

MINUTE ITEM
This Calendar Item No. C53
was approved as Minute Item
No. 53 by the State Lands
Commission by a vote of 3
to 0 at its 7-19-93
meeting.

CALENDAR ITEM

C53

A 57, 58
S 29

07/19/93
W 17099
Asomugha

APPROVE THE THIRD AMENDMENT TO THE ANNUAL PLAN,
(JULY 1, 1992 THROUGH JUNE 30, 1993),
REVISING ECONOMIC PROJECTIONS,
OPTIMIZED WATERFLOOD AGREEMENT,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The City of Long Beach has submitted to the Commission the Third Amendment of the Annual Plan, July 1, 1992 through June 30, 1993, Long Beach Unit, Wilmington Oil Field, providing updated economic projections. This amendment revises the Third Quarter Operations and revises the Economic Projections and Major Planning Assumptions Tables. There were no changes in the approved budget of \$189,852,000 or in the distribution to the five programs. The revised economic projection is illustrated in Exhibit A. The projected produced and injected fluids for the remaining quarter of this Plan are also unchanged.

The average oil and gas rates for the first three quarters were reported to be 43,601 barrels per day of oil and 9,015 mcf per day of gas. These rates were less than the budgeted rate of 45,800 barrels per day of oil and 9,200 mcf per day of gas. Water injection averaged 573,277 barrels per day, which was higher than the budgeted rate of 562,800 barrels per day. The cumulative recoveries and injections from the beginning of the Unit through March 1993 are as follows:

OIL PRODUCTION	763,460,011 Barrels
GAS PRODUCTION	205,939,464 Mcf
WATER PRODUCTION	3,206,623,252 Barrels
WATER INJECTION	4,676,781,625 Barrels

Cumulative Injection/Gross Production Ratio is 1.178
Bbls/Bbl.

The economic values reflect higher actual oil and gas prices than originally estimated during the first three quarters of the fiscal year. The increase in net profits was also influenced by

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the significant reduction in expenditures during the first three quarters of the fiscal year. The effect of these factors increased revenue generation and increased net profits over those predicted for the first three quarters of the fiscal year. The major original planning assumptions were based on an average oil price of \$13.80 per barrel and an average gas price of \$2.10 per mcf. The actual prices reported averaged \$14.51 per barrel for oil and \$2.69 per mcf for gas. The comparisons of the estimated versus the actual economic factors for the first three quarters of the 1992-93 Fiscal Year are shown below and plotted in Exhibit B.

	<u>ESTIMATED FIRST THREE QUARTERS</u>	<u>ACTUAL FIRST THREE QUARTERS</u>	<u>DIFFERENCE</u>
TOTAL REVENUE	\$178,473,000	\$180,223,000 (+)	\$ 1,750,000
TOTAL EXPENDITURES	\$140,883,000	\$118,658,000 (-)	\$22,225,000
NET PROFIT	\$ 37,590,000	\$ 61,565,000 (+)	\$23,975,000

<u>PROGRAM</u>	<u>TOTAL FISCAL YEAR BUDGET</u>	<u>ACTUAL (FIRST THREE QUARTERS) EXPENDITURES</u>	<u>PERCENT EXPENDED</u>
Development Drilling	\$ 51,616,000	\$ 33,669,000	65.2
Operating Expense	\$ 72,616,000	\$ 43,856,000	60.4
Other Plant	\$ 29,935,000	\$ 18,299,000	61.1
Staff Expense	\$ 22,546,000	\$ 15,938,000	70.7
Taxes, Leases & Permits	\$ 13,139,000	\$ 6,897,000	52.5
TOTAL	\$189,852,000	\$118,659,000	62.5

The Commission's staff has reviewed the Third Amendment including the estimated production, injection, expenditures and revenue and has prepared the attached Exhibits "A" and "B" to represent graphically the Amendment. When actual information through the fourth quarter of the 1992-93 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

AB 884:
N/A.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

CALENDAR ITEM NO. C53 (CONT'D)

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

EXHIBITS:

- A. Long Beach Unit, Fiscal Year 1992-93 Annual Plan Economic Factors
- B. Long Beach Unit, First Three Quarters Fiscal Year 1992-93 Economic Factors
- C. Letter requesting approval of the Third Amendment of the Annual Plan

IT IS RECOMMENDED THAT THE COMMISSION:

- 1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL CODE REGS. 15378.
- 2. APPROVE THE THIRD AMENDMENT TO THE ANNUAL PLAN (JULY 1, 1992 THROUGH JUNE 30, 1993), REVISING ECONOMIC PROJECTIONS, OPTIMIZED WATERFLOOD AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

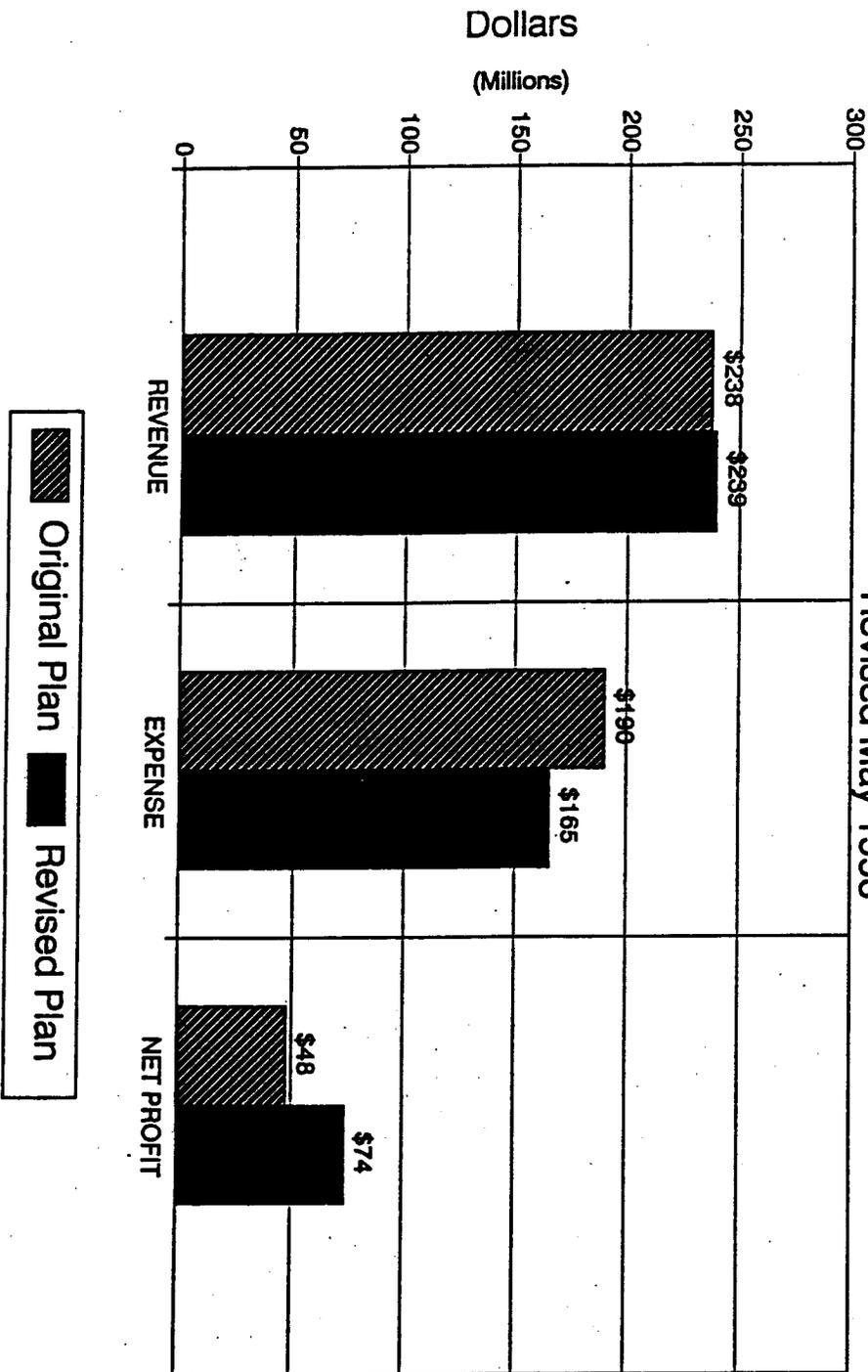
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Long Beach Unit

Fiscal Year 1992-93 Annual Plan

Exhibit A

Revised May 1993

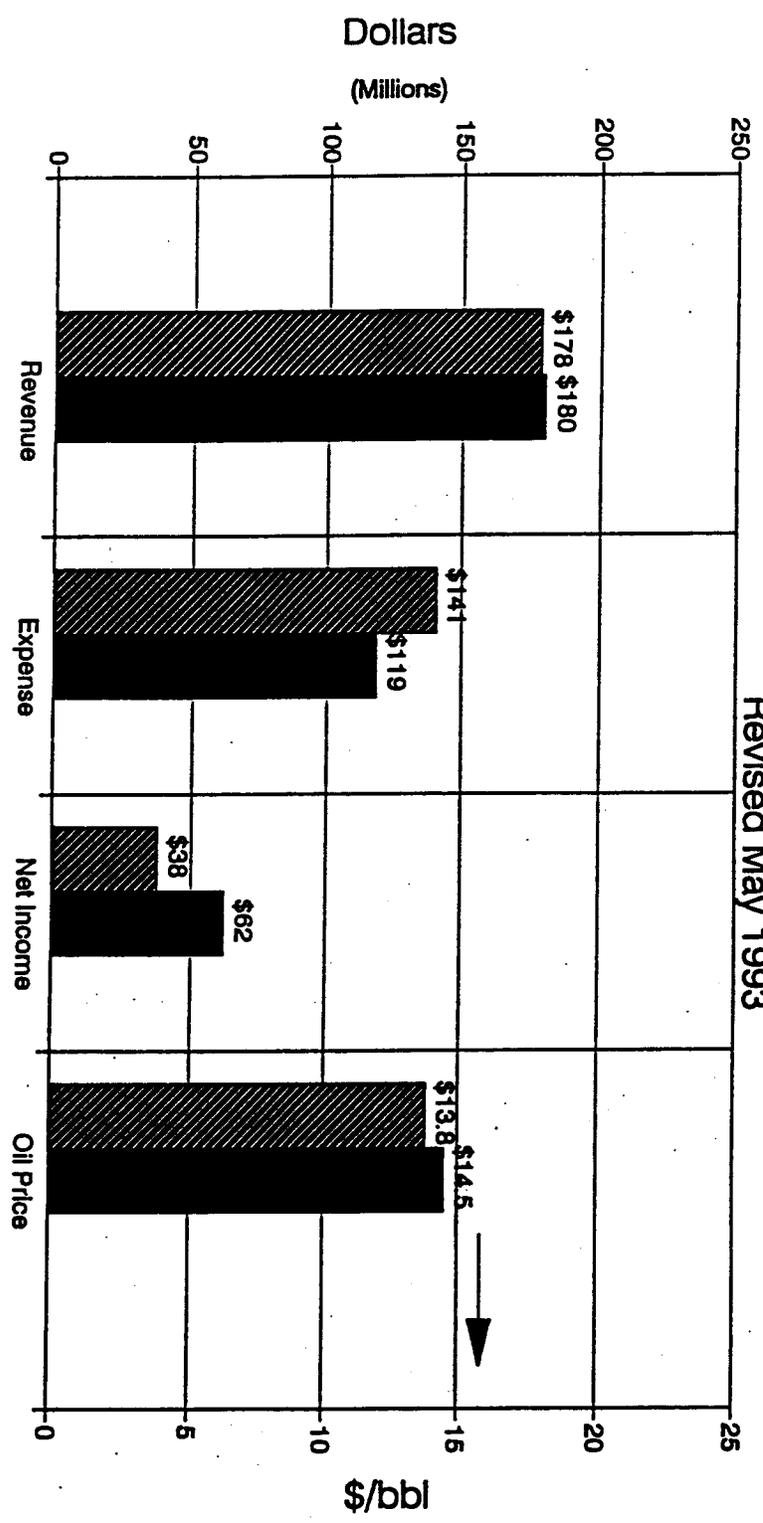


Long Beach Unit

First Three Quarters Fiscal Year 92-93

Exhibit B

Revised May 1993



Original Plan
 Actual



CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (310) 590-6354 • FAX 590-6191

May 28, 1993

Mr. Charles Warren
 Executive Officer
 State Lands Commission
 245 West Broadway - Suite 425
 Long Beach, California 90802

Subject: REQUEST FOR APPROVAL OF THE THIRD AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1992 THROUGH JUNE 30, 1993)

Dear Mr. Warren:

In accordance with the provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval the Third Amendment of the Annual Plan covering the period July 1, 1992 through June 30, 1993.

This amendment reviews the third quarter operations and has attached revised Economic Projections and Major Planning Assumptions tables. Later revisions of the tables may be required to reflect changing conditions. Also attached are statistics for wells, and production and injection volumes.

An analysis of Unit activities and the status of funds in each of the five budget categories is presented below.

DEVELOPMENT DRILLING

Operations Review

Three drilling rigs were in operation throughout the quarter. During this time, three new producers and six new injectors were drilled. The producers were completed in the following zones: one Ranger, one UP Ford, and one Upper Terminal. The injectors were completed in the following zones: two Terminal, two Upper Terminal, and two UP Ford.

On March 31, 1993, the total number of wells was 1,265, of which 905 are producers and 360 are injectors. Excluded from these totals are 25 abandoned wells, 8 abandoned ~~producers and 17~~ abandoned injectors.

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Budget to Actual Variance

The Development Drilling Category has a budget of \$51,616,000 of which \$33,669,164, or 65.2 percent, was expended.

Five rigs were budgeted to drill/redrill seventy wells. Our revised drilling schedule is for sixty wells. We are on target for achieving the revised goal with only three drilling rigs and the use of well servicing rigs for completions. The reduced activity level is expected to result in actual expenditures in this category of \$46.0 million, of which 73.2 percent is expended.

OPERATING EXPENSE

Operations Review

The Unit oil production rate averaged 42,855 bbls/day, which was 2,945 bbls/day less than originally estimated: gas production averaged 8,873 mcf/day, which was 327 mcf/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 42,890 bbls/day, while gas shipments averaged 8,852 mcf/day.

Water injection averaged 581,018 bbls/day, which was 18,218 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan.

Budget to Actual Variance

The Operating Expense Category has a budget of \$72,616,000 of which \$43,856,190, or 60.4 percent, was expended.

Expenses are lower than planned due to efficiency gains and lower than expected increases for goods and services. Major changes or efficiency gains are shown below.

- THUMS' personnel complement is less than planned, and employee benefits budgeted at 33 percent have averaged only 29 percent.
- Fewer wells being drilled had a significant impact on operating costs, including costs associated with marine transportation, general island maintenance, and island support services.
- The Lomita gas processing project and a gas, oil and water injection piping project cost less than planned.
- Electricity rate increases and consumption rates were less than planned.

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- Contract innovation has led to decreased contractor personnel requirements and is responsible for a significant decrease in expenditures related to painting and general maintenance.

Our latest estimate for expenditures in the Category for the Plan period is \$58.4 million, of which 75.0 percent is expended.

OTHER PLANT

Budget to Actual Variance

The Other Plant Category has a budget of \$29,935,000 of which \$18,299,589, or 61.1 percent, was expended.

A major variance in this category is attributed to a change in scope of the subsea pipeline project, which has reduced the project cost estimate by \$3.0 million.

Our latest estimate for expenditures in this category for the Plan period is \$23.8 million, of which 76.9 percent is expended.

STAFF EXPENSE

Budget to Actual Variance

The Staff Expense Category has a budget of \$22,546,000 of which \$15,937,734, or 70.7 percent, was expended.

We budgeted for a personnel complement of 315 employees and have operated at lower levels. Expenditures for salaries and wages are also lower than expected as employee payroll benefits, budgeted at 33 percent, were only 29 percent. However, the underexpenditures in salaries and benefits were offset by higher costs for staff support and services. Our latest estimate for expenditures in this category for the Plan period is \$21.8 million, of which 73.1 percent is expended.

TAXES, LEASES AND PERMITS

Budget to Actual Variance

The Taxes, Leases and Permits Category has a budget of \$13,139,000 of which \$6,896,846, or 52.5 percent, was expended.

A budget of \$10.3 million was approved in this category for Mining Rights Taxes, Long Beach Production Taxes, Improvements & Personal Property Taxes, and the Petroleum and Gas Fund Assessment. Actual expenditures of these taxes for the first

Charles Warren
May 28, 1993
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three quarters totaled \$4.2 million. Additional taxes on personal property and mining rights totaling approximately \$3.5 million are due during the fourth quarter.

Our latest estimate of expenditures in this category for the Plan period is \$11.3 million, of which 61.0 percent is expended.

ECONOMIC DATA

Total expenditures for the third quarter of the Plan period was \$39,276,000. The total estimated expenditures for the Plan period are shown in the attachments.

Total Unit income for the third quarter of the Plan period was higher than anticipated. Net income was \$13,658,000 (compared to an estimate of \$12,884,000). The total Unit income for the Plan period is now estimated at \$74,197,000, \$26,302,000 higher than the \$47,895,000 projected when the Annual Plan was prepared.

The City of Long Beach, as Unit Operator of the Long Beach Unit, approved this proposed Amendment. In accordance with section 5 of Chapter 138, 1964 First Extraordinary Session, your approval of this proposed Amendment is requested.

Very truly yours,



Xenophon C. Colazas
Director

XCC:slg

FIN 312.002

Attachments

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**Long Beach Unit
Annual Plan
July 1, 1992 through June 30, 1993**

Revised Major Planning Assumptions

	Actual Third Quarter 1992	Actual Fourth Quarter 1992	Actual First Quarter 1993	Estimated Second Quarter 1993	Total
Oil Production (1,000 BBL) (B/D)	4,036 43,868	4,054 44,064	3,857 42,855	4,168 45,800	16,115
Gas Production (1,000 MCF/D) (MCF/D)	812 8,825	860 9,345	799 8,873	837 9,200	3,308
Water Production (1,000 BBL) (1,000 B/D)	43,372 471	45,190 491	43,992 489	42,588 468	175,142
Water Injection (1,000 BBL) (1,000 B/D)	51,584 561	53,151 578	52,292 581	51,215 563	208,242
Oil Price (\$/BBL)	\$16.10	\$14.34	\$13.09	\$13.80	
Gas Price (\$/MCF)	\$2.23	\$2.78	\$3.07	\$2.10	

**Long Beach Unit
Annual Plan
July 1, 1992 through June 30, 1993**

Revised Economic Projections

	Actual Third Quarter 1992	Actual Fourth Quarter 1992	Actual First Quarter 1993	Estimated Second Quarter 1993	TOTAL
ESTIMATED REVENUE					
Oil Revenue	\$64,976	\$58,113	\$50,480	\$57,516	\$231,085
Gas Revenue	1,807	2,393	2,454	1,758	\$8,412
TOTAL REVENUE	\$66,783	\$60,506	\$52,934	\$59,274	\$239,497
ESTIMATED EXPENDITURES					
Development Drilling	\$9,802	\$10,993	\$12,874	\$12,331	\$46,000
Operating Expense	15,882	14,218	13,756	\$18,544	\$62,400
Other Plant	5,614	6,293	6,392	\$5,501	\$23,800
Staff Expense	5,146	5,767	5,025	\$5,862	\$21,800
Taxes, Leases, and Perm	1,956	3,711	1,229	\$4,404	\$11,300
TOTAL EXPENDITURES	\$38,400	\$40,982	\$39,276	\$46,642	\$165,300
NET PROFIT	\$28,383	\$19,524	\$13,658	\$12,632	\$74,197

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NUMBER OF WELLS
AS OF MARCH 31, 1993

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	189	73	262
White	157	78	235
Chaffee	206	94	300
Freeman	240	60	300
Pier J (Inc. THX)	<u>113</u>	<u>55</u>	<u>168</u>
TOTAL	905	360	1,265
Tar V	10	1	11
Ranger (All Areas)	697	285	982
Upper & Lower Terminal VI,VII	61	28	89
Terminal (Blocks VIII, 90)	57	24	81
Union Pacific-Ford (All Areas)	76	22	98
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
TOTAL	905	360	1,265

(Figures exclude 8 abandoned producers and 17 abandoned injectors.)

OIL PRODUCTION

	<u>Average B/D</u> <u>1/1/93 - 3/31/93</u>	<u>Cumulative</u> <u>Bbls. 3/31/93</u>
Grissom	8,910	133,680,830
White	9,079	129,209,272
Chaffee	9,926	160,494,871
Freeman	11,212	214,416,125
Pier J (Inc. THX)	3,728	125,658,913
TOTAL	42,855	763,460,011
Tar V	38	1,176,762
Ranger (All Areas)	30,546	581,071,574
Upper Terminal & Lower Terminal VI, VII	4,916	60,675,615
Terminal (Blocks VIII, 90)	4,216	38,715,009
Union Pacific-Ford (All Areas)	3,139	77,962,440
237 (All Areas)	0	3,858,611
TOTAL	42,855	763,460,011

GAS PRODUCTION

	<u>Average Mcf</u> <u>1/1/93 - 3/31/93</u>	<u>Cumulative</u> <u>Mcf 3/31/93</u>
Grissom	970	19,621,291
White	1,495	31,945,543
Chaffee	1,552	55,257,210
Freeman	3,516	77,323,551
Pier J (Inc. THX)	1,340	21,791,869
TOTAL	8,873	205,939,464
Tar V	45	464,801
Ranger (All Areas)	5,766	130,099,768
Upper Terminal & Lower Terminal VI, VII	972	7,542,986
Terminal (Blocks VIII, 90)	1,084	11,715,659
Union Pacific-Ford (All Areas)	1,006	51,850,981
237 (All Areas)	0	4,265,269
TOTAL	8,873	205,939,464

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