

CALENDAR ITEM
C89

MINUTE ITEM
This Calendar Item No. C89
was approved as Minute Item
No. 89 by the State Lands
Commission by a vote of 3
to 0 at its 10/17/95
meeting.

A 57, 58

S 29

10/17/95
W 17108
Landry

APPROVE THE FOURTH AMENDMENT OF THE 1994-95
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 (City) has submitted to the Commission, the Fourth Amendment of the 1994-95 Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1994 through June 30, 1995, providing the updated economics with revised oil and gas prices. Since the First Modification, there have been no changes in the latest approved budget of \$150,069,000.

The average oil and gas rates for the Fiscal Year were reported to be 46,472 bbls/day of oil and 9,626 mcf/day of gas. The cumulative recoveries and injection through June 1995 are as follow:

Oil Production	800,936,350 Barrels
Gas Production	213,592,069 MCF
Water Production	3,640,404,270 Barrels
Water Injection	5,201,248,754 Barrels

Cumulative Injection - Gross Production Ratio is 1.171 Bbls/Bbl.

The economic values reflect higher oil prices and production rates than were originally forecast. The major original planning assumptions were based on an average oil price of \$11.50 per barrel and an average gas price of \$2.50 per mcf. The average actual values reported were \$14.06 per barrel of oil and \$1.74 per mcf of gas. The reported total revenue was \$244,707,000 with \$146,701,000 of total expenditures for a net profit of \$98,006,000. In response to the increase in oil price, the number of active drilling rigs was increased from one to two during the final quarter of the plan period.

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

CALENDAR ITEM NO. C89 (CONTD)

STATUTORY AND OTHER REFERENCES:

- A. Public Resources Code: 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: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

EXHIBITS:

- A. Fiscal Year 1994-95 Financial Performance
- B. Second Quarter 1995 Financial performance
- C. Fiscal Year 1994-95 Oil Rate Performance
- D. Letter requesting Approval of the Fourth Amendment of the Plan of Development and Operations and Budget

IT IS RECOMMENDED THAT THE COMMISSION:

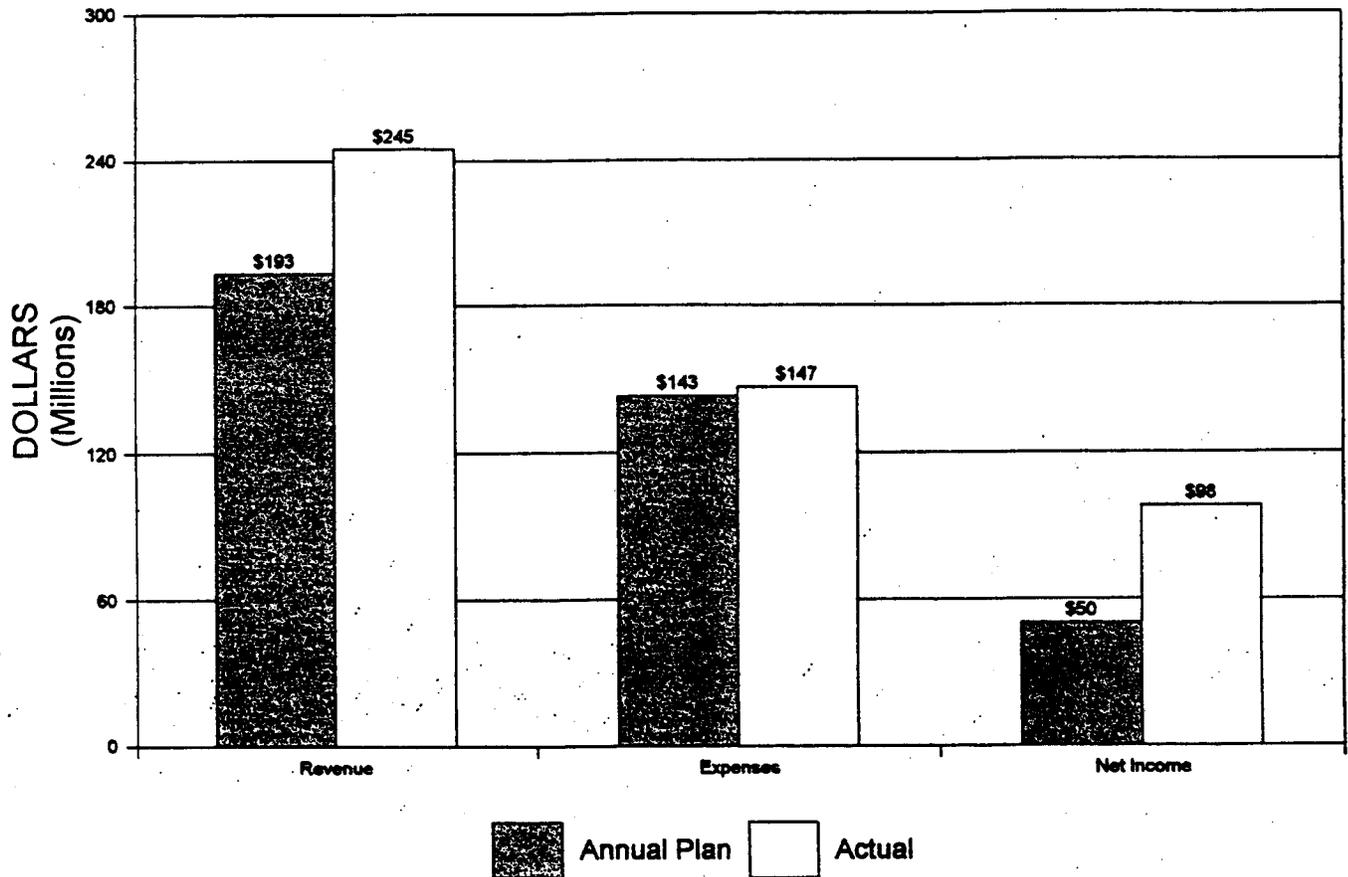
- 1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
- 2. APPROVE THE FOURTH AMENDMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, FINAL REPORT AND CLOSING STATEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, FOR THE PERIOD JULY 1, 1994 THROUGH JUNE 30, 1995.

Long Beach Unit

FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit A

Revised Jun-95



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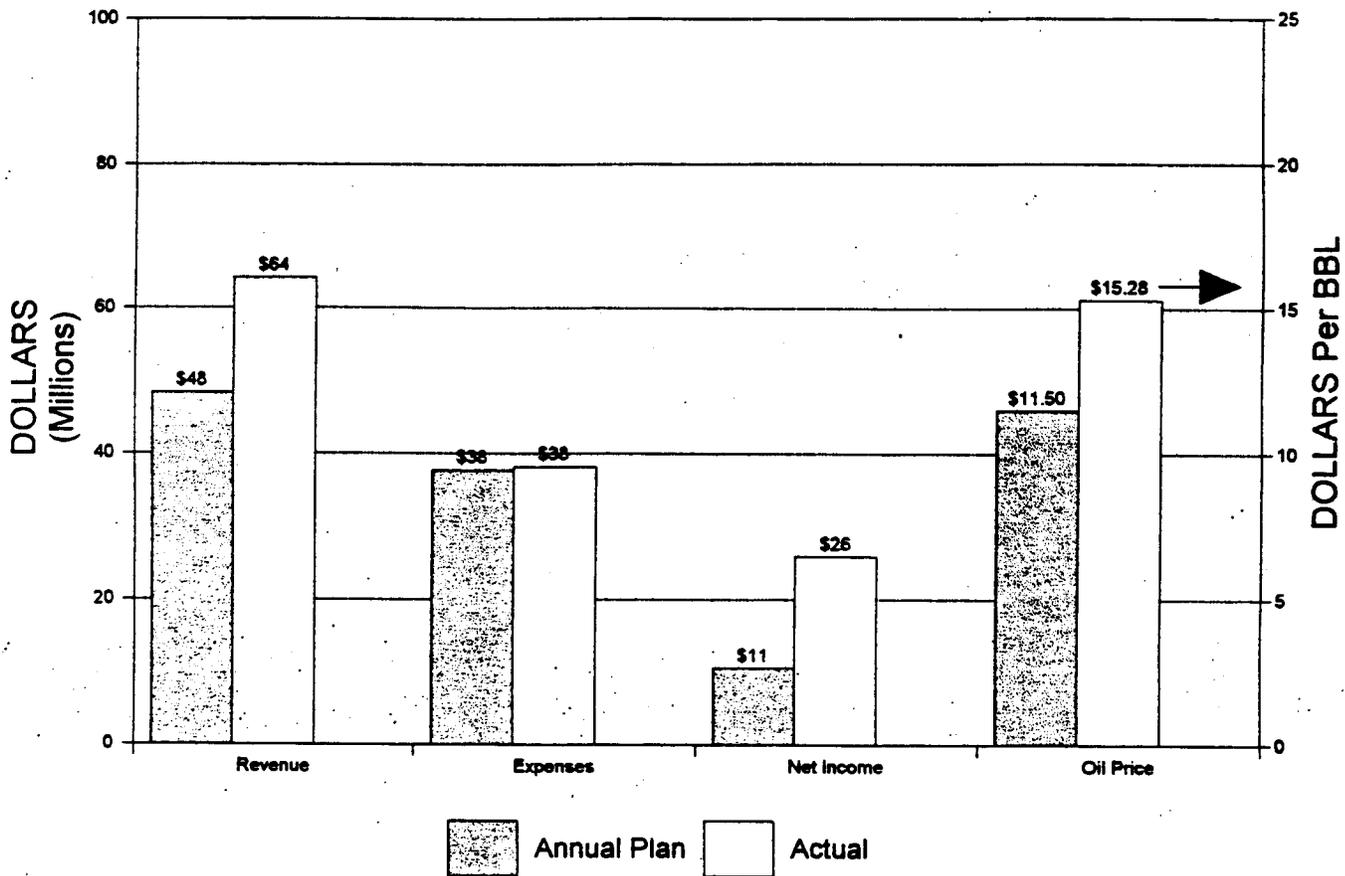
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Long Beach Unit

SECOND QUARTER 1995

Exhibit B

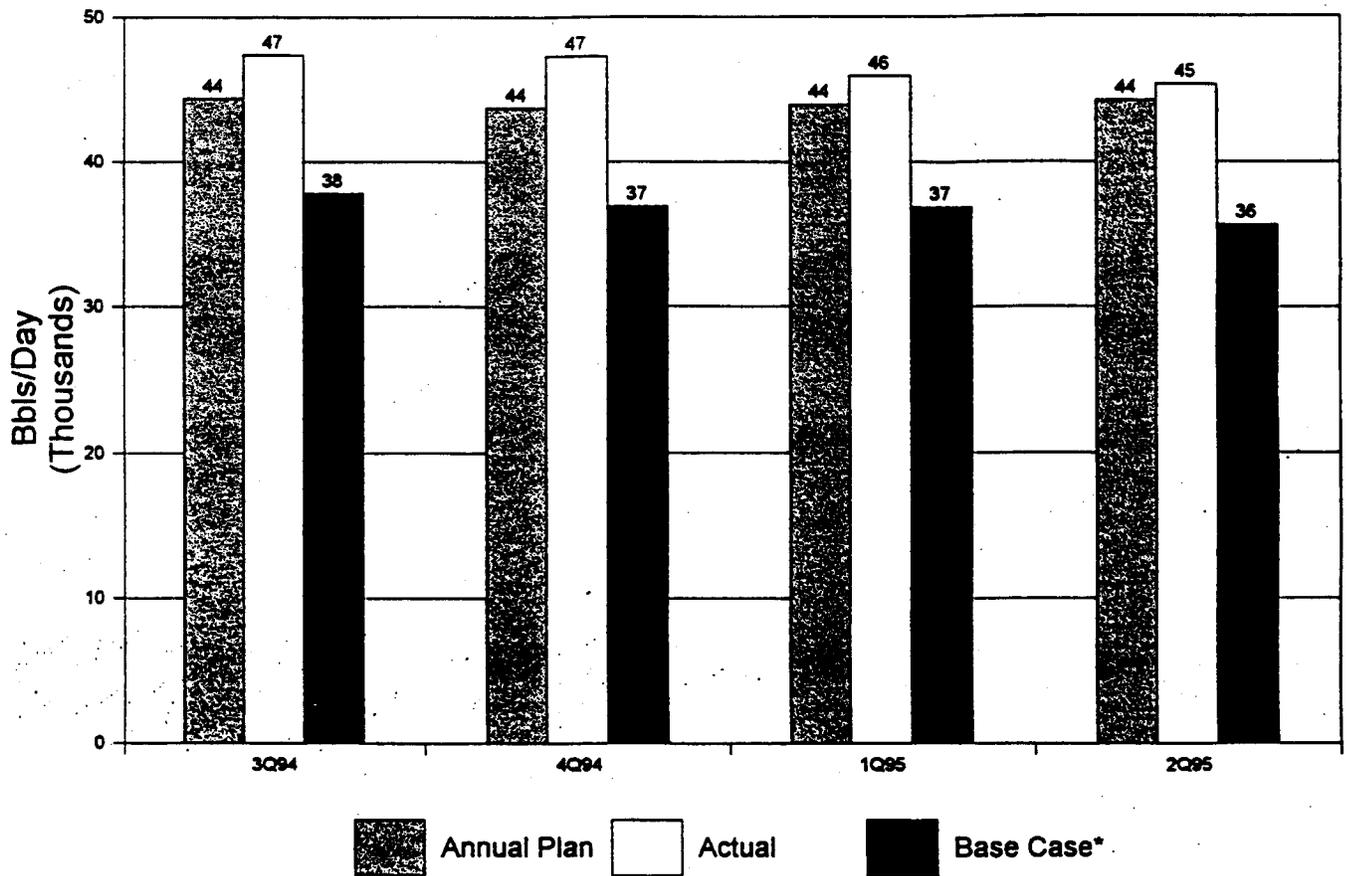


Long Beach Unit

FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit C

Revised Jun-95



*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 570-39

August 11, 1995

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 FOURTH AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1994 THROUGH JUNE 30, 1995) 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, 1994 through June 30, 1995. 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 of the period.

DEVELOPMENT DRILLING CATEGORY

The Development Drilling category provides funds for all drilling and re-drilling activity, and maintenance and replacements of drilling and equipment within the Unit.

Operations Review: One Unit drilling rig was in operation throughout the Plan period. A second non-Unit drilling rig was placed in operation during the fourth quarter. Workover rigs continued to assist with completions.

During the Plan period, 15 new wells and 17 re-drilled wells were completed. Following is a listing of both new completions and re-drills by zone for the Plan period:

Zone	Redrills			New Completions		
	Prod.	Inj.	Total	Prod.	Inj.	Total
Tar	2	0	2	0	0	0
Ranger	4	0	4	10	2	12
Terminal	3	1	4	2	0	2
Upper/Lower Terminal	2	1	3	1	0	1
UP-Ford	0	2	2	1	1	2
237	0	0	0	0	0	0
TOTALS	11	4	15	14	3	17

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Highlights of drilling operations for the period include:

- Thirteen horizontal wells drilled.
- Abandonments:
 1. Thirty-two in-zone abandonments were completed at an average cost of \$11,000 each, which is \$9,000 less than the projected cost of \$20,000 each.
 2. Five surface shoe and full abandonments were completed at an average cost of \$18,000 each, which is \$2,000 less than the projected cost of \$20,000 each.
- The economic performance of the slurry injection has improved resulting in third and fourth quarter operating cost savings of approximately \$240,000 (excludes initial investment cost of \$646,000, island-to-island barging cost, and electric cost).

On June 30, 1995, the total number of wells was 1,314, of which 887 were producers and 427 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 had an original budget of \$25,833,000 anticipating completion of 39 new and redrilled wells (\$662,385/well). The First Modification to the Plan reduced the budget by \$5.1 million, to \$20,733,000, based on a mid-year estimate of 36 well completions. Actual costs of \$18,326,276 on 32 completions (\$572,696/well) resulted in a 88.4 percent revised budget expenditure. The under expenditure in this category is a result of (1) drilling fewer wells than anticipated, (2) operating fewer rigs than anticipated, and (3) improved cost performance.

OPERATING EXPENSE CATEGORY

The Operating Expense Category provides funding for the ongoing cost of day-to-day well production and injection operations necessary for producing, processing, and delivering crude oil and gas, and for all electric power costs.

Operations Review: The Unit oil production rate averaged 46,472 bbls/day, which was 2,417 bbls/day more than originally estimated, and gas production averaged 9,626 mcf/day, which was 503 mcf/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period average 46,471 bbls/day, which was 1,195 bbls/day more than

average. Gas shipments averaged 9,711 mcf/day, which was 712 mcf/day more than the 1993-94 fiscal period average.

Water injection averaged 671,715 bbls/day, which was 55,391 bbls/day greater than originally estimated in the Major Planning Assumptions section of the Annual Plan.

Greater than planned oil, gross and injection volumes throughout the Plan period are in part a result of increased wellwork activity and well utilization made possible by higher than anticipated oil prices. Production volumes from the increased wellwork activity peaked in the second quarter of the Plan period and began stabilizing in the third and fourth quarters. The changes in water injection volumes were necessary for balancing voidage at the increased rates.

Budget to Actual Variance: The Operating Expense Category had an original budget of \$37,472,000, which was revised by the First Modification to \$49,538,000. Actual costs of \$49,141,451 resulted in a 99.2 percent revised budget expenditure.

Actual expenditures were higher than originally planned due to the following:

- Higher than planned oil prices (\$14.06/bbl actual v. \$11.50/bbl budget) resulted in more favorable economics on well work, some of which had been deferred in the prior fiscal period. Consequently, production rig activity was increased which led to well repair expenditures greater than planned.
- Electricity cost was higher than normal due to increased KWH consumption from higher gross production, and from a greater than anticipated increase in cost per KWH which became effective January 1, 1995. These increases were partially offset by improved efficiency, i.e., a reduced electrical demand per barrel of gross production.

OTHER PLANT CATEGORY

The Other Plant Category provides funds for maintenance, repairs, upgrades, and additions of surface facilities and pipelines, and costs for general field services.

Operations Review: Projects with significant expenditures in the fiscal period include the following:

- Removal of underground fuel tanks at Pier J;
- Purchase of variable speed drives;
- Pilot test of reclaimed water use on Island White;
- Installation of a fresh water oxygen scrubber system at Pier J;
- Repair sculpture form on Island White;

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- Funding for installation of an oxidizer and odor control system at the Lomita Gas Plant;
- Cogeneration facility planning, evaluations and permitting;
- Oil spill training exercises;
- Provide secondary containment for diesel fuel at the Pier G fuel dock;
- Process hazards analysis;
- Installation of a 3,000 bbl surge tank at the J-2 site;
- Repair and routine maintenance of oil treating vessels;
- Repair and routine maintenance to water injection pumps and motors;
- Gas compression facility project at the B & M site;
- Relocate product pipelines to accommodate the Long Beach Harbor Department's port expansion;
- Replacement of Automatic Well Test controllers and connection to the VAX;
- Load center upgrade at the J-5 site;
- Installation of a barge basin fender system on Island Grissom; and
- Modification of the skim basin covers at the J-2 site.

Budget to Actual Variance: The Other Plant Category has a budget of \$28,135,000. Actual expenditures of \$30,358,316 was \$2,223,316, or 7.9 percent, greater than planned. The over expenditure is a result of (1) higher than planned gas processing costs, (2) higher than planned water costs, (3) storm damage repairs, and (4) increased general maintenance activity.

UNIT FIELD LABOR AND ADMINISTRATIVE CATEGORY

The Unit Field Labor and Administrative Category provided funding for salaries, benefits, training and other expenses of all Unit personnel, and costs for other Unit support activities. Unit support activities include costs for professional and temporary services, data processing and general office equipment and materials, Unit Operator billable costs, Arco Long Beach, Inc. billable costs, management projects, extraordinary losses and claims, and prior year adjustments.

Budget to Actual Variance: This Category has a budget of \$36,389,000 of which \$34,579,608, or 95.0 percent, was expended. The underexpenditure is primarily due to employee turn-over and staff reductions in the Plan period.

Significant non-routine expenditures occurred in this category for 3-D seismic survey and analysis work.

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TAXES, PERMITS AND ADMINISTRATIVE OVERHEAD CATEGORY

The Taxes, Permits and Administrative Overhead Category provides funding for specific taxes, permits, licenses, land leases, and all administrative overhead costs for the Unit.

Budget to Actual Variance: This Category has a budget of \$15,274,000 of which \$14,295,275, or 93.6 percent, was expended. The under expenditure is primarily due to the Mining Rights Tax payments being significantly less than budgeted.

SUMMARY

The Unit had an original budget of \$143,103,000 which was revised by approval of the First Modification to \$150,069,000. Actual expenditures for the fiscal period were \$146,700,925, or 97.8 percent, of the revised budget amount.

Revenues of \$244.7 million resulted in Unit profit of \$98.0 million, which is \$47.9 million more than originally anticipated. Higher than planned revenue came from both greater than anticipated (1) oil prices (\$14.06/bbl actual v. \$11.50/bbl budget), and (2) oil shipments (16,962,028 bbls actual v. 16,080,000 bbls budget).

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

XCC:slg

Attachments
FIN 312.003

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THOMAS LONG BEACH COMPANY
Budget Statement
Current Period: JUN-85

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	25,833,000	20,733,000	2,321,151	18,328,278	88.4	2,406,724	20,733,000	-11.8
OPERATING EXPENSE	37,472,000	49,538,000	4,401,394	48,141,451	98.2	388,549	49,538,000	-0.8
OTHER PLANT	28,135,000	28,135,000	3,055,871	30,358,318	107.9	-2,223,318	28,135,000	7.9
UNIT FIELD LABOR & ADMINISTRATIVE	36,389,000	36,389,000	2,683,816	34,578,808	95.0	1,809,392	36,389,000	-5.0
TAXES, PERMITS, & ADMIN. OVERHEAD	15,274,000	15,274,000	1,148,328	14,285,275	93.8	978,725	15,274,000	-8.4
-Unit Totals	143,103,000	150,089,000	13,610,358	148,700,925	97.8	3,388,075	150,089,000	-2.2

A. Economic Projections

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY94/95	BUDGET FIRST QUARTER FY94/95	ACTUAL SECOND QUARTER FY94/95	BUDGET SECOND QUARTER FY94/95	ACTUAL THIRD QUARTER FY94/95	BUDGET THIRD QUARTER FY94/95	ACTUAL FOURTH QUARTER FY94/95	BUDGET FOURTH QUARTER FY94/95	ACTUAL TOTALS FISCAL YEAR 1994/1995	ORIGINAL TOTAL BUDGET	MODIFIED TOTAL BUDGET
ESTIMATED REVENUE											
Oil Revenue	\$60,167	\$46,954	\$58,533	\$46,266	\$56,824	\$45,478	\$63,019	\$46,224	\$238,544	\$184,922	\$229,518
Gas Revenue	2,004	2,109	1,647	2,091	1,384	2,050	1,127	2,075	\$6,163	8,324	\$7,282
TOTAL REVENUE	\$62,172	\$49,063	\$60,181	\$48,357	\$58,209	\$47,528	\$64,146	\$48,299	\$244,707	\$193,247	\$236,800
ESTIMATED EXPENDITURES											
Development Drilling	\$4,025	\$4,747	\$4,244	\$4,961	\$4,696	\$7,826	\$5,362	\$8,299	\$18,326	\$25,803	\$20,733
Operating Expense	14,206	10,783	11,708	9,335	11,177	8,697	12,050	8,657	\$49,141	37,472	\$49,538
Other Plant	6,399	7,013	7,424	7,259	7,161	7,019	9,374	6,844	\$30,358	28,135	\$28,135
Unit Field Labor & Administrative	8,324	9,074	7,460	9,074	10,752	9,120	8,043	9,121	\$34,580	36,389	\$36,389
Taxes, Permits & Admin Overhead	4,378	3,034	3,053	4,706	3,525	2,736	3,340	4,798	\$14,295	15,274	\$15,274
TOTAL EXPENDITURES	\$37,332	\$34,651	\$33,888	\$35,335	\$37,312	\$35,298	\$38,169	\$37,719	\$146,701	\$143,103	\$150,069
NET PROFIT	\$24,840	\$14,412	\$26,292	\$13,022	\$20,896	\$12,130	\$25,977	\$10,580	\$98,006	\$50,144	\$86,731

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B. Major Planning Assumptions

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY94/95	BUDGET FIRST QUARTER FY94/95	ACTUAL SECOND QUARTER FY94/95	BUDGET SECOND QUARTER FY94/95	ACTUAL THIRD QUARTER FY94/95	BUDGET THIRD QUARTER FY94/95	ACTUAL FOURTH QUARTER FY94/95	BUDGET FOURTH QUARTER FY94/95	ACTUAL TOTALS FISCAL YEAR 1994/1995	TOTAL BUDGET
OIL PRODUCTION										
(1,000 BBL)	4,357	4,083	4,023	4,023	4,132	3,955	4,122	4,019	16,962	16,080
(B/D)	47,362	44,380	47,290	43,730	45,913	43,940	45,298	44,170	46,472	44,055
GAS PRODUCTION										
(1,000 MCF)	936	844	938	836	824	820	816	830	3,513	3,330
(MCF/D)	10,169	9,170	10,199	9,090	9,153	9,110	8,964	9,120	9,626	9,123
WATER PRODUCTION										
(1,000 BBL)	50,354	46,062	52,295	46,168	50,507	45,188	52,630	45,715	205,786	183,133
(B/D)	547,328	500,670	568,423	501,830	561,187	502,090	570,349	502,360	563,796	501,734
WATER INJECTION										
(1,000 BBL)	60,009	56,549	62,106	56,689	60,496	55,519	62,565	56,201	245,176	224,958
(B/D)	652,269	614,660	675,061	616,190	672,180	616,880	687,532	617,590	671,715	616,324
Oil Price (\$/BBL)	\$13.80	\$11.50	\$13.46	\$11.50	\$13.76	\$11.50	\$15.28	\$11.50	\$14.06	\$11.50
Gas Price (\$/MCF)	\$2.15	\$2.50	\$1.76	\$2.50	\$1.61	\$2.50	\$1.37	\$2.50	\$1.74	\$2.50

NUMBER OF WELLS

AS OF JUNE 30, 1995

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	185	90	275
White	149	89	238
Chaffee	212	106	318
Freeman	233	82	315
Pier J (Inc. THX)	108	60	168
TOTAL	887	427	1,314
Tar V	12	2	14
Ranger (All Areas)	674	331	1,005
Upper & Lower Terminal VI, VII	68	34	102
Terminal (Blocks VIII, 90)	58	31	89
Union Pacific-Ford (All Areas)	71	29	100
237 (All Areas)	4	0	4
TOTAL	887	427	1,314

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

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OIL PRODUCTION

	<u>Average B/D</u> <u>7/1/94 - 6/30/95</u>	<u>Cumulative</u> <u>Bbls. 6/30/95</u>
Grissom	11,886	142,889,440
White	7,907	135,990,201
Chaffee	11,793	169,648,814
Freeman	11,154	223,704,133
Pier J (Inc. THX)	3,732	128,703,762
TOTAL	46,472	800,936,350
Tar V	145	1,251,384
Ranger (All Areas)	32,391	607,457,522
Upper Terminal & Lower Terminal VI,VII	5,357	64,876,964
Terminal (Blocks VIII, 90)	4,393	42,304,600
Union Pacific-Ford (All Areas)	4,186	81,187,269
237 (All Areas)	0	3,858,611
TOTAL	46,472	800,936,350

GAS PRODUCTION

	<u>Average Mcf</u> <u>7/1/94 - 6/30/95</u>	<u>Cumulative</u> <u>Mcf 6/30/95</u>
Grissom	1,229	20,514,489
White	1,529	33,386,201
Chaffee	2,567	56,974,134
Freeman	2,489	79,651,717
Pier J (Inc. THX)	1,812	23,065,528
TOTAL	9,626	213,592,069
Tar V	102	523,758
Ranger (All Areas)	6,556	135,242,775
Upper Terminal & Lower Terminal VI,VII	1,097	8,413,795
Terminal (Blocks VIII, 90)	715	12,421,699
Union Pacific-Ford (All Areas)	1,156	52,724,773
237 (All Areas)	0	4,265,269
TOTAL	9,626	213,592,069

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WATER PRODUCTION

	<u>Average B/D</u> <u>7/1/94 - 6/30/95</u>	<u>Cumulative</u> <u>Bbls. 6/30/95</u>
Grissom	140,595	863,024,439
White	104,918	680,817,610
Chaffee	107,250	537,560,651
Freeman	130,718	848,836,425
Pier J (Inc. THX)	80,316	710,165,145
TOTAL	563,797	3,640,404,270
Tar V	542	5,399,909
Ranger (All Areas)	478,889	3,163,539,939
Upper Terminal & Lower Terminal VI, VII	49,817	270,154,553
Terminal (Blocks VIII, 90)	19,463	70,627,684
Union Pacific-Ford (All Areas)	15,086	127,494,295
237 (All Areas)	0	3,187,890
TOTAL	563,797	3,640,404,270

INJECTION WATER

	<u>Average B/D</u> <u>7/1/94 - 6/30/95</u>	<u>Cumulative</u> <u>Bbls. 6/30/95</u>
Grissom	180,954	1,222,577,243
White	126,615	1,028,380,984
Chaffee	134,567	1,086,361,320
Freeman	132,349	934,117,293
Pier J (Inc. THX)	97,230	929,811,914
TOTAL	671,715	5,201,248,754
Tar V	1,618	13,224,513
Ranger (All Areas)	559,032	4,483,202,051
Upper Terminal & Lower Terminal VI, VII	58,553	341,420,418
Terminal (Blocks VIII, 90)	28,924	159,098,681
Union Pacific-Ford (All Areas)	23,588	204,303,091
237 (All Areas)	0	0
TOTAL	671,715	5,201,248,754