

MINUTE ITEM

This Calendar Item No. C70
was approved as Minute Item
No. 70 by the State Lands
Commission by a vote of 3
to 0 at its 3/8/94
meeting

CALENDAR ITEM

C70

A 57, 58

S 29

03/08/94

W 17099.4

Landry

APPROVE THE FIRST AMENDMENT OF THE 1993-1994
ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
REVISING ECONOMIC PROJECTIONS
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY

BACKGROUND:

The City of Long Beach has submitted to the Commission the First Amendment of the 1993-1994 Annual Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1993 through June 30, 1994, providing updated economic projections. This report pertains to the information for the period July 1, 1993 through June 30, 1994. There were no changes in the latest approved budget of \$168,700,000 or to the distribution of the five budget categories. The revised economic projection is illustrated in Exhibit A. The projected produced and injected fluids for the remaining quarters of this plan are also unchanged.

The average oil and gas rates for the third quarter of 1993 were reported to be 44,483 bbls/day of oil and 8,895 mcf/day of gas. The cumulative recoveries and injection through September 1993 are as follows:

Oil Production	771,543,075 Barrels
Gas Production	207,567,251 MCF
Water Production	3,296,139,694 Barrels
Water Injection	4,786,386,232 Barrels

Cumulative Injection - Gross Production Ratio is 1.177 Bbls.

The economic values reflect lower oil prices than initially were forecast. 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. Forecast oil and gas prices, expenditures, and net profits for Fiscal Year 1994 have been revised and are shown below. The net decrease in oil and gas prices of \$1.17 results in a decrease in projected revenue of approximately \$25,000,000. Prices are anticipated to remain below the original projection for at least three to four months. Three drilling rigs were originally planned for this period. Due

CALENDAR PAGE	455
MINUTE PAGE	508

CALENDAR ITEM NO. C70 (CONT'D)

to a curtailment of rig activity resulting from lower than projected oil prices, the number of active drilling rigs will be reduced from three to one for the last half of the fiscal year.

MILLION DOLLARS					
	Actual Third Quarter 1993	Estimated Fourth Quarter 1993	Estimated First Quarter 1994	Estimated Second Quarter 1994	Total Fiscal Year 93-94
Oil Revenue	49.7	46.8	50.2	51.2	197.8
Gas Revenue	2.0	2.3	2.1	2.1	8.5
Expenditures	(38.2)	43.5)	(43.5)	(43.5)	(168.7)
Net Profit	13.5	5.6	8.7	9.8	37.6
Previous	13.5	14.4	13.6	14.8	56.3
Change	0	(8.8)	(4.9)	(5.0)	(18.7)
Oil Price/BBL	\$12.16	\$11.50	\$12.50	\$12.50	\$12.16
Gas Price/MCF	\$ 2.49	\$ 2.80	\$ 2.50	\$ 2.50	\$ 2.57

The Commission's staff has reviewed the first amendment, including the estimated production, injection, expenditures, and revenue and has prepared the attached Exhibits "A" and "B" to represent graphically the changes covered in this amendment.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

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.

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

CALENDAR ITEM NO. C70 (CONT'D)

EXHIBITS:

- A. Fiscal Year 1993-94 Financial Projections
- B. Third Quarter 1993 Financial Performance
- C. Letter Requesting Approval of First Amendment of the Annual Plan of Development and Operations and Budget

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 FIRST AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1993 THROUGH JUNE 30, 1994.

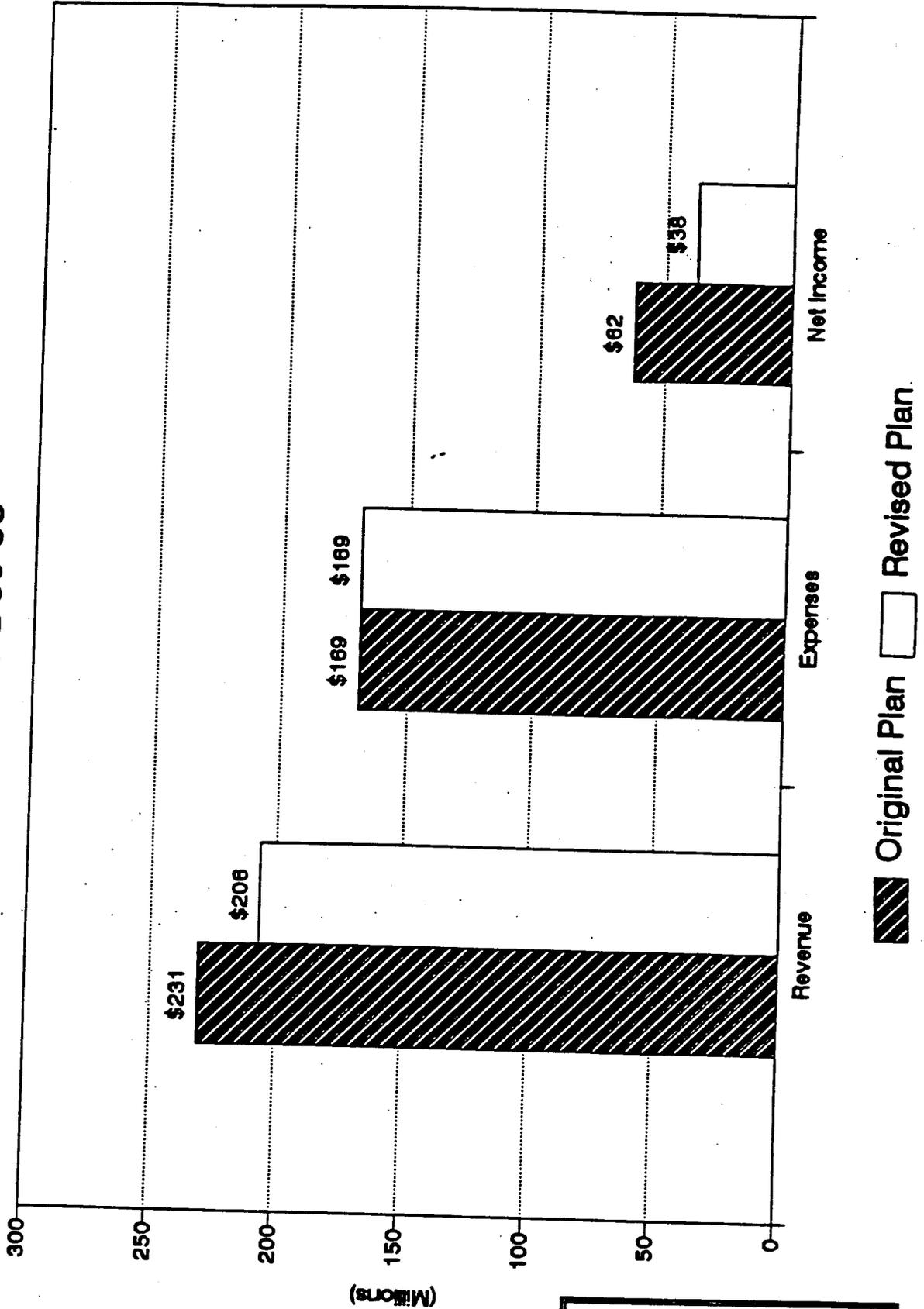
CALENDAR PAGE	457
MINUTE PAGE	600

Long Beach Unit

FISCAL YEAR 1993-94 ANNUAL PLAN

Exhibit A

Revised Dec-93



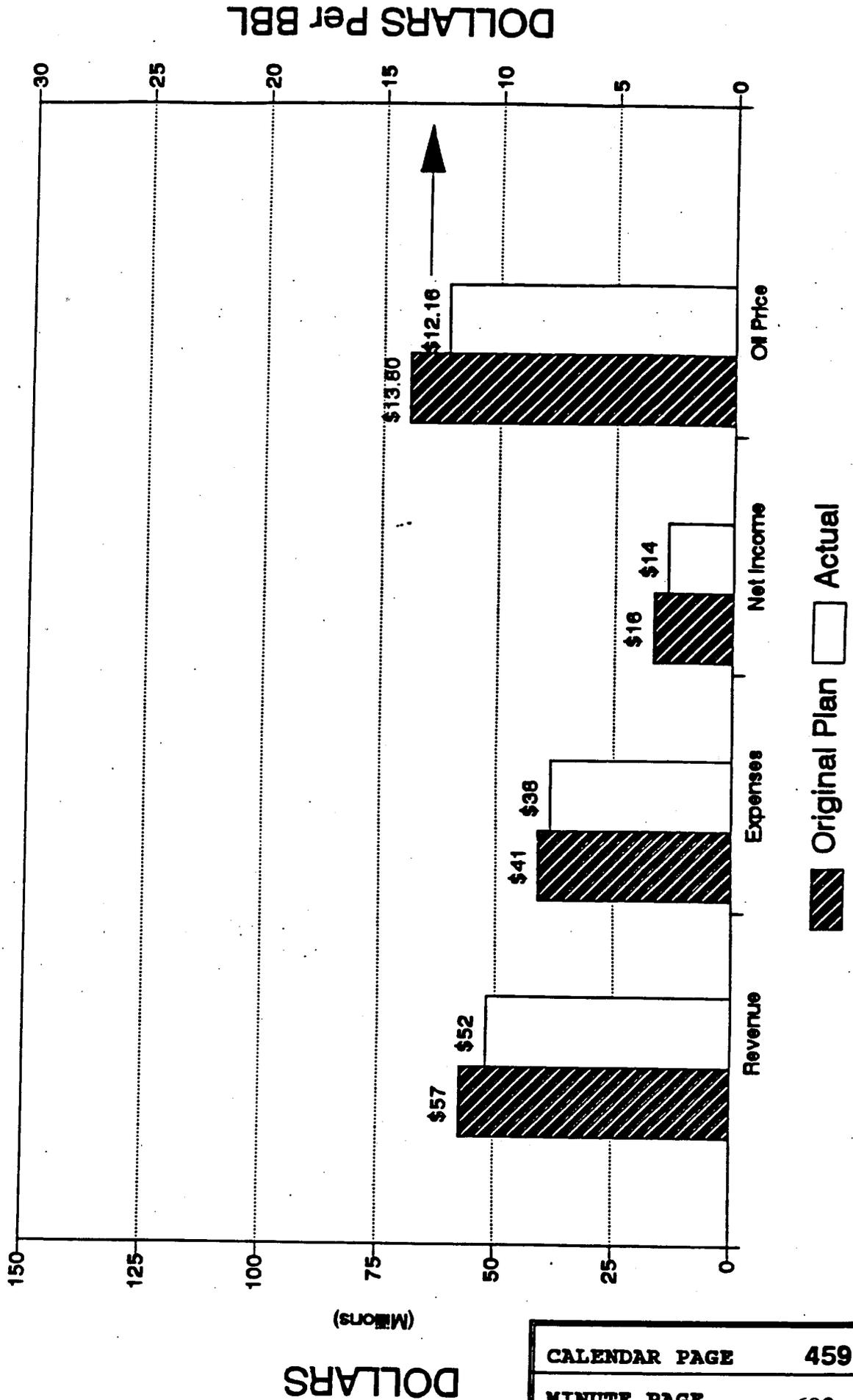
DOLLARS

(Millions)

Long Beach Unit

THIRD QUARTER 1993

Exhibit B





CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (310) 570-3900 • FAX 57

November 30, 1993

Mr. P. B. Mount II, Chief
Mineral Resources Management Division
State Lands Commission
200 Oceangate, 12th Floor
Long Beach, California 90802

Subject: REQUEST FOR APPROVAL OF THE FIRST AMENDMENT OF THE
ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1993 THROUGH JUNE
30, 1994)

Dear Mr. Mount:

In accordance with provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval this First Amendment of the Annual Plan covering the period July 1, 1993 through June 30, 1994.

This report reviews the first quarter operations (July 1, 1993 through September 30, 1993) 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 is statistical data for wells, and production and injection volumes.

An analysis of Unit activities and the status of funds in each of the five budget categories, as revised by the First Modification of the Annual Plan, is presented below.

DEVELOPMENT DRILLING

Operations Review

Three drilling rigs were in operation throughout the quarter. During this time, three new producers and five new injectors were completed. Two producers were completed in the Upper Terminal and one in the Terminal Zone. One injector was completed in the Upper Terminal Zone, three in the Terminal Zone and one in the UP-Ford Zone.

CALENDAR PAGE 460

MINUTE PAGE 603

On September 30, 1993, the total number of wells was 1,275, of which 894 are producers and 381 are injectors. Excluded from these totals are 26 abandoned wells, 8 abandoned producers and 18 abandoned injectors.

Budget to Actual Variance

The Development Drilling category has a budget of \$42,700,000 of which \$8,513,461, or 19.9 percent, was expended.

Expenditures were lower than anticipated in the first quarter as a result of a higher percentage of alternate casing design wells being completed, and deferred completion of wells until the second quarter. Expenditures will drop further in the last half of the fiscal year with a reduction in wells being drilled and a reduction in rig use from three to two.

OPERATING EXPENSE

Operations Review

The Unit's oil production rate averaged 44,483 bbls/day, which is 683 bbls/day more than originally estimated, and gas production averaged 8,895 mcf/day, which is 105 mcf/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 44,399 bbls/day, while gas shipments averaged 8,817 mcf/day.

Water injection averaged 607,287 bbls/day, which is 34,287 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 \$45,900,000 of which \$11,630,981, or 25.3 percent, is expended.

Expenses were as anticipated for the first quarter operations. Electricity expense represents nearly half the anticipated expenditures in this category. Since the cost for electricity is greater in summer months, and this report reflects those higher costs, we are expecting a corresponding drop in expenditure for the balance of the fiscal period.

OTHER PLANT

Budget to Actual Variance

The Other Plan category has a budget of \$27,900,000 of which \$5,983,626, or 21.4 percent, was expended.

CALENDAR PAGE 461

MINUTE PAGE 604

Other Plant category projects with significant expenditures in the first quarter included:

- Relocate product pipelines to accommodate the Port of Long Beach expansion (project completed 8/93)
- Fabricate and install a hydrogen sulfide scrubber system at the Pier J-4 site (project completed 5/93)
- Design of a gas compression facility
- Upgrade vapor recovery compressor (project completed 9/93)
- Purchase two 1500 HP water injection motors
- Upgrade the AWT controller design (project completed 8/93)
- Install two additional subsea pipelines between Island Chaffee and Island White (project completed 2/93, final payment in 7/93)
- Replace water injection totalizers
- Install electrical load centers
- Install networking equipment at Island and Pier J
- Replace a section of GJ-5 pipeline (project completed 8/93)
- Repair design of subsea gas and oil pipelines (project completed 9/93)
- Successful full boom deployment oil spill drill in Long Beach Harbor

UNIT FIELD LABOR AND ADMINISTRATIVE

Budget to Actual Variance

The Unit Field Labor and Administrative category has a budget of \$35,700,000 of which \$8,753,316, or 24.5 percent, was expended.

Administrative projects during the first quarter with significant expenditures included the Phase III implementation of the Unit's Financial Information System. The system came on line July 1, 1993. Consulting work and final payments on the project were complete in the quarter.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category has a budget of \$16,500,000 of which \$3,278,610, or 19.9 percent was expended.

Total expenditures for the period were \$38,160,000. A breakdown by Category is shown in the attachments.

Total unit income for the period was lower than anticipated. Net income was \$13,525,000 (compared to an estimate of \$16,452,000).

CALENDAR PAGE 462

MINUTE PAGE 605

P. B. Mount II
November 30, 1993
Page 4

The City of Long Beach, as Unit Operator of the Long Beach Unit, approves 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 312.003

Attachments

CALENDAR PAGE	463
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MINUTE PAGE	606
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NUMBER OF WELLS
AS OF SEPTEMBER 30, 1993

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	190	77	267
White	152	85	237
Chaffee	205	96	301
Freeman	238	65	303
Pier J (Inc. THX)	<u>109</u>	<u>58</u>	<u>167</u>
TOTAL	894	381	1,275
Tar V	10	1	11
Ranger (All Areas)	686	299	985
Upper & Lower Terminal VI,VII	64	30	94
Terminal (Blocks VIII, 90)	56	27	83
Union Pacific-Ford (All Areas)	74	24	98
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
TOTAL	894	381	1,275

(Figures exclude 8 abandoned producers and 18 abandoned injectors.)

OIL PRODUCTION

	<u>Average B/D</u> <u>7/1/93 - 9/30/93</u>	<u>Cumulative</u> <u>Bbls. 9/30/93</u>
Grissom	10,435	135,523,135
White	8,902	130,862,456
Chaffee	10,665	162,427,149
Freeman	10,822	216,420,636
Pier J (Inc. THX)	3,659	126,309,699
TOTAL	44,483	771,543,075
Tar V	52	1,186,129
Ranger (All Areas)	31,629	586,827,146
Upper Terminal & Lower Terminal VI, VII	5,077	61,587,653
Terminal (Blocks VIII, 90)	4,150	39,480,985
Union Pacific-Ford (All Areas)	3,575	78,602,551
237 (All Areas)	0	3,858,611
TOTAL	44,483	771,543,075

GAS PRODUCTION

	<u>Average Mcf</u> <u>7/1/93 - 9/30/93</u>	<u>Cumulative</u> <u>Mcf 9/30/93</u>
Grissom	838	19,779,915
White	2,079	32,290,985
Chaffee	1,570	55,553,546
Freeman	3,112	77,914,611
Pier J (Inc. THX)	1,296	22,028,194
TOTAL	8,895	207,567,251
Tar V	43	472,660
Ranger (All Areas)	5,739	131,140,550
Upper Terminal & Lower Terminal VI, VII	1,125	7,750,987
Terminal (Blocks VIII, 90)	1,068	11,912,772
Union Pacific-Ford (All Areas)	920	52,025,013
237 (All Areas)	0	4,265,269
TOTAL	8,895	207,567,251

WATER PRODUCTION

	<u>Average B/D</u> <u>7/1/93 - 9/30/93</u>	<u>Cumulative</u> <u>Bbls. 9/30/93</u>
Grissom	115,467	778,824,544
White	96,784	615,478,463
Chaffee	86,312	474,506,916
Freeman	128,824	767,044,070
Pier J (Inc. THX)	70,353	660,285,701
TOTAL	497,740	3,296,139,694
Tar V	220	5,142,789
Ranger (All Areas)	433,044	2,869,061,212
Upper Terminal & Lower Terminal VI, VII	36,087	241,619,929
Terminal (Blocks VIII, 90)	15,768	58,898,941
Union Pacific-Ford (All Areas)	12,621	118,228,933
237 (All Areas)	0	3,187,890
TOTAL	497,740	3,296,139,694

INJECTION WATER

	<u>Average B/D</u> <u>7/1/93 - 9/30/93</u>	<u>Cumulative</u> <u>Bbls. 9/30/93</u>
Grissom	151,020	1,112,664,029
White	128,398	945,631,092
Chaffee	121,008	1,004,745,500
Freeman	125,428	853,525,951
Pier J (Inc. THX)	81,433	869,819,660
TOTAL	607,287	4,786,386,232
Tar V	445	12,467,357
Ranger (All Areas)	511,998	4,137,855,945
Upper Terminal & Lower Terminal VI, VII	44,026	3,064,459,734
Terminal (Blocks VIII, 90)	29,836	139,888,146
Union Pacific-Ford (All Areas)	20,982	189,715,050
237 (All Areas)	0	0
TOTAL	607,287	4,786,386,232

CALENDAR PAGE 466

MINUTE PAGE 609

**Long Beach Unit
Annual Plan
July 1, 1993 through June 30, 1994**

**Revised Economic Projections
(Data in Thousand Dollars)**

	ACTUAL THIRD QUARTER 1993	ESTIMATED FOURTH QUARTER 1993	ESTIMATED FIRST QUARTER 1994	ESTIMATED SECOND QUARTER 1994	TOTAL
ESTIMATED REVENUE					
Oil Revenue	\$49,665	\$46,759	\$50,175	\$51,200	\$197,799
Gas Revenue	2,020	2,344	2,048	2,093	\$8,504
TOTAL REVENUE	\$51,685	\$49,103	\$52,223	\$53,293	\$206,303
ESTIMATED EXPENDITURES					
Development Drilling	\$8,513	\$11,395	\$11,396	\$11,396	\$42,700
Operating Expense	11,631	\$11,423	\$11,423	\$11,423	\$45,900
Other Plant	5,984	\$7,305	\$7,305	\$7,306	\$27,900
Unit Field Labor & Administrative	8,753	\$8,983	\$8,982	\$8,982	\$35,700
Taxes, Leases & Administrative Overhead	3,279	\$4,407	\$4,407	\$4,407	\$16,500
TOTAL EXPENDITURES	\$38,160	\$43,513	\$43,513	\$43,514	\$168,700
NET PROFIT	\$13,525	\$5,590	\$8,710	\$9,779	\$37,603

CALENDAR PAGE 467

MINUTE PAGE 610

**Long Beach Unit
Annual Plan
July 1, 1993 through June 30, 1994**

Revised Major Planning Assumptions

	ACTUAL THIRD QUARTER 1993	ESTIMATED FOURTH QUARTER 1993	ESTIMATED FIRST QUARTER 1994	ESTIMATED SECOND QUARTER 1994	TOTAL
Oil Production (1,000 BBL) (B/D)	4,092 44,483	4,066 44,200	4,014 44,600	4,096 45,006	16,268
Gas Production (1,000 MCF/D) (MCF/D)	818 8,895	837 9,100	819 9,100	837 9,200	3,311
Water Production (1,000 BBL) (1,000 B/D)	45,792 498	45,172 491	44,550 495	45,419 499	180,933
Water Injection (1,000 BBL) (1,000 B/D)	55,870 607	53,176 578	52,470 583	53,338 586	214,854
Oil Price (\$/BBL)	\$12.16	\$11.50	\$12.50	\$12.50	
Gas Price (\$/MCF)	\$2.49	\$2.80	\$2.50	\$2.50	