

MINUTE ITEM

This Calendar Item No. C48  
was approved as Minute Item  
No. 48 by the State Lands  
Commission by a vote of 3  
to 0 at its 3/1/95  
meeting.

CALENDAR ITEM

C48

A 57, 58

03/01/95

S 29

W 17108

Landry

APPROVE THE FIRST AMENDMENT OF THE 1994-1995  
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 First Amendment of the 1994-1995 Annual Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1994 through June 30, 1995, providing updated economic projections and major planning assumptions. This report provides the actual performance for the third quarter of 1994 and revised projections for the remainder of the fiscal year. There were no changes in the latest approved budget of \$143,103,000 or to the distribution to the five budget categories. The revised economic projections are illustrated in Exhibits A and B. Revisions to produced and injected fluid projections are illustrated in Exhibit C.

The average oil and gas rates for the third quarter of 1994 were reported to be 47,362 bbls/day of oil (2,982 bbls/day more than originally estimated) and 10,169 mcf/day of gas (999 mcf/day less than forecast). The higher than planned oil and gas rates are primarily due to implementation of new well drilling technology and fieldwide increased displacement of total fluid. The cumulative recoveries and injection through September 1994 are as follows:

|                  |                       |
|------------------|-----------------------|
| Oil Production   | 788,331,367 Barrels   |
| Gas Production   | 211,014,219 MCF       |
| Water Production | 3,484,972,696 Barrels |
| Water Injection  | 5,016,081,554 Barrels |

Cumulative Injection - Gross Production Ratio is 1.174  
Bbls/Bbl.

CALENDAR ITEM NO. **C48** (CONT'D)

The economic values reflect higher oil production rates and prices than initially were forecast. The original major planning assumptions were based on an average oil price of \$11.50 per barrel and an average gas price of \$2.50 per mcf. Forecast oil and gas prices, expenditures, and net profits for Fiscal Year 1995 have been revised and are shown below. The net increase in the projected oil rate of 3,331 bbls/day has resulted in an increase in projected revenue of approximately \$31,394,000. Although oil prices have been higher than anticipated for the first two quarters of the fiscal year, the originally projected oil price of \$11.50/bbl. will remain the same for the final two quarters. The original planning assumption of one active drilling rig will remain unchanged for the fiscal year.

| MILLION DOLLARS |                                    |  |                                       |  |                                  |
|-----------------|------------------------------------|--|---------------------------------------|--|----------------------------------|
|                 | Actual<br>Third<br>Quarter<br>1994 | Estimated<br>Fourth<br>Quarter<br>1994 | Estimated<br>First<br>Quarter<br>1995 | Estimated<br>Second<br>Quarter<br>1995 | Total<br>Fiscal<br>Year<br>94-95 |
| Oil Revenue     | 60.2                               | 57.5                                   | 49.1                                  | 49.8                                   | 216.6                            |
| Gas Revenue     | 2.0                                | 1.8                                    | 2.1                                   | 2.1                                    | 8.1                              |
| Expenditures    | (37.3)                             | (34.2)                                 | (36.0)                                | (35.6)                                 | (143.1)                          |
| Net Profit      | 24.8                               | 25.2                                   | 15.2                                  | 16.4                                   | 81.6                             |
| Previous        | 14.4                               | 13.0                                   | 12.1                                  | 10.6                                   | 50.1                             |
| Change          | +10.4                              | +12.2                                  | +3.1                                  | +5.8                                   | +31.5                            |
| Oil Price/BBL   | \$13.80                            | \$13.25                                | \$11.50                               | \$11.50                                | \$12.52                          |
| Gas Price/MCF   | \$ 2.15                            | \$ 2.50                                | \$ 2.50                               | \$ 2.50                                | \$ 2.32                          |

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

**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.

**EXHIBITS:**

- A. Fiscal Year 1994-95 Financial Projections
- B. Third Quarter 1994 Financial Performance
- C. Fiscal Year 1994-95 Oil Rate Projections
- D. Letter Requesting Approval of First Amendment of the Annual Plan of Development and Operations and Budget

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CALENDAR ITEM NO. C48 (CONT'D)

**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, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, FOR THE PERIOD JULY 1, 1994 THROUGH JUNE 30, 1995.

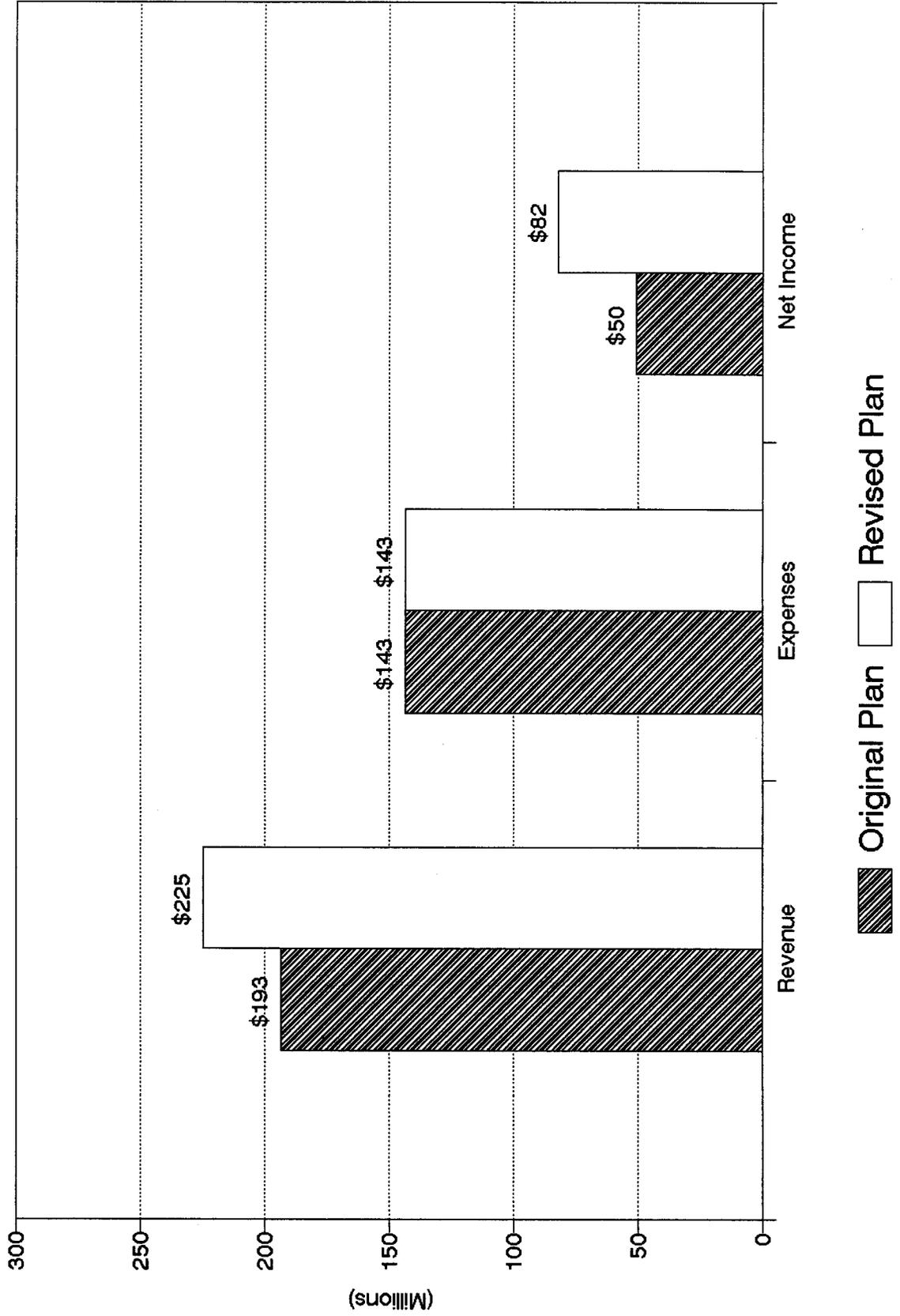
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# Long Beach Unit

## FISCAL YEAR 1994-95 ANNUAL PLAN

Revised Sep-94

Exhibit A



DOLLARS

(Millions)

CALENDAR PAGE

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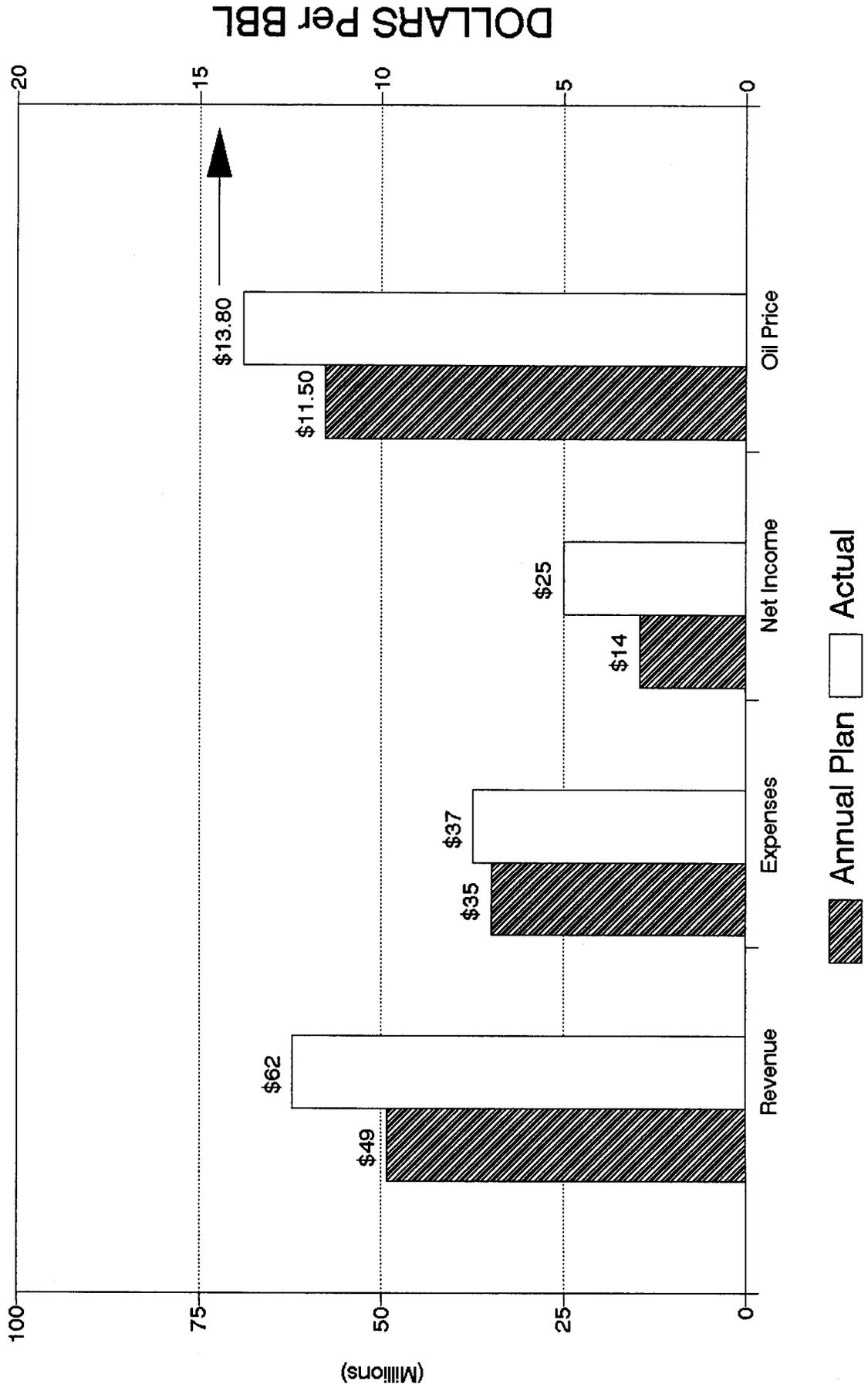
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# Long Beach Unit

## THIRD QUARTER 1994

Exhibit B



DOLLARS

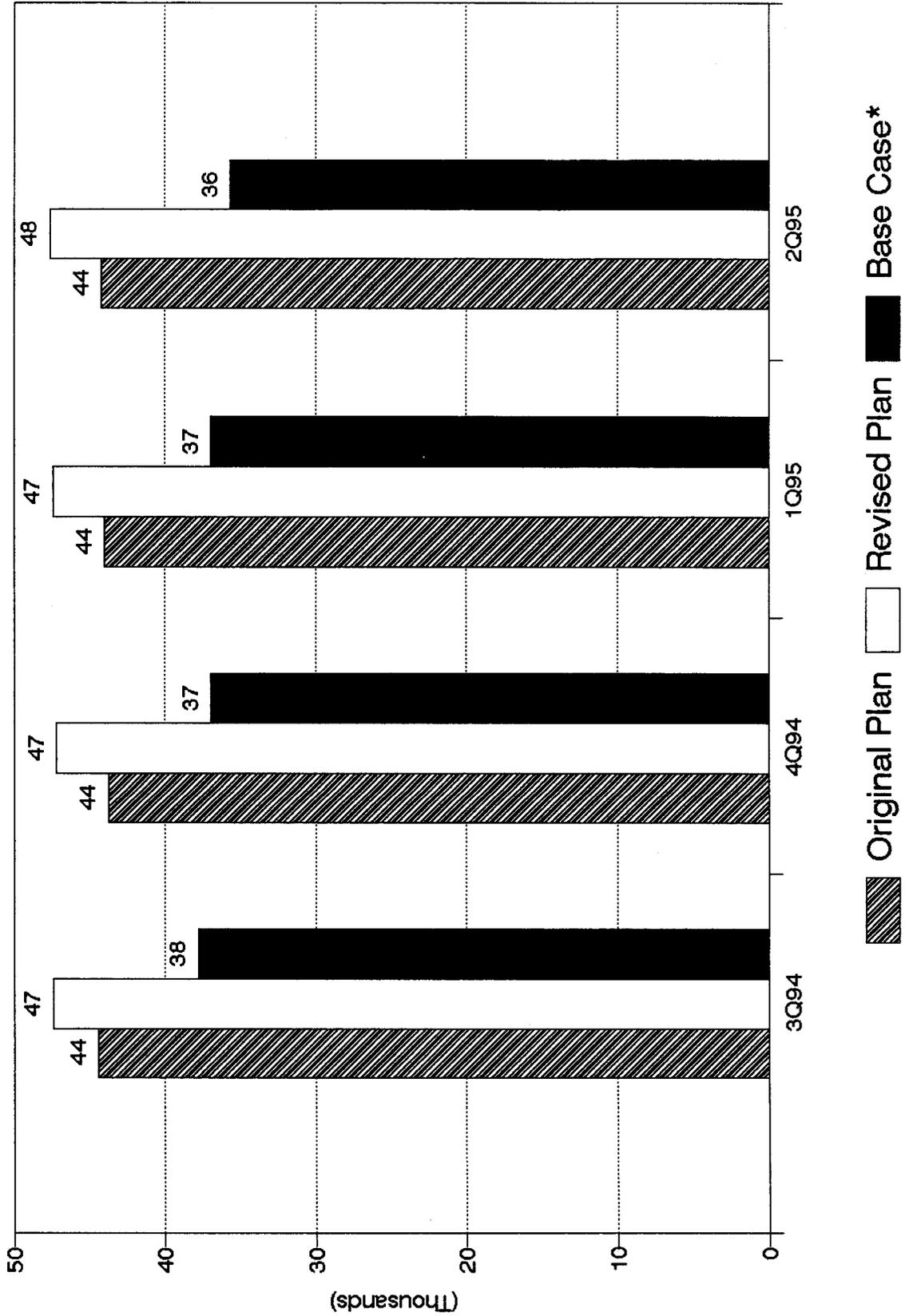
(Millions)

# Long Beach Unit

## FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit C

Revised Sep-94



\*Prediction if Optimized Waterflood Not Implemented



# CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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

November 29, 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 FIRST AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1994 THROUGH JUNE 30, 1995)**

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, 1994 through June 30, 1995.

This report reviews the first 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 is presented below.

## DEVELOPMENT DRILLING

### Operations Review

One drilling rig was in operation during the first quarter, completing four new producers and re-drilling two producers. One new well was completed in the Terminal Zone, one in the Upper Terminal Zone, one in the Tar Zone, and one in the Ranger Zone.

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Highlights for the Drilling Operations during the quarter include:

- Three of the completed wells have shown early success using a high rate, water-gravel packing completion technique (911 bpd vs. 420 bpd expected for the three wells).
- Three horizontal wells were completed, two redrills and one new well. One of the horizontal redrills used coiled tubing technology for drilling in the final completion zone.
- One Tar Zone well was completed with special equipment in preparation for possible steam-flood operations.

On September 30, 1994, the total number of wells was 1,304, of which 896 were producers and 408 were 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 \$25,833,000, of which \$4,024,812, or 15.6 percent, is expended.

The budget provides funds anticipating a one to two drilling rig operation, with additional funding provided for purchasing major drilling rig equipment and planned projects. Expenditures are as expected for single rig operation where no major purchases or projects took place.

### OPERATING EXPENSE

#### Operations Review

The Unit's oil production rate averaged 47,362 bbls/day, which is 2,982 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 47,383 bbls/day. The significant increase in production is attributed to better completions on new wells, increased pump displacements, good results from stimulations on cased hole completions, and good production

response from improved pattern floods.

Gas production averaged 10,169 mcf/day, which is 999 mcf/day more than originally estimated. Gas shipments averaged 10,124 mcf/day.

Water injection averaged 652,269 bbls/day, which is 37,609 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 \$37,472,000, of which \$14,205,578, or 37.9 percent is expended. It is anticipated that expenditures for this category will exceed budget by approximately 14 percent, based on current planning assumptions.

This first quarter's higher oil prices resulted in favorable economics on well work which had been deferred in the last half of fiscal year 1994. As a result, production rig activity was increased which led to well repair expenditures greater than planned.

Electricity cost is higher than normal due to a combination of higher summer electric rates and increased kwh consumption due to higher gross production.

There were no significant non-well project expenditures in this category for the quarter.

#### OTHER PLANT

#### Budget to Actual Variance

The Other Plant category has a budget of \$28,135,000 of which \$6,398,945, or 22.7 percent, is expended.

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

- Replacement of water injection totalizer systems;
- Purchase of a 2.5 ton forklift;
- Installation of a water injection pressure monitoring system on Island Grissom;
- Installation of water injection pressure wiring on Islands Chaffee and Freeman;
- Relocation of product pipelines to accommodate the Port of Long Beach Harbor expansion;
- Installation of an Automatic Well Test operator interface system;
- Permitting for a cogeneration plant;
- Fund installation of an oxidizer and odor control system at the Lomita Gas Plant;
- Provide secondary containment for the Pier G fuel dock;
- Removing underground fuel tanks at Pier G; and
- Modification of the skim basin covers at the J-2 site.

#### UNIT FIELD LABOR AND ADMINISTRATIVE

##### Budget to Actual Variance

The Unit Field Labor and Administrative category has a budget of \$36,389,000 of which \$8,324,467, or 22.9 percent, is expended.

The Unit Field Labor and Administrative category had significant project expenditures in the first quarter for purchase of computer equipment.

#### TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

##### Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category has a budget of \$15,274,000 of which \$4,377,815, or 28.7 percent is expended. It is anticipated that expenditures in this category will exceed budget by approximately 2 percent, based on current planning assumptions.

A new accounting procedure became effective in the first quarter where taxes are accrued to better reflect monthly activity. First quarter accruals were based on budgeted amounts and will be adjusted downward to reflect actuals in the second quarter. The cost for Mining Rights and Property Tax remains under dispute with the taxing authorities and the final outcome, including a possible refund for the 1993-1994 tax year, is unknown.

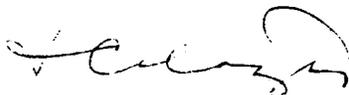
**SUMMARY**

Total expenditures for the Plan period were \$37,332,000. A breakdown by category is shown in the attachments.

Total unit income for the Plan period was higher than anticipated. Net income was \$27,840,000 (compared to an estimate of \$14,412,000).

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

Attachments

FIN 312.003

|               |     |
|---------------|-----|
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## A. Economic Projections

(Data in Thousands of Dollars)

|                                   | ACTUAL<br>THIRD<br>QUARTER<br>1994 | ESTIMATED<br>FOURTH<br>QUARTER<br>1994 | ESTIMATED<br>FIRST<br>QUARTER<br>1995 | ESTIMATED<br>SECOND<br>QUARTER<br>1995 | TOTAL            |
|-----------------------------------|------------------------------------|--|---------------------------------------|--|------------------|
| <b>ESTIMATED REVENUE</b>          |                                    |  |                                       |  |                  |
| Oil Revenue                       | \$60,167                           | \$57,533                               | \$49,045                              | \$49,819                               | \$216,564        |
| Gas Revenue                       | 2,004                              | 1,839                                  | 2,100                                 | 2,133                                  | 8,077            |
| <b>TOTAL REVENUE</b>              | <b>\$62,172</b>                    | <b>\$59,372</b>                        | <b>\$51,145</b>                       | <b>\$51,952</b>                        | <b>\$224,641</b> |
| <b>ESTIMATED EXPENDITURES</b>     |                                    |  |                                       |  |                  |
| Development Drilling              | \$4,025                            | \$4,300                                | \$6,800                               | \$6,600                                | \$21,725         |
| Operating Expense                 | 14,206                             | 11,100                                 | 8,697                                 | 8,657                                  | 42,660           |
| Other Plant                       | 6,399                              | 6,000                                  | 7,700                                 | 7,600                                  | 27,699           |
| Unit Field Labor & Administrative | 8,324                              | 8,900                                  | 8,900                                 | 8,800                                  | 34,924           |
| Taxes, Permits & Admin Overhead   | 4,378                              | 3,877                                  | 3,858                                 | 3,933                                  | 16,046           |
| <b>TOTAL EXPENDITURES</b>         | <b>\$37,332</b>                    | <b>\$34,177</b>                        | <b>\$35,955</b>                       | <b>\$35,590</b>                        | <b>\$143,054</b> |
| <b>NET PROFIT</b>                 | <b>\$24,840</b>                    | <b>\$25,195</b>                        | <b>\$15,190</b>                       | <b>\$16,362</b>                        | <b>\$81,588</b>  |

## B. Major Planning Assumptions

(Data in Thousands of Dollars)

|                           | ACTUAL<br>THIRD<br>QUARTER<br>1994 | ESTIMATED<br>FOURTH<br>QUARTER<br>1994 | ESTIMATED<br>FIRST<br>QUARTER<br>1995 | ESTIMATED<br>SECOND<br>QUARTER<br>1995 | TOTAL   |
|---------------------------|------------------------------------|--|---------------------------------------|--|---------|
| <b>OIL PRODUCTION</b>     |                                    |  |                                       |  |         |
| (1,000 BBL)               | 4,357                              | 4,342                                  | 4,265                                 | 4,332                                  | 17,296  |
| (B/D)                     | 47,362                             | 47,197                                 | 47,386                                | 47,605                                 |         |
| <b>GAS PRODUCTION</b>     |                                    |  |                                       |  |         |
| (1,000 MCF)               | 936                                | 855                                    | 840                                   | 853                                    | 3,484   |
| (MCF/D)                   | 10,169                             | 9,298                                  | 9,335                                 | 9,378                                  |         |
| <b>WATER PRODUCTION</b>   |                                    |  |                                       |  |         |
| (1,000 BBL)               | 50,354                             | 48,637                                 | 47,341                                | 48,079                                 | 194,411 |
| (B/D)                     | 547,328                            | 528,658                                | 526,016                               | 528,345                                |         |
| <b>WATER INJECTION</b>    |                                    |  |                                       |  |         |
| (1,000 BBL)               | 60,009                             | 59,086                                 | 58,019                                | 58,712                                 | 235,826 |
| (B/D)                     | 652,269                            | 616,190                                | 616,880                               | 617,590                                |         |
| <b>OIL PRICE (\$/BBL)</b> | \$13.80                            | \$13.25                                | \$11.50                               | \$11.50                                |         |
| <b>GAS PRICE (\$/MCF)</b> | \$2.15                             | \$2.50                                 | \$2.50                                | \$2.50                                 |         |

**NUMBER OF WELLS**  
**AS OF SEPTEMBER 30, 1994**

|                                   | <u>Producers</u> | <u>Injectors</u> | <u>Total</u> |
|-----------------------------------|------------------|------------------|--------------|
| Grissom                           | 186              | 89               | 275          |
| White                             | 151              | 86               | 237          |
| Chaffee                           | 214              | 103              | 317          |
| Freeman                           | 238              | 70               | 308          |
| Pier J (Inc. THX)                 | 107              | 60               | 167          |
| <b>TOTAL</b>                      | <b>896</b>       | <b>408</b>       | <b>1304</b>  |
|                                   |                  |                  |              |
| Tar V                             | 11               | 1                | 12           |
| Ranger (All Areas)                | 682              | 322              | 1004         |
| Upper & Lower Terminal<br>VI, VII | 66               | 33               | 99           |
| Terminal (Blocks VIII, 90)        | 59               | 27               | 86           |
| Union Pacific-Ford (All Areas)    | 74               | 25               | 99           |
| 237 (All Areas)                   | 4                | 0                | 4            |
| <b>TOTAL</b>                      | <b>896</b>       | <b>408</b>       | <b>1304</b>  |

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

## OIL PRODUCTION

|  | <u>Average B/D</u><br><u>7/1/94 - 9/30/94</u> | <u>Cumulative</u><br><u>Bbls. 9/30/94</u> |
|--|---|---|
| Grissom                                    | 12,275  | 139,680,303                               |
| White                                      | 7,793   | 133,821,192                               |
| Chaffee                                    | 12,038  | 166,451,944                               |
| Freeman                                    | 11,600  | 220,700,185                               |
| Pier J (Inc. THX)                          | 3,656   | 127,677,743                               |
| <b>TOTAL</b>                               | 47,362  | 788,331,367                               |
|  |   |   |
| Tar V                                      | 93  | 1,207,182                                 |
| Ranger (All Areas)                         | 33,073  | 598,677,344                               |
| Upper Terminal & Lower Terminal<br>VI, VII | 5,196   | 63,399,761                                |
| Terminal (Blocks VIII, 90)                 | 4,732   | 41,136,513                                |
| Union Pacific-Ford (All Areas)             | 4,268   | 80,051,956                                |
| 237 (All Areas)                            | 0   | 3,858,611                                 |
| <b>TOTAL</b>                               | 47,362  | 788,331,367                               |

## GAS PRODUCTION

|  | <u>Average Mcf</u><br><u>7/1/94 - 9/30/94</u> | <u>Cumulative</u><br><u>Mcf 9/30/94</u> |
|--|---|---|
| Grissom                                    | 1,291   | 20,184,772                              |
| White                                      | 1,400   | 32,956,951                              |
| Chaffee                                    | 3,256   | 56,336,604                              |
| Freeman                                    | 2,237   | 78,949,044                              |
| Pier J (Inc. THX)                          | 1,985   | 22,586,848                              |
| <b>TOTAL</b>                               | 10,169  | 211,014,219                             |
|  |   |   |
| Tar V                                      | 71  | 492,715                                 |
| Ranger (All Areas)                         | 7,036   | 133,497,338                             |
| Upper Terminal & Lower Terminal<br>VI, VII | 1,073   | 8,112,231                               |
| Terminal (Blocks VIII, 90)                 | 685   | 12,223,854                              |
| Union Pacific-Ford (All Areas)             | 1,304   | 52,422,812                              |
| 237 (All Areas)                            | 0   | 4,265,269                               |
| <b>TOTAL</b>                               | 10,169  | 211,014,219                             |

## WATER PRODUCTION

|  | <u>Average B/D</u><br><u>7/1/94 - 9/30/94</u> | <u>Cumulative</u><br><u>Bbls. 9/30/94</u> |
|--|---|---|
| Grissom                                    | 136,446                                       | 824,260,363                               |
| White                                      | 100,336                                       | 651,753,522                               |
| Chaffee                                    | 102,368                                       | 507,832,326                               |
| Freeman                                    | 126,648                                       | 812,776,087                               |
| Pier J (Inc. THX)                          | 81,530  | 688,350,398                               |
| <b>TOTAL</b>                               | 547,328                                       | 3,484,972,696                             |
| <br>                                       |   |   |
| Tar V                                      | 347   | 5,234,103                                 |
| Ranger (All Areas)                         | 468,987                                       | 3,031,892,069                             |
| Upper Terminal & Lower Terminal<br>VI, VII | 46,522  | 256,251,358                               |
| Terminal (Blocks VIII, 90)                 | 18,097  | 65,188,935                                |
| Union Pacific-Ford (All Areas)             | 13,375  | 123,218,341                               |
| 237 (All Areas)                            | 0   | 3,187,890                                 |
| <b>TOTAL</b>                               | 547,328                                       | 3,484,972,696                             |

## INJECTION WATER

|  | <u>Average B/D</u><br><u>7/1/94 - 9/30/94</u> | <u>Cumulative</u><br><u>Bbls. 9/30/94</u> |
|--|---|---|
| Grissom                                    | 184,132                                       | 1,173,469,039                             |
| White                                      | 121,706                                       | 993,363,510                               |
| Chaffee                                    | 131,360                                       | 1,049,329,540                             |
|  | 120,538                                       | 896,899,449                               |
| Pier J (Inc. THX)                          | 94,533  | 903,020,016                               |
| <b>TOTAL</b>                               | 652,269                                       | 5,016,081,554                             |
| <br>                                       |   |   |
| Tar V                                      | 629   | 12,691,652                                |
| Ranger (All Areas)                         | 547,126                                       | 4,329,490,873                             |
| Upper Terminal & Lower Terminal<br>VI, VII | 58,501  | 325,430,479                               |
| Terminal (Blocks VIII, 90)                 | 26,960  | 151,021,959                               |
| Union Pacific-Ford (All Areas)             | 19,053  | 197,446,591                               |
| 237 (All Areas)                            | 0   | 0   |
| <b>TOTAL</b>                               | 652,269                                       | 8,016,081,554                             |