach Unit Program Plan