

MINUTE ITEM

5/28/70
VSM

33. AUGMENTATION OF AGREEMENT, LONG BEACH OPERATIONS, STATE LANDS DIVISION;
INFORMATION ENGINEERING, INC. - W-5200.209.2.

After consideration of Calendar Item 13 attached, and upon motion duly made
and carried, the following resolution was adopted:

THE COMMISSION APPROVES AN AUGMENTATION OF \$2500 TO THE CONTRACT WITH
INFORMATION ENGINEERING, INC., FOR MODIFICATIONS REQUIRED IN THE SIP PROJECT.

Attachment:

Calendar Item 13 (1 page)

13.

AUGMENTATION OF AGREEMENT, LONG BEACH OPERATIONS, STATE LANDS DIVISION; INFORMATION ENGINEERING, INC., - 1-5200.209.2.

A contract was awarded to Information Engineering, Inc., in June 1969, to update the SIP (State Interest Program) project. Final contract approval was received on October 9, 1969, and work has proceeded since that date.

The SIP project is a combined engineering-economic revenue-evaluation program prepared for computer use. The program is vitally needed for comparative engineering studies and revenue forecasting directed toward providing a more effective control of the State's interest in the Long Beach Tidelands petroleum revenue development.

Reports and forecasts currently are manually generated, and divert large amounts of time away from the application of professional expertise to engineering and economic problems. The need for this computer program has become more intense due to the manner of the recent performance of the Long Beach Unit. Comparative oil revenue studies are essential, inasmuch as a 1% change in oil recovery is equivalent to \$15-\$20 million change in gross revenues.

In working out the SIP update against the project specifications, Information Engineering has been hampered by delays beyond its control. Because of the dynamic nature of the Long Beach Unit, certain aspects of the specifications needed modification as the result of the passage of time. Information Engineering, applying its expertise to these modifications, noted other changes that would be required through the State's common hardware demands, which would be beneficial to the State. The modifications caused changes in many subroutines in the total program. In a complex computer program it is difficult to determine instantly how the many subroutines will be affected by a given change. In order to know the full extent of the changes, Information Engineering was allowed to proceed with the project rather than to prepare many requests for each modification as it occurred. The project has now proceeded satisfactorily to the point where no further changes are anticipated. The cost of the modifications has caused a contract over-run of \$2500. At the level of usage anticipated by Long Beach Operations, these modifications are beneficial to the State and will allow a \$3000-\$4000 annual savings in data preparation and machine usage.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE AN AUGMENTATION OF \$2500 TO THE CONTRACT WITH INFORMATION ENGINEERING, INC., FOR MODIFICATIONS REQUIRED IN THE SIP PROJECT.