



Legislation Text

File #: 07-0270, **Version:** 1

Recommendation to approve and adopt the Long Beach Unit Program Plan (July 2007 - June 2012) and Long Beach Unit Annual Plan (July 1, 2007 - June 30, 2008). (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, allowing 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 Gas and Oil (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 \$40 per barrel and an average gas price of \$6.00 per thousand cubic feet, total net income from the Long Beach Unit is estimated to be \$340,800,000 in the five-year Program Plan and \$73,300,000 in the State Fiscal Year 2007-08 Annual Plan. Expenses are estimated to total \$1,995,300,000 and \$395,600,000 for the Program Plan and Annual Plan, respectively.

This item was reviewed by Principal Deputy City Attorney Charles Parkin on February 20, 2007 and Budget and Performance Management Bureau Manager David Wodynski on February 23, 2007.

City Council approval is requested on March 13, 2007, as 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, 2007.

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 \$10,000,000 over the Program Plan period and \$3,000,000 over the Annual Plan period for the Tidelands Operations Fund (TF 401), and \$20,800,000 over the Program Plan period and \$4,100,000 over the Annual Plan period for the General Fund (GP). These revenues are already factored into both funds' multiyear projections to support ongoing programs and services.

Approve recommendation.

CHRISTOPHER J. GARNER,
DIRECTOR LONG BEACH GAS AND OIL DEPARTMENT

APPROVED:

GERALD R. MILLER
CITY MANAGER