

MINUTE ITEM

This Calendar Item No. C44
was approved as Minute Item
No. 44 by the State Land
Commission by a vote of 3
to 0 at its 8/3/94
meeting.

CALENDAR ITEM

C44

08/03/94
W 17107
Landry

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

BACKGROUND:

The City of Long Beach has submitted to the Commission the Third 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 and major planning assumptions. This report provides the actual performance for the first quarter of 1994 and revised projections for the second quarter of 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 final quarter of the fiscal year are unchanged from the original plan.

The average oil and gas rates for the first quarter of 1994 were reported to be 45,197 bbls/day of oil (597 bbls/day more than originally estimated) and 8,806 mcf/day of gas (294 mcf/day less than forecast). The cumulative recoveries and injection through March 1994 are as follows:

Oil Production	779,735,384 Barrels
Gas Production	209,177,491 MCF
Water Production	3,387,668,321 Barrels
Water Injection	4,899,632,970 Barrels

Cumulative Injection - Gross Production Ratio is 1.176 Bbls/Bbl.

The economic values reflect lower oil prices than initially were forecast. The original major 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 \$2.64/bbl results in a decrease in projected oil and gas revenue of approximately \$40,807,000. Prices are anticipated to remain below the original projection for the final quarter of the fiscal year. The First and Second Amendments reported a reduction in active drilling rigs from three to one, which will remain unchanged for the remainder of the fiscal year.

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MILLION DOLLARS					
	Actual Third Quarter 1993	Actual Fourth Quarter 1993	Actual First Quarter 1994	Estimated Second Quarter 1994	Total Fiscal Year 93-94
Oil Revenue	49.7	44.9	39.8.	47.1	181.5
Gas Revenue	2.0	2.2	2.0	2.1	8.3
Expenditures	(38.2)	(46.1)	(32.7)	(35.5)	(152.5)
Net Profit	13.5	1.0	9.1	13.7	37.3
Previous	16.5	14.6	15.9	15.0	61.9
Change	(3.0)	(13.6)	(6.8)	(1.3)	(24.6)
Oil Price/BBL	\$12.16	\$10.86	\$9.78	\$11.50	\$11.08
Gas Price/MCF	\$ 2.49	\$ 2.70	\$ 2.51	\$ 2.50	\$ 2.54

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 changes covered in this amendment.

AB 884:
N/A

OTHER PERTINENT INFORMATION:

- 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.

EXHIBITS:

- Fiscal Year 1993-94 Financial Projections
- First Quarter 1994 Financial Performance
- Letter Requesting Approval of Third Amendment of the Annual Plan of Development and Operations and Budget

IT IS RECOMMENDED THAT THE COMMISSION:

- 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.

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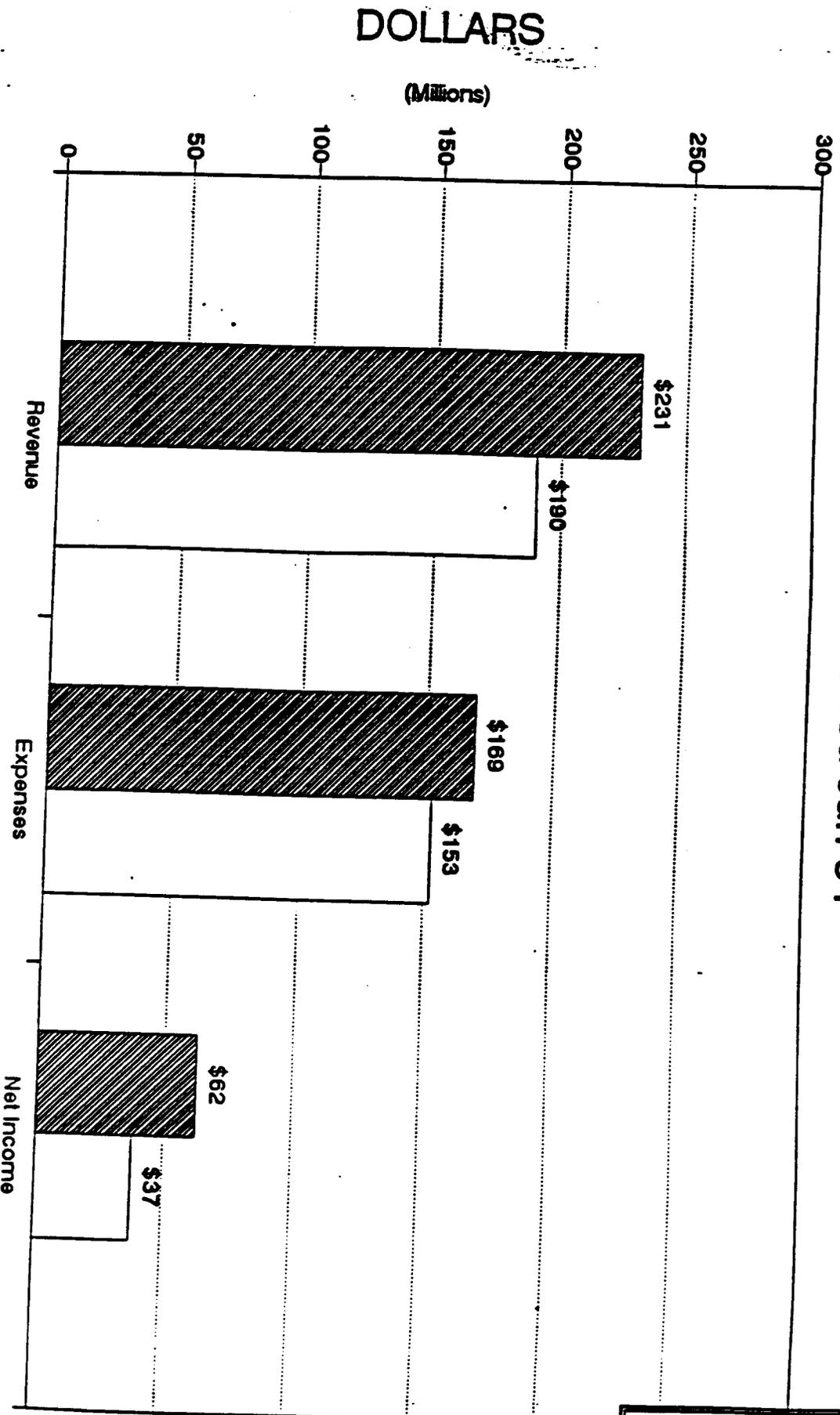
2. APPROVE THE THIRD AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1993 THROUGH JUNE 30, 1994.

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Long Beach Unit

FISCAL YEAR 1993-94 ANNUAL PLAN

Revised Jun-94



Original Plan
 Revised Plan

Long Beach Unit FIRST QUARTER 1994

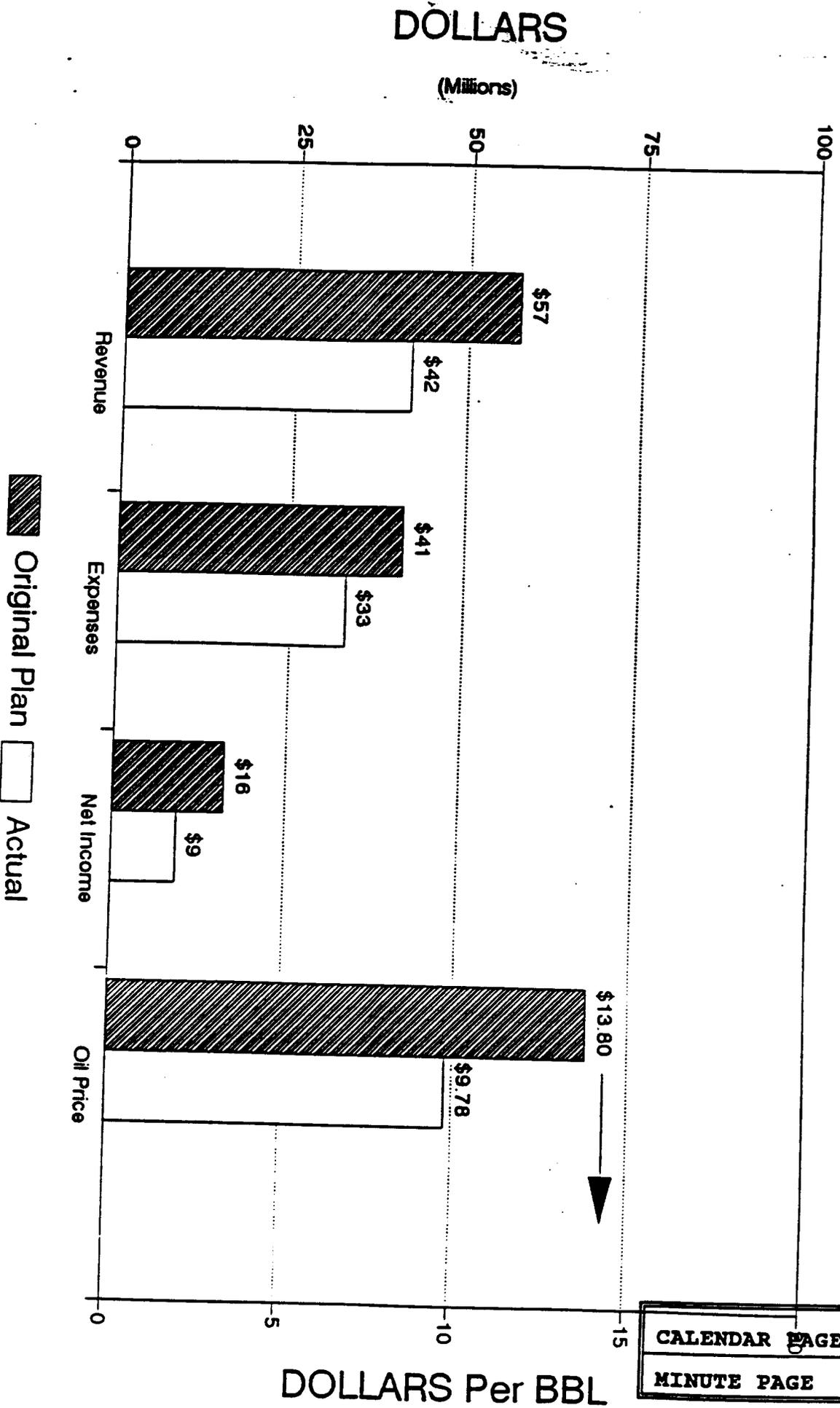


Exhibit B



CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (310) 570-3900 • FAX 570-3922

May 25, 1994

Mr. Paul 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 THIRD AMENDMENT
OF THE ANNUAL PLAN, LONG BEACH UNIT
JULY 1, 1993 THROUGH JUNE 30, 1994)**

Dear Mr. Mount:

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

This report 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 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 - Drilling activity was reduced in mid-January 1994 from two rigs to one rig. This reduced activity was in response to falling oil prices. During the third quarter two new producers and three new injectors were completed. One producer was completed in the Ranger zone, and one in the Upper Terminal zone. The Ranger zone producer came in at over 450 BOPD, which was significantly higher than anticipated. All three injectors were completed in the Ranger zone.

On March 31, 1993, the total number of wells was 1,293, of which 894 were producers and 399 were injectors. Excluded from these totals are 26 abandoned wells, 8 abandoned producers, and 18 abandoned injectors.

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Budget to Actual Variance - The Development Drilling category has a budget of \$42,700,000, of which \$26,479,889, or 62 percent, is expended.

Expenditures were as anticipated in the third quarter when considering reduced rig activity and our cash basis billing cycle. Third quarter billings were processed for activity of the second and third drilling rigs. This has tapered off so that fourth quarter expenditures are anticipated to reflect a single drilling rig operation.

OPERATING EXPENSE

Operations Review - The Unit's oil production rate averaged 45,197 bbls/day, which is 365 bbls/day greater than the second quarter's average, and 597 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Increased production can be attributed to new wells (one new Ranger zone producer came in at over 450 bbls/day), increased pump displacements, and good production response from improved pattern floods. Oil shipments during the period averaged 45,194 bbls/day.

Gas production averaged 8,806 mcf/day, which is 294 mcf/day less than originally estimated. Gas shipments averaged 8,883 mcf/day.

Water injection averaged 619,901 bbls/day, which is 4,601 bbls/day less than average water injection in the second quarter, but 36,901 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Higher than planned rates were necessary for additional injection into depleted reservoir layers. Also, greater reservoir throughput due to increased pump displacements and development drilling required balancing voidage at higher than anticipated gross production rates.

Budget to Actual Variance - The Operating Expense category has a budget of \$45,900,000, of which \$32,725,407, or 71.3 percent, is expended.

Third quarter well repair expenditures were lower than planned due to reduced activity in response to low oil prices. Rig use was reduced from approximately six in the second quarter to four in the third quarter.

Significant project expenditures in this category for the quarter include installation of an oxidizer and odor control system at the Lomita Gas Plant, and abandonment of pipeline to accommodate the Harbor expansion project.

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Electricity expense is a major component of this category, which represents nearly half of the category's planned expenditures. Electricity expense was showing the expected monthly decreases corresponding to the change from summer electric rates to winter rates. However, effective late January, a rate increase of 5.6 percent from the power company became effective, which has resulted in higher than anticipated third quarter electric costs, and will result in higher than anticipated fourth quarter electric costs.

OTHER PLANT

Budget to Actual Variance - The Other Plant category has a budget of \$27,900,000, of which \$19,633,977, or 70.4 percent, is expended. Expenditures in this category were 20 percent lower than second quarter expenditures.

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

- Installation of an automatic well tester make-up gas compressor on Island Chaffee;
- Replacement of water injection totalizers on Island Grissom;
- Installation of water injection signal wiring on Islands Chaffee and Freeman;
- Purchase of variable speed drives; and
- Scheduled maintenance of produced water handling vessels

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 \$26,105,105, or 73.1 percent, is expended. A significant project expenditure in this category was for the purchase of reservoir description and log analysis products.

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 \$12,077,427, or 73.2 percent, is expended.

Funds in this category have been expended faster than anticipated as the Mining Rights Tax assessment was greater than planned. The higher assessment is being protested with taxing authorities.

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SUMMARY

Total expenditures for the period were \$32,751,000. A breakdown by Category is shown in the attachments.

Total unit income for the period was lower than anticipated. Net income was \$9,057,000 (compared to an estimate of \$15,938,000).

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

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NUMBER OF WELLS
AS OF MARCH 31, 1994

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	185	88	273
White	152	85	237
Chaffee	209	100	309
Freeman	239	68	307
Pier J (Inc. THX)	<u>109</u>	<u>58</u>	<u>167</u>
TOTAL	894	399	1,293
Tar V	10	1	11
Ranger (All Areas)	684	314	998
Upper & Lower Terminal VI, II	64	33	97
Terminal (Blocks VIII, 90)	57	27	84
Union Pacific-Ford (All Areas)	75	24	99
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
TOTAL	894	399	1,293

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

OIL PRODUCTION

	<u>Average B/D</u> <u>1/1/94 - 3/31/94</u>	<u>Cumulative</u> <u>Bbls. 3/31/94</u>
Grissom	11,217	137,484,153
White	8,345	132,400,341
Chaffee	10,353	164,318,439
Freeman	11,469	218,531,244
Pier J (Inc. THX)	3,813	127,001,207
TOTAL	45,197	779,735,384
Tar V	52	1,194,241
Ranger (All Areas)	32,111	592,650,034
Upper Terminal & Lower Terminal VI, VII	4,905	62,474,615
Terminal (Blocks VIII, 90)	4,221	40,263,470
Union Pacific-Ford (All Areas)	3,908	79,294,413
237 (All Areas)	0	3,858,611
TOTAL	45,197	779,735,384

GAS PRODUCTION

	<u>Average Mcf</u> <u>1/1/94 - 3/31/94</u>	<u>Cumulative</u> <u>Mcf 3/31/94</u>
Grissom	959	19,948,865
White	1,732	32,635,321
Chaffee	1,383	55,808,571
Freeman	3,569	78,528,674
Pier J (Inc. THX)	1,163	22,256,060
TOTAL	8,806	209,177,491
Tar V	48	481,038
Ranger (All Areas)	5,856	132,209,016
Upper Terminal & Lower Terminal VI, VII	825	7,920,822
Terminal (Blocks VIII, 90)	1,021	12,099,857
Union Pacific-Ford (All Areas)	1,056	52,201,489
237 (All Areas)	0	4,265,269
TOTAL	8,806	209,177,491

WATER PRODUCTION

	Average B/D 1/1/94 - 3/31/94	Cumulative Bbls. 3/31/94
Grissom	119,936	800,123,202
White	99,685	633,778,316
Chaffee	84,249	490,052,664
Freeman	120,989	789,945,418
Pier J (Inc. THX)	74,476	673,768,721
TOTAL	499,335	3,387,668,321
Tar V	230	5,181,718
Ranger (All Areas)	430,666	2,948,366,185
Upper Terminal & Lower Terminal VI, VII	37,741	248,304,502
Terminal (Blocks VIII, 90)	16,760	61,889,669
Union Pacific-Ford (All Areas)	13,938	120,738,357
237 (All Areas)	0	3,187,890
TOTAL	499,335	3,387,668,321

INJECTION WATER

	Average B/D 1/1/94 - 3/31/94	Cumulative Bbls. 3/31/94
Grissom	159,050	1,141,147,007
White	136,052	970,851,638
Chaffee	121,529	1,026,207,606
Freeman	115,430	875,720,089
Pier J (Inc. THX)	87,840	885,706,630
TOTAL	619,901	4,899,632,970
Tar V	454	12,546,666
Ranger (All Areas)	514,998	4,231,865,653
Upper Terminal & Lower Terminal VI, VII	48,804	315,466,492
Terminal (Blocks VIII, 90)	33,676	146,139,278
Union Pacific-Ford (All Areas)	21,969	193,614,381
237 (All Areas)	0	0
TOTAL	619,901	4,899,632,970