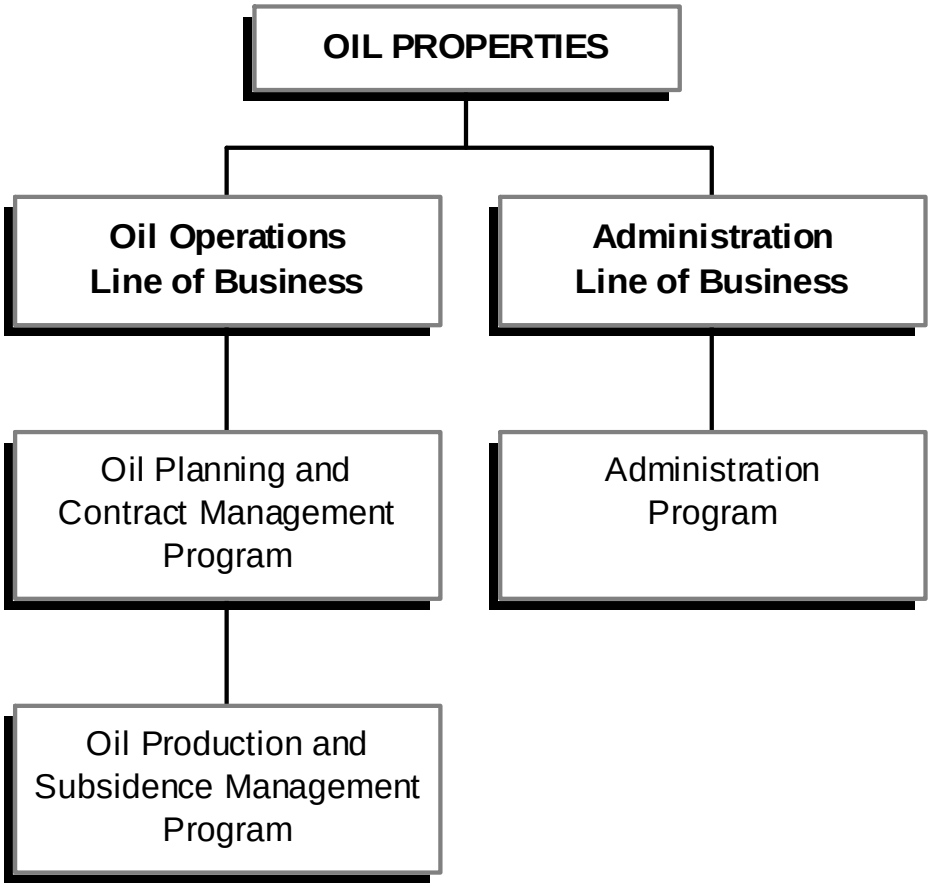

OIL PROPERTIES

A team committed to serving the needs of its stakeholders and the community. We manage the City's oil and gas assets – protecting the environment, optimizing mineral resource production and balancing oil field interests.

Chapter Overview

The Department of Oil Properties is still developing its F.O.R. Long Beach full strategic plan. As part of an initial strategic business planning process, the Department developed its program structure and some basic output or workload, program performance measures. The program structure and performance measures serve as the basis for the City's performance-based program budget and adds clarity to the City's budget by aligning program information (listing of services), budget allocations and basic performance information. As the Department completes the full strategic business planning process, additional program information and performance measures will be developed.

As part of the full strategic planning process, the Department will also identify significant issues confronting it and will develop strategic objectives to address those issues. Until that time, the Department has identified a number of "challenges" it currently faces. These challenges and corresponding opportunities have been included in this budget chapter to provide context to the Department's activities and resources.

Please note that while the Department has developed output measures for each program, a number of these measures are new and will take time to fully develop and collect performance data. Therefore, some performance measures are presented without corresponding performance data.

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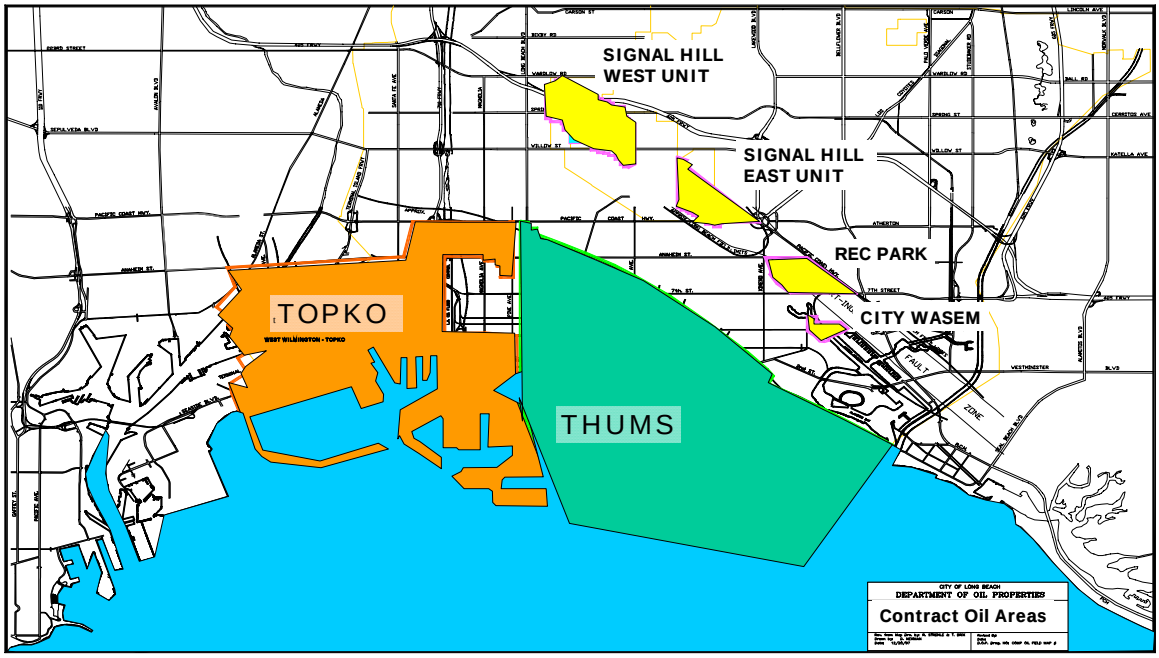
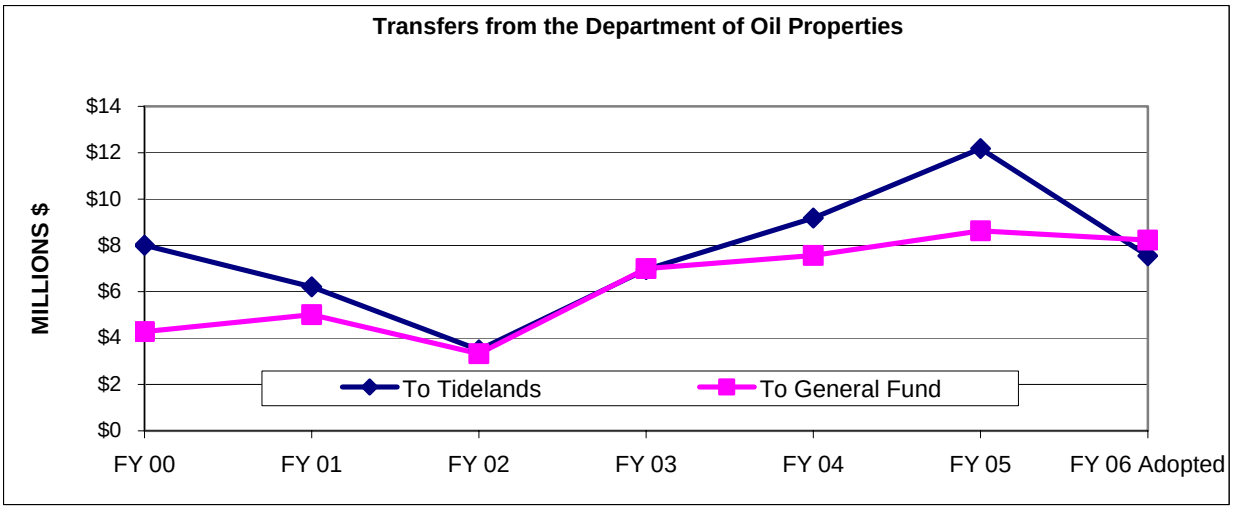
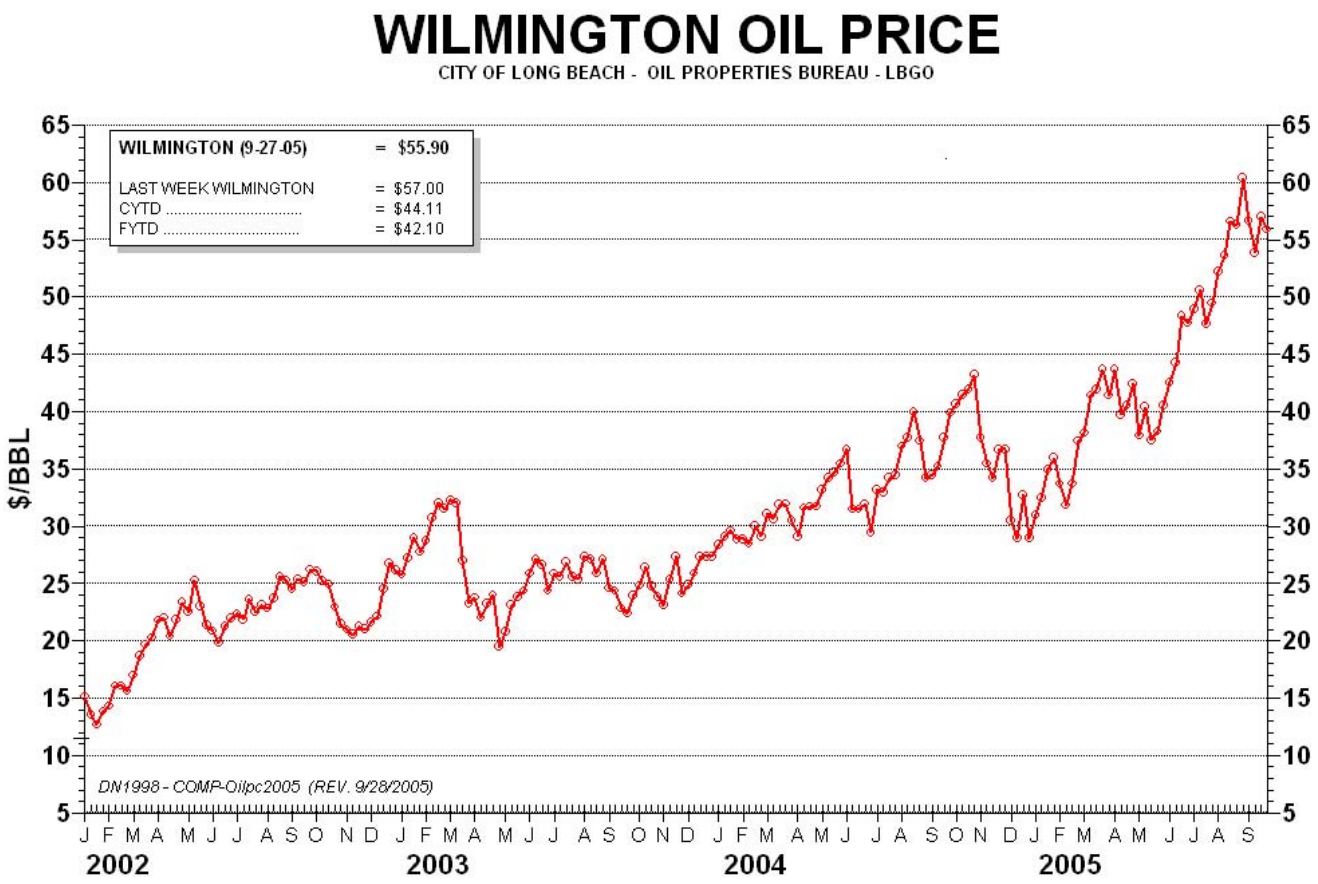
The City of Long Beach is the only municipal government in the State of California that manages oil operations. Through the Department of Oil Properties (DOP), the City operates the Wilmington Oil Field and has various financial interests in smaller oil fields throughout the City, such as the Signal Hill East and West Units, Recreation Park, and Marine Stadium.

OIL OPERATING AREAS





In the last five fiscal years, oil operations in the Wilmington Oil Field and the City's proprietary interests has generated $38.0 million revenues to the Tidelands Operating Fund (TOF) and $31.5 million revenues to the General Fund.



Record high demand, historically low spare capacity, and speculation of potential supply disruptions due to political tensions in key producing regions have contributed to the unprecedented increase in global crude oil prices. In tandem with these prices, Wilmington crude oil, with an average gravity of 17 degrees, has increased from an average posting price per barrel of $19 in FY 02 to $42.10 in FY 05 (as of September 28, 2005).

Challenges and Opportunities

Challenges

- Due to the proximity of Long Beach's oil operations to businesses and residential areas, the Department continues to aggressively oversee and manage the oil field for economic life and efficient operations while reducing facility, pipeline and well liabilities. In the latter years of oil field life, the integration of oil operations with post-production injection requirements will become paramount to the continued viability of the oil operations.

- With the amendment to Chapter 138 of the Statutes of 1964, establishing the State's abandonment trust fund, in place, the Department will continue to work with the State Lands Commission (SLC) to ensure the fund is maintained and fully funded.

- From 1938 until 1970, the City experienced regional lowering of ground elevation throughout much of the southern part of the City including the Naples area. Studies conducted by the Department showed that much of the subsidence was attributed to oil production in the surrounding areas. As a result of this subsidence, it is theorized that additional adverse conditions were placed on the Naples seawalls, which were constructed in 1938 after the 1933 Long Beach earthquake destroyed the original walls. In the past the SLC had paid for, out of oil revenues, expenditures for the repair of the Naples seawalls. Recently the Department had requested the SLC to continue to pay for the repair and stabilization of the seawalls, but SLC has denied the request. The Department is currently working with the Department of Public Works to find ways and means to fund the repairs.

- The Department, together with representatives from SLC and Thums (contract oil field operator), has formulated a solution to properly handle the high CO_2 concentration in the natural gas produced from the Long Beach Unit. The solution will entail building a facility to remove the CO_2 from the gas to make the gas marketable.

Opportunities

- With the lease negotiations completed, Signal Hill Petroleum, Inc, (SHPI), operator of three waterflood oil recovery units in the Long Beach Oil Field adjacent to the Long Beach Airport, plans to conduct a three-dimensational (3D) seismic survey over much of Long Beach this fiscal year, in hopes of finding additional oil reserves to develop. The City, through its Upland Fund, could generate rental fees and additional revenues to benefit the General Fund through well permits, barrel tax and royalties.

- The Department, together with Tidelands Oil Production Company, will finalize agreements to allow for more gas production in the Fault Blocks (West Wilmington Oil Field). The gas revenues will benefit the Port of Long Beach through its working interest in the field.

- The Department is finalizing an agreement with Terra Exploration for the operation of a well purchased by the City during the Spring Street widening project. The City will receive a 1/6th royalty share of profits on oil and gas produced.

Summary by Line of Business and Fund

FY 06 Budget by Line of Business

Line of Business	Actual FY 04	Budget FY 05	Actual* FY 05	Percent of Budget	Adopted** FY 06
Oil Operations					
Expenditures	121,319,983	189,091,850	170,039,473	90%	123,633,718
Revenues	142,301,686	218,691,923	211,398,377	97%	129,604,924
FTEs	28.25	28.50	28.50	100%	27.00
Administration					
Expenditures	2,696,927	4,027,147	3,745,240	93%	4,997,931
Revenues	2,007,194	2,114,498	2,313,856	109%	1,345,537
FTEs	13.00	13.50	13.50	100%	14.00
Department TOTAL					
TOTAL Expenditures	**124,016,910**	**193,118,997**	**173,784,713**	**90%**	**128,631,649**
TOTAL Revenues	**144,308,879**	**220,806,421**	**213,712,232**	**97%**	**130,950,461**
TOTAL FTEs	**41.25**	**42.00**	**42.00**	**100%**	**41.00**

Note: Historical Expenditure and FTE information have been recast from the Bureau level to the Program level
* Unaudited
** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

FY 06 Budget by Fund

Fund	Expenditures		Revenues		Net Fund Support
Tidelands Oil Revenue	112,656,633		114,654,185		(1,997,552)
Upland Oil	15,975,016		16,296,276		(321,260)
Total	**128,631,649**		**130,950,461**		**(2,318,812)**

Oil Operations Line of Business

Program	Actual FY 04	Budget FY 05	Actual* FY 05	Percent of Budget	Adopted** FY 06
Oil Planning and Contract Management					
Expenditures	118,697,769	186,053,580	167,290,005	90%	120,037,116
Revenues	141,238,908	217,153,745	209,779,033	97%	128,412,111
FTEs	5.75	6.50	6.50	100%	7.00
Oil Production and Subsidence Management					
Expenditures	2,622,214	3,038,270	2,749,468	90%	3,596,602
Revenues	1,062,778	1,538,178	1,619,344	105%	1,192,814
FTEs	22.50	22.00	22.00	100%	20.00
Line of Business TOTAL					
TOTAL Expenditures	**121,319,983**	**189,091,850**	**170,039,473**	**90%**	**123,633,718**
TOTAL Revenues	**142,301,686**	**218,691,923**	**211,398,377**	**97%**	**129,604,924**
TOTAL FTEs	**28.25**	**28.50**	**28.50**	**100%**	**27.00**

Note: Historical Expenditure and FTE information have been recast from the Bureau level to the Program level
* Unaudited
** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

Purpose Statement: To be developed during the department's Full Strategic Business Planning process in the coming months. This information will be available as part of the FY 07 Budget Development Process.

FY 05 Key Accomplishment:

- The City and Oxy Long Beach, Inc (OLBI) concluded negotiations to develop State Lease PRC186 (Belmont). The City, as Unit Operator for the Long Beach Unit (LBU), has agreed to allow OLBI to utilize Island Chaffee and other unit facilities to develop the oil and gas reserves in the Belmont area. The City's Tidelands Fund will receive a 2.5 percent pass-through fee on all oil and gas produced from the lease

- The Department worked vigorously with legislators and representatives from the California State Lands Commission (SLC) to amend Chapter 138 of the Statutes of 1964 to set aside State of California oil revenues for the costs of future plugging and abandonment of wells, removal of oil productions facilities, and to establish a trust fund for said purposes.

- The Department completed negotiations with Signal Hill Petroleum, Inc. (SHPI), operator of three waterflood oil recovery units in the Long Beach Oil field, to grant a lease of approximately 1,100 acres of the City's mineral-fee property. SHPI plans to conduct a 3-D seismic survey in hopes of finding additional oil reserves to develop.

- The Department, together with Oxy Long Beach, Inc (OLBI) and SLC, completed negotiations to produce shallow gas in the Long Beach Unit (LBU). The negotiations also allowed for exploration and potential development of new sources of natural gas in the LBU. Under this gas-sharing agreement, the City's Tidelands Fund will benefit financially if these natural gas sources materialize.

Oil Planning and Contract Management Program

Focus Area: Utilities **Line of Business:** Oil Operations

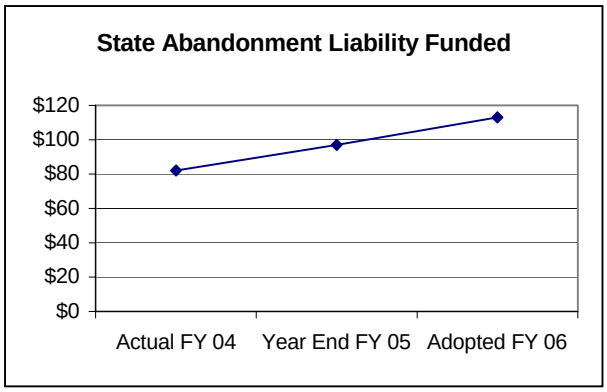
Program Description: To administer the budgetary and contractual issues concerning the operations of the Wilmington Oil Field. This program also administers the Underground Storage Tanks project relating to the 35 Citywide underground storage tanks currently in use or abandoned.

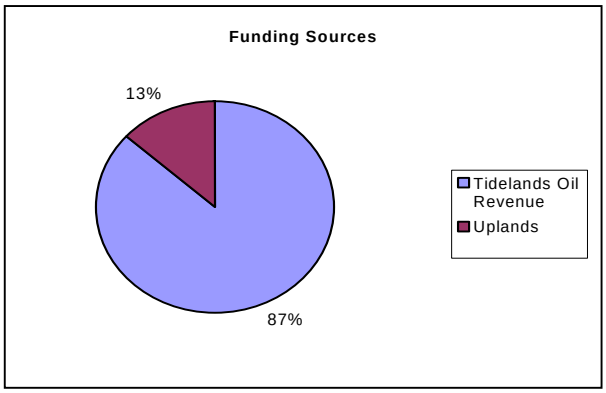
Key Services Provided: Contracts administration & negotiations, oil sell offs, Unit budgetary administration, Underground Storage Tanks mitigation

Oil Planning and Contract Management	Actual FY 04	Budget FY 05	Actual* FY 05	Percent of Budget	Adopted** FY 06
Expenditures	118,697,769	186,053,580	167,290,005	90%	120,037,116
Revenues	141,238,908	217,153,745	209,779,033	97%	128,412,111
FTEs	5.75	6.50	6.50	100%	7.00

* Unaudited
** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

Key Performance Measures	Actual FY 04	Budget FY 05	Actual FY 05	Percent of Budget	Adopted FY 06
Amount of State's Abandonment Liability Funded (in millions $)	82	101	97	96%	113





FY 06 Budget Note:

- As a result of the legislative amendment to Chapter 138 of the Statutes of 1964 to establish a State trust fund, maintenance of the abandonment fund will be transferred to the State in March 2006. The Department will continue to work with the State Lands Commission (SLC) to ensure the fund is maintained and fully funded.

Oil Production and Subsidence Management Program

Focus Area: Utilities **Line of Business:** Oil Operations

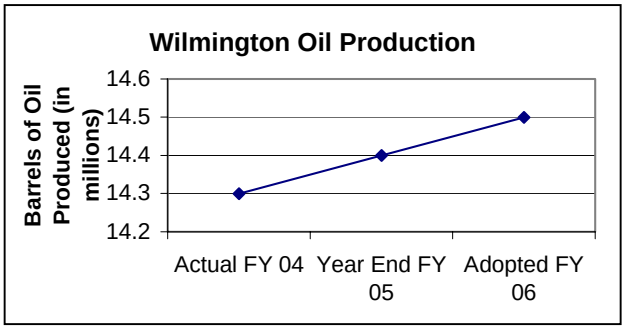
Program Description: To maximize economic quantity of oil and gas ultimately recovered with the use of repressuring operations and to ensure stable land surfaces within the city and Harbor District.

Key Services Provided: Production engineering, oil spill prevention, oil production, gas production, waterflood management, oil and gas reserve management, net present value of remaining oil reserves estimates, elevation surveys, production and injection services, reservoir temperature/pressure monitoring

Oil Production and Subsidence Management	Actual FY 04	Budget FY 05	Actual* FY 05	Percent of Budget	Adopted** FY 06
Expenditures***	2,622,214	3,038,270	2,749,468	90%	3,596,602
Revenues***	1,062,778	1,538,178	1,619,344	105%	1,192,814
FTEs	22.50	22.00	22.00	100%	20.00

* Unaudited
** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.
*** This program is entirely funded by the Tideland Oil Revenue Fund.

Key Performance Measures	Actual FY 04	Budget FY 05	Actual FY 05	Percent of Budget	Adopted FY 06
# of Elevation Benchmarks Surveyed	482	464	430	93%	460
# of Barrels of Oil Produced (in millions)	14.3	14.5	14.4	99%	14.5



FY 06 Budget Note:

- There are no significant operational, budgetary and/or performance changes for this program in FY 06.

Administration Line of Business

Program	Actual FY 04	Budget FY 05	Actual* FY 05	Percent of Budget	Adopted** FY 06
Administration					
Expenditures	2,696,927	4,027,147	3,745,240	93%	4,997,931
Revenues	2,007,194	2,114,498	2,313,856	109%	1,345,537
FTEs	13.00	13.50	13.50	100%	14.00
Line of Business TOTAL					
TOTAL Expenditures	**2,696,927**	**4,027,147**	**3,745,240**	**93%**	**4,997,931**
TOTAL Revenues	**2,007,194**	**2,114,498**	**2,313,856**	**109%**	**1,345,537**
TOTAL FTEs	**13.00**	**13.50**	**13.50**	**100%**	**14.00**

Note: Historical Expenditure and FTE information have been recast from the Bureau level to the Program level
* Unaudited
** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

Purpose Statement: To provide central administrative support, coordination, and direction to the entire Department. The Administration Line of Business will be more fully developed during the department's Full Strategic Business Planning process in the coming months, providing information for the FY 07 Budget Development Process.

FY 05 Key Accomplishments:

- Implemented Safety and Workers' Compensation program improvements
- Implemented new Program Budget structure and will further enhance performance information with completion of Business Plan in FY 06
- Transferred $8.3 million and $5.9 million to Tidelands Operating Fund (TOF) and General Fund, respectively, as of June 30, 2005 with estimated annual transfers of $10.7 million to the TOF and $8.8 million to the General Fund (excluding $0.9 million to the Sports Park Project) by the end of the fiscal year
- Department has zero vehicle accidents, 100% safety inspection compliance, and no Worker's Comp claims

Administration Program

Focus Area: Leadership, Management and Support **Line of Business:** Administration

Program Description: To provide administrative support, coordination and direction for the Department.

Key Services Provided: Human Resources, Training, Risk Management, Employee Safety, Workers' Compensation, Budget and Accounting, Procurement, Billing and Collections, Contract Management, Records Management, Public Information and Communications, and Executive Leadership

Administration	Actual FY 04	Budget FY 05	Actual* FY 05	Percent of Budget	Adopted** FY 06
Expenditures***	2,696,927	4,027,147	3,745,240	93%	4,997,931
Revenues***	2,007,194	2,114,498	2,313,856	109%	1,345,537
FTEs	13.00	13.50	13.50	100%	14.00

* Unaudited
** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.
*** This program is entirely funded by the Tideland Oil Revenue Fund.

Key Performance Measures	Actual FY 04	Budget FY 05	Actual FY 05	Percent of Budget	Adopted FY 06
June Expenditure ETC as % of Year End Actual	111.7%	100.0%	92.0%	92.0%	100.0%
June Revenue ETC as % of Year End Actual	97.1%	100.0%	87.9%	87.9%	100.0%
Department vacancy rate	6.7%	6.7%	14.3%	(a)	0.0%
Overtime as % of total salaries	1.1%	1.3%	1.4%	(a)	1.4%
# of Workers' Comp. claims involving lost time	0	0	0	n/a	0
# of lost work hours (expressed in full time equivalents) from Workers' Comp. during Fiscal Year	0.35	0.35	0	(a)	0
Average reporting lag time (in days) for Workers' Comp. claims during Fiscal Year	(a)	(a)	(a)	(a)	1 day

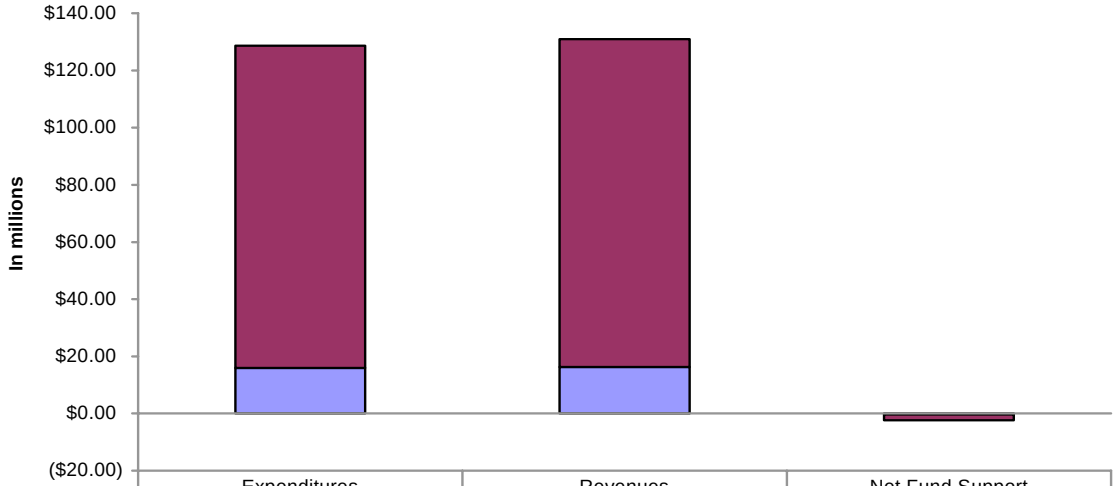
(a) Traking systems are being developed to capture this data going forward and/or data not available.

FY 06 Budget Note:

- There are no significant operational, budgetary and/or performance changes for this program in FY 06.

Summary by Character of Expense

Adopted* FY 06 Budget by Fund



	Expenditures	Revenues	Net Fund Support
Tidelands Oil Revenue	112.65	114.65	(2.00)
Upland Oil	15.98	16.30	(0.32)

	Actual FY 04	Adopted* FY 05	Adjusted FY 05	Year End* FY 05	Adopted** FY 06
Expenditures:					
Salaries, Wages and Benefits	4,075,443	4,961,016	4,615,842	4,341,596	5,068,211
Materials, Supplies and Services	102,794,714	75,438,563	165,173,403	147,722,029	106,369,099
Internal Support	534,717	630,101	732,412	574,859	733,296
Capital Purchases	-	-	-	-	-
Debt Service	2,250	-	3,000	3,000	-
Transfers to Other Funds	16,609,786	12,693,780	22,594,340	21,143,228	16,461,043
Prior Year Encumbrance	-	-	-	-	-
Total Expenditures	124,016,910	93,723,460	193,118,997	173,784,713	128,631,649
Revenues:					
Property Taxes	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money & Property	144,196,504	96,517,489	220,522,422	212,389,171	130,950,461
Revenue from Other Agencies	78,987	-	207,691	260,484	-
Charges for Services	2,856	-	65,351	65,409	-
Other Revenues	30,532	-	6,450	992,661	-
Interfund Services - Charges	-	-	4,507	4,507	-
Intrafund Services - GP Charges	-	-	-	-	-
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	-	-	-	-	-
Operating Transfers	-	-	-	-	-
Total Revenues	144,308,879	96,517,489	220,806,421	213,712,232	130,950,461
Personnel (Full-time Equivalents)	41.25	42.00	42.00	42.00	41.00

* Unaudited

** Amounts exclude all-years carryover. See budget ordinance in the front section of this document.

Personal Services

Classification	FY 04 Adopt FTE	FY 05 Adopt FTE	FY 06 Adopt FTE	FY 05 Adopted Budget	FY 06 Adopted Budget
Director-Oil Properties	1.00	0.50	0.50	78,145	84,034
Accountant II	1.00	1.00	1.00	55,209	55,992
Accountant III	2.00	2.00	2.00	127,009	127,009
Accounting Clerk III	1.00	1.00	1.00	39,447	39,447
Administrative Analyst II	1.00	1.00	1.00	64,234	65,160
Administrative Officer-Oil Properties	1.00	1.00	1.00	85,779	85,779
Clerk III	1.00	1.00	1.00	27,695	24,881
Clerk Supervisor	1.00	1.00	1.00	43,524	35,727
Clerk Typist II	3.00	3.00	3.00	103,362	103,863
Clerk Typist II - NC	0.25	0.25	0.25	7,164	7,522
Clerk Typist III	1.00	1.00	1.00	37,588	37,588
Divison Engineer-Oil Properties	6.00	5.00	4.00	575,004	448,089
Executive Secretary	1.00	1.25	1.25	62,802	63,734
Geologist I	1.00	1.00	1.00	78,436	89,102
Geologist II	1.00	1.00	1.00	106,356	106,356
Manager-Business Operations	-	0.50	-	51,621	-
Manager-Fault Blocks/Upland	-	-	1.00	-	116,992
Manager-Oil Operations	-	1.00	1.00	120,292	120,292
Oil Field Gauger II	2.00	2.00	2.00	111,888	111,888
Payroll/Peresonnel Assistant III	-	0.25	-	10,354	-
Personnel & Training Officer	-	0.25	-	22,605	-
Petroleum Engineer I	2.00	2.00	2.00	160,926	175,620
Petroleum Engineer II	5.00	5.00	5.00	505,504	489,662
Petroleum Engineer Associate II	4.00	4.00	4.00	328,974	314,101
Petroleum Operations Coordinator I	5.00	5.00	5.00	462,017	466,622
Senior Petroleum Engineer Associate	1.00	1.00	1.00	96,073	96,073
Note: The positions of Director of Long Beach Energy and Director of Oil Properties have been consolidated.					
	---	---	---	---	---
Subtotal Salaries	41.25	42.00	41.00	3,362,007	3,265,532
Overtime	---	---	---	45,000	45,000
Fringe Benefits	---	---	---	1,427,244	1,636,859
Administrative Overhead	---	---	---	126,765	120,820
Salary Savings	---	---	---	---	---
	---	---	---	---	---
Total	41.25	42.00	41.00	4,961,016	5,068,211

Key Contacts

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Scott Bailey, Technical Bureau

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