MINUTE ITEM
This Calendar Item No. C120
was approved as Minute Item
No. 120 by the State Lands
Commission by a vote of 3
to 0 at its 11/15/94
meeting.

CALENDAR ITEM
C120

A 57, 58

S 29

11/15/94
W 17107
Landry

APPROVE THE FOURTH AMENDMENT OF THE 1993-1994 ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, FINAL REPORT AND CLOSING STATEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

BACKGROUND:

The City of Long Beach has submitted to the Commission the Final Report and Closing Statement as the Fourth 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 the updated economics with revised oil and gas prices. There were no changes in the latest approved budget of $168,700,000.

The average oil and gas rates were reported to be 45,269 bbls/day of oil and 9,123 mcf/day of gas. The cumulative recoveries and injection through June 1994 are as follows:

Oil Production	783,974,052 Barrels
Gas Production	210,078,637 MCF
Water Production	3,463,309,504 Barrels
Water Injection	4,956,072,724 Barrels

Cumulative Injection - Gross Production Ratio is 1.167 Bbls/Bbl.

The economic values reflect the actual prices of the oil and gas sales. 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. The average actual values reported were $11.37 per barrel of oil and $2.47 per mcf of gas. The reported total revenue was $196,071,000 with $151,227,000 of total expenditures for a net profit of $44,844,000. In response to the dramatic drop in oil price, the number of active drilling rigs was reduced from three to one during this plan period.

The Commission's staff has reviewed the Fourth Amendment, including the production, injection, expenditures, and revenue shown in the attached exhibit.

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.

EXHIBIT:

A. Letter Requesting Approval of Fourth 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 FINAL REPORT AND CLOSING STATEMENT AS THE FOURTH AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1993 THROUGH JUNE 30, 1994.

EXHIBIT A

W 17107

CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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

September 13, 1994

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 FOURTH AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1993 THROUGH JUNE 30, 1994) FINAL REPORT AND CLOSING STATEMENT**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval this final report and closing statement as the Fourth Amendment to the Annual Plan covering the period July 1, 1993 through June 30, 1994. This report contains a reconciliation of Unit activities by category, as revised by the First Modification of the Annual Plan, of accomplishments and significant events for the period. These results occurred in a price environment much lower than originally anticipated. (Economics for the original Plan were based on oil at $13.80/bbl: the actual oil price for the period averaged $11.37/bbl.)

DEVELOPMENT DRILLING CATEGORY

Operations Review - The Plan for this category was developed anticipating that three drilling rigs would be required for completion of 60-70 new and redrilled wells (20-23 wells/rig/year). During the Plan period a significant drop in oil price led to reducing drilling activity from three rigs to one rig. Improved drilling techniques and more efficient operations resulted in completion of 48 new and redrilled wells with an average of 1.9 rigs (25 wells/rig/year).

Budget to Actual Variance - The Development Drilling Category had a budget of $42,700,000, of which $30,693,841, or 71 percent, was expended. The under expenditure of this category was a result of drilling fewer wells than anticipated; having fewer rigs to maintain; using alternate casing design; reduced average drilling time per well; and improved contracts and bids with vendors.

Following is a listing of new well completions and redrills by zone for the Plan period:

Zone	New Completions Prod.	New Completions Inj.	New Completions Total	Redrills Prod.	Redrills Inj.	Redrills Total
Tar	0	0	0	0	0	0
Ranger	10	6	16	6	4	10
Terminal	2	3	5	1	2	3
Upper/Lower Terminal	4	3	7	0	1	1
UP-Ford	2	2	4	2	0	2
237	0	0	0	0	0	0
TOTALS	**18**	**14**	**32**	**9**	**7**	**16**

OPERATING EXPENSE CATEGORY

Operations Review - The Unit oil production rate averaged 45,269 bbls/day, which was 869 bbls/day more than originally estimated, and gas production averaged 9,123 mcf/day, which was 24 mcf/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan.

Oil shipments during the period averaged 45,276 bbls/day, which was 1,557 bbls/day more than the 1992-93 fiscal period average. Gas shipments averaged 8,999 mcf/day, which was 223 mcf/day more than the 1992-93 fiscal period average.

Water injection averaged 617,964 bbls/day, which was 37,964 bbls/day greater 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, idled wells being reactivated, and development drilling required balancing voidage at higher than anticipated gross production rates.

Budget to Actual Variance - The Operating Expense Category had a budget of $45,900,000, of which $42,302,234, or 92.2 percent, was expended. Wellwork expenditures of $21,445,556 and electricity cost of $20,856,678 were both lower than planned due to reduced activity in response to low oil prices, and more efficient operating practices brought about by the Unit's new Profit Center Team organization.

OTHER PLANT CATEGORY

Operations Review - Significant project expenditures in the category for the fiscal period include:

- Upgrade of a vapor recovery system at the J-6 site;
- Replacement of water injection totalizers on Island Grissom;
- Installation of an automatic well tester make-up gas compressor on Island Chaffee;
- Fabrication and installation of a hydrogen sulfide scrubber system at the J-4 site;
- Design of a gas compression facility;
- Upgrade of an electrical system at the J-4 site;
- Installation of networking equipment at Islands and Pier J facilities;
- Relocation of product pipelines to accommodate the Port of Long Beach Harbor expansion;
- Installation of a water injection pressure monitoring system on Island Grissom;
- Installation of water injection signal wiring on Islands Chaffee and Freeman;
- Design and evaluation of a cogeneration facility;
- Declassification of hazardous locations on Island Chaffee;
- Purchase of variable speed drives;
- Fund installation of an oxidizer and odor control system at the Lomita Gas Plant;
- Provide secondary containment for diesel fuel at the Pier G fuel dock;
- Replace a section of the GJ-5 and GJ-6 pipeline;
- Repair and routine maintenance of oil treating vessels;
- Replace mud plant and drilling storage tanks;
- Repair subsea gas and oil pipelines;
- Annual maintenance of tanks and pressure vessels;
- Annual injection pump and motor repairs; and
- Successful full-boom deployment oil spill drill in the Long Beach Harbor.

Budget to Actual Variance - The Other Plant Category had a budget of $27,900,000 of which $25,905,351, or 92.9 percent, was expended.

UNIT FIELD LABOR AND ADMINISTRATIVE CATEGORY

Budget to Actual Variance - The Unit Field Labor and Administrative Category had a budget of $35,700,000 of which $34,729,710, or 97.3 percent, was expended.

Significant expenditures in this category include:

- Final costs for Phase III of the Unit's Financial Information System;
- Settlement cost paid on an arbitrated contract dispute;
- Computer equipment purchases; and
- Reservoir description products purchase.

TAXES, PERMITS AND ADMINISTRATIVE OVERHEAD CATEGORY

Budget to Actual Variance - The Taxes, Permits and Administrative Overhead Category had a budget of $16,500,000 of which $17,595,453, or 106.6 percent, was expended. The overage in this category was a result of the Mining Rights Tax assessment being more than planned. The Mining Rights tax assessment is being protested with taxing authorities.

SUMMARY

Total expenditures for the Plan period were $151,227,000. A breakdown by Category is shown in the attachments. Total unit income for the Plan period was lower than anticipated. Net income was $44,844,000 (compared to an estimate of $61,911,000), due to lower than anticipated oil prices.

BUDGET RECONCILIATION

Attached is the June 30, 1994 Budget Statement, Fiscal Year Projects Report, revised Annual Plan Economic Projections and Major Planning Assumptions, and an end of period report of wells, oil production, gas production, water production, and water injection by location and zone.

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
Department of Oil Properties

XCC:slg

FIN 312.003
Attachments

CALENDAR PAGE	608
MINUTE PAGE	4303

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

Revised Economic Projections
(Data in Thousand Dollars)

	ACTUAL THIRD QUARTER 1993	ACTUAL FOURTH QUARTER 1993	ACTUAL FIRST QUARTER 1994	ACTUAL SECOND QUARTER 1994	TOTAL
ESTIMATED REVENUE					
Oil Revenue	$49,665	$44,932	$39,799	$53,456	$187,852
Gas Revenue	2,020	2,183	2,008	2,008	$8,218
TOTAL REVENUE	$51,684	$47,115	$41,808	$55,464	$196,071
ESTIMATED EXPENDITURES					
Development Drilling	$8,513	$11,649	$6,317	$4,214	$30,694
Operating Expense	11,631	11,815	9,279	9,577	42,302
Other Plant	5,984	7,596	6,054	6,271	25,905
Unit Field Labor & Administrative	8,753	8,859	8,493	8,624	34,730
Taxes, Permits & Administrative Overhead	3,279	6,191	2,607	5,518	17,595
TOTAL EXPENDITURES	$38,160	$46,111	$32,751	$34,204	$151,227
NET PROFIT	$13,524	$1,004	$9,057	$21,259	$44,844

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

Revised Major Planning Assumptions

	ACTUAL THIRD QUARTER 1993	ACTUAL FOURTH QUARTER 1993	ACTUAL FIRST QUARTER 1994	ACTUAL SECOND QUARTER 1994	TOTAL
Oil Production					
(1,000 BBL)	4,092	4,125	4,068	4,239	16,523
(B/D)	44,483	44,832	45,197	46,578	
Gas Production					
(1,000 MCF/D)	818	818	793	901	3,330
(MCF/D)	8,895	8,888	8,806	9,903	
Water Production					
(1,000 BBL)	45,792	46,589	44,940	46,950	184,271
(B/D)	497,740	506,397	499,335	515,936	
Water Injection					
(1,000 BBL)	55,870	57,456	55,791	56,440	225,557
(B/D)	607,287	624,518	619,901	620,217	
Oil Price ($/BBL)	$12.16	$10.86	$9.78	$12.61	
Gas Price ($/MCF)	$2.49	$2.70	$2.51	$2.32	

NUMBER OF WELLS

AS OF JUNE 30, 1994

	Producers	Injectors	Total
Grissom	184	88	272
White	151	86	237
Chaffee	213	103	316
Freeman	238	70	308
Pier J (Inc. THX)	109	58	167
TOTAL	895	405	1300

Tar V	10	1	11
Ranger (All Areas)	684	319	1,003
Upper & Lower Terminal VI,VII	64	33	97
Terminal (Blocks VIII, 90)	58	27	85
Union Pacific-Ford (All Areas)	75	25	100
237 (All Areas)	4	0	4
TOTAL	895	405	1,300

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

OIL PRODUCTION

	Average B/D 7/1/93 - 6/30/94	Cumulative Bbls. 6/30/94
Grissom	10,925	138,551,033
White	8,386	133,104,252
Chaffee	10,681	165,344,406
Freeman	11,528	219,632,979
Pier J (Inc. THX)	3,749	127,341,382
TOTAL	45,269	783,974,052
Tar V	47	1,198,620
Ranger (All Areas)	32,103	595,634,665
Upper Terminal & Lower Terminal VI,VII	4,935	62,921,692
Terminal (Blocks VIII, 90)	4,388	40,701,182
Union Pacific-Ford (All Areas)	3,796	79,659,282
237 (All Areas)	0	3,858,611
TOTAL	45,269	783,974,052

GAS PRODUCTION

	Average Mcf 7/1/93 - 6/30/94	Cumulative Mcf 6/30/94
Grissom	995	20,066,002
White	1,996	32,828,117
Chaffee	1,721	56,037,029
Freeman	3,054	78,743,217
Pier J (Inc. THX)	1,357	22,404,272
TOTAL	9,123	210,078,637
Tar V	48	486,168
Ranger (All Areas)	6,130	132,850,016
Upper Terminal & Lower Terminal VI,VII	1,003	8,013,502
Terminal (Blocks VIII, 90)	949	12,160,872
Union Pacific-Ford (All Areas)	993	52,302,810
237 (All Areas)	0	4,265,269
TOTAL	9,123	210,078,637

WATER PRODUCTION

	Average B/D 7/1/93 - 6/30/94	Cumulative Bbls. 6/30/94
Grissom	119,194	811,707,314
White	98,489	642,522,607
Chaffee	87,256	498,414,494
Freeman	125,841	801,124,448
Pier J (Inc. THX)	74,072	680,849,641
TOTAL	504,852	3,434,618,504
Tar V	218	5,202,173
Ranger (All Areas)	437,052	2,988,745,284
Upper Terminal & Lower Terminal VI, VII	37,456	251,971,363
Terminal (Blocks VIII, 90)	16,646	63,524,005
Union Pacific-Ford (All Areas)	13,480	121,987,789
237 (All Areas)	0	31,878,890
TOTAL	504,852	3,463,309,504

INJECTION WATER

	Average B/D 7/1/93 - 6/30/94	Cumulative Bbls. 6/30/94
Grissom	158,243	1,156,528,919
White	132,461	982,166,602
Chaffee	119,538	1,037,244,351
	120,064	885,809,933
Pier J (Inc. THX)	87,658	894,322,919
TOTAL	617,964	4,956,072,724
Tar V	568	12,633,758
Ranger (All Areas)	516,173	4,279,155,322
Upper Terminal & Lower Terminal VI, VII	48,326	320,048,410
Terminal (Blocks VIII, 90)	31,229	148,541,596
Union Pacific-Ford (All Areas)	21,668	195,693,638
237 (All Areas)	0	0
TOTAL	617,964	4,956,072,724

THUMS LONG BEACH UNIT
Budget Statement
Current Period: JUN-94

Currency: USD
No specific Company requested

Budget Category	Original Budget	Revised Budget	Current Month	FYTD Expenditure	Percent Expended	Unexpended Balance	FYTD Budget	(Over/Under) FYTD Budget
DEVELOPMENT DRILLING	47,500,000	42,700,000	1,350,566	30,693,841	71.9	12,006,159	42,700,000	-28.1
OPERATING EXPENSE	64,400,000	45,900,000	3,521,801	42,302,234	92.2	3,597,766	45,900,000	-7.8
OTHER PLANT	24,500,000	27,900,000	1,924,446	25,905,351	92.9	1,994,649	27,900,000	-7.1
UNIT FIELD LABOR & ADMINISTRATIVE	21,800,000	35,700,000	2,754,605	34,729,710	97.3	970,290	35,700,000	-2.7
TAXES, PERMITS, & ADMIN. OVERHEAD	10,500,000	16,500,000	1,126,868	17,595,453	106.6	-1,095,453	16,500,000	6.6
Unit Totals	168,700,000	168,700,000	10,678,288	151,226,590	89.6	17,473,410	168,700,000	-10.4