



February 21, 2006

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Approve and adopt the Long Beach Unit Annual Plan (July 1, 2006 - June 30, 2007). (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 must be adopted by the City of Long Beach and approved by the State Lands Commission.

Chapter 941, California Legislature, 1991 Sessions, amended Chapter 138 and requires the City and the Contractor, Occidental Long Beach, Inc. (OLBI), to prepare a one-year Annual Plan, which includes an itemized budget of intended expenditures.

The Annual Plan provides for the further development of the Long Beach Unit through the Agreement for Implementation of an Optimized Waterflood Program that was entered into in November 1991 as part of the above legislation. Preparation is a joint effort by the staffs of the City of Long Beach, Long Beach Gas and Oil (Unit Operator), OLBI (Field Contractor), and Thums Long Beach Company (Agent for Field Contractor).

A copy of the Annual Plan is attached.

Assuming an average oil price of \$40 per barrel and an average gas price of \$7.00 per thousand cubic feet, total net profit from the Long Beach Unit is estimated to be \$158,100,000 and expenses are estimated to total \$326,000,000 in the Fiscal Year 2006-07 Annual Plan.

This item was reviewed by Deputy City Attorney Charles Parkin on February 6, 2006 and Budget Management Officer David Wodynski on February 13, 2006.

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TIMING CONSIDERATIONS

Chapter 941, California Legislature, 1991 Sessions, also requires that the City submit formal copies of the Plan to the SLC for approval not later than March 21, 2006. To meet that requirement, City Council approval is requested on February 21, 2006.

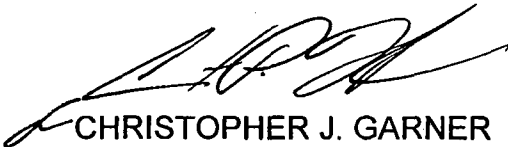
FISCAL IMPACT

The Long Beach Unit represents a portion of total Long Beach Gas and Oil activity. 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 \$6,400,000 over the Annual Plan period for the Tideland Operating Fund (TF 401) and \$4,100,000 over the Annual Plan period for the General Fund (GP). Revenue from oil operations has been needed to offset the increased costs for fuel associated with inflated oil prices.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:scs  
FIN 312.006

APPROVED:



GERALD R. MILLER  
CITY MANAGER

Attachment:  
Long Beach Unit Annual Plan