

MINUTE ITEM

This Calendar Item No. C57 was approved as
Minute Item No. 57 by the California State Lands
Commission by a vote of 3 to 0 at its
12/7/95 meeting.

**CALENDAR ITEM
C57**

A 57, 58

12/07/95

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W 17109

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**APPROVE THE FIRST AMENDMENT OF THE FISCAL YEAR 1995-96
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 (City) has submitted to the State Lands Commission (Commission) the First Amendment of the 1995-96 Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1995 through June 30, 1996, providing updated economic projections and major planning assumptions. This report provides the actual performance for the first quarter of Fiscal Year 1995-96 and revised projections for the remaining quarters of the Fiscal Year. There were no changes in the latest approved budget of \$164,938,000 or to the distribution to the five budget categories. However, a reduction in planned expenditures is contained in the revised planning assumptions. 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 first quarters of the 1995-96 Fiscal Year were reported to be 45,256 bbls/day of oil (1,985 bbls/day less than originally estimated) and 8,962 MCF/day of gas (959 MCF/day less than forecast). The lower than planned oil and gas rates are primarily due to declines in production in the Cut Recovery Block 1 Waterflood and in several new horizontally completed wells. The cumulative recoveries and injection through September 1995 are as follows:

OIL PRODUCTION	805,099,916 Barrels
GAS PRODUCTION	214,416,589 MCF
WATER PRODUCTION	3,692,052,155 Barrels
WATER INJECTION	5,262,676,950 Barrels

CALENDAR ITEM NO. C57 (CONT'D)

Cumulative Injection - Gross Production Ratio is 1.170 BBls/Bbl.

The revised economic projections reflect the combined effects of lower produced fluid volumes, lower costs, and slightly higher oil prices. The overall effect of these variations resulted in an increase in Net Profit of \$2.3 Million. Original major planning assumptions were based on an average oil price of \$12.75 per barrel and an average gas price of \$2.00 per MCF. Revised oil and gas prices, expenditures, and net profits for Fiscal Year 1995-96 are shown in the table below. Although higher oil prices are indicated for the first two quarters of the fiscal year, the originally projected oil price of \$12.75/bbl will remain unchanged for the final two quarters. The original planning assumption of one active drilling rig will remain unchanged for the fiscal year.

MILLION DOLLARS					
	Actual First Quarter FY 95-96	Estimated Second Quarter FY 95-96	Estimated Third Quarter FY 95-96	Estimated Fourth Quarter FY 95-96	Total Fiscal Year FY 95-96
Oil Revenue	58.9	56.3	52.0	51.4	218.7
Gas Revenue	1.1	1.2	1.5	1.5	5.3
Expenditures	(44.5)	(39.1)	(37.2)	(35.9)	(156.7)
Net Profit	15.5	18.4	16.3	17.0	67.3
Original	17.1	15.3	16.9	15.7	65.0
Change	(1.6)	3.1	(0.6)	1.4	2.3
Oil Price/BBL	\$14.14	\$13.65	\$12.75	\$12.75	\$13.33
Gas Price/MCF	\$1.40	\$1.40	\$1.75	\$2.00	\$1.58

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

CALENDAR ITEM NO. C57 (CONT'D)

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 1995-96 Financial Projections
- B. Third Quarter 1995 Financial Performance
- C. Fiscal Year 1995-96 Oil Rate Projections
- D. Letter requesting Approval of First Amendment to Plan of Development and Operations and Budget

IT IS RECOMMENDED THAT THE COMMISSION:

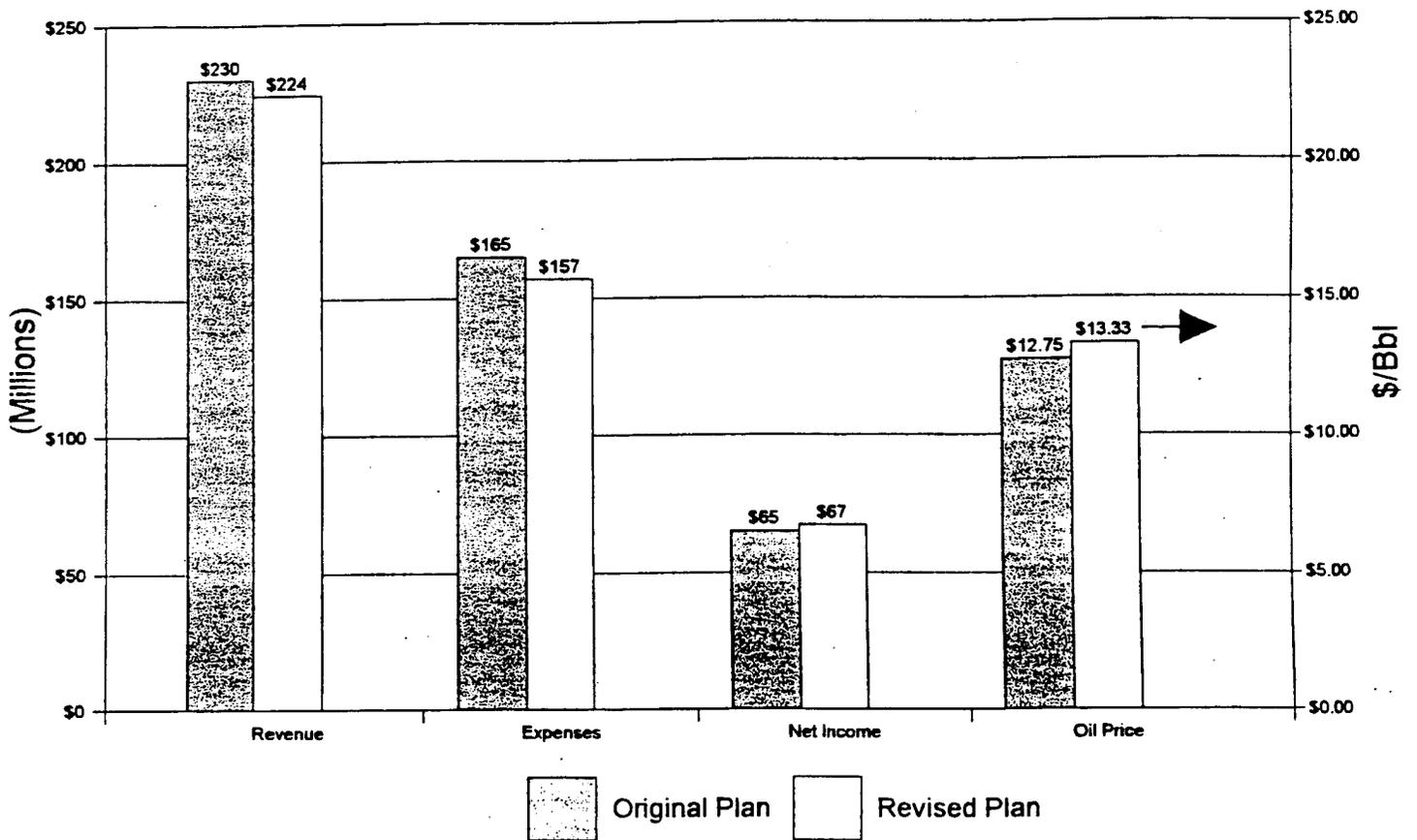
1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE THE FIRST AMENDMENT OF THE FISCAL YEAR 1995-96 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, REVISING ECONOMIC PROJECTIONS AND MAJOR PLANNING ASSUMPTIONS, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, FOR THE PERIOD JULY 1, 1995 THROUGH JUNE 30, 1996.

Long Beach Unit

FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit A

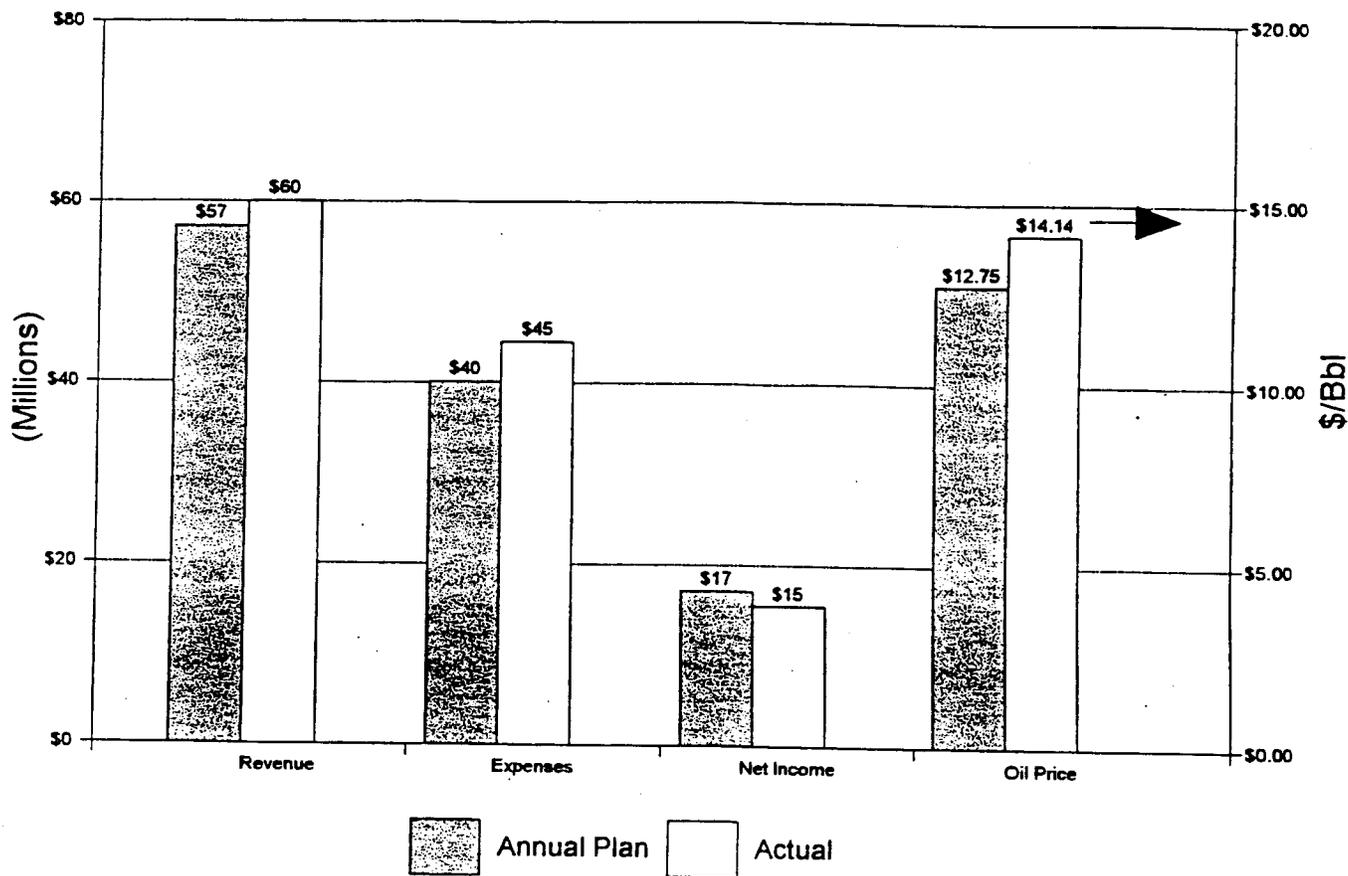
Revised Sep-95



Long Beach Unit

THIRD QUARTER 1995

Exhibit B

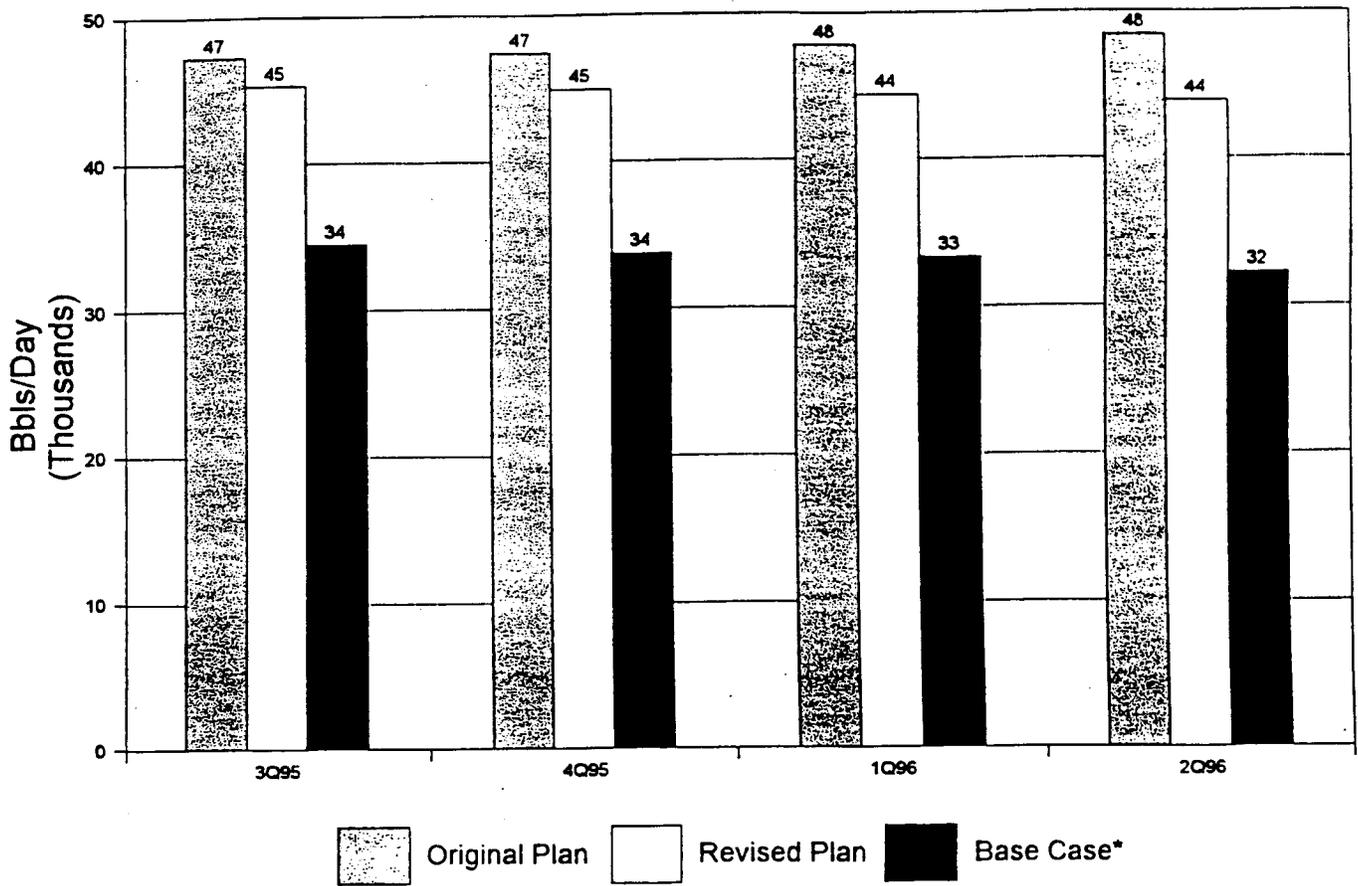


Long Beach Unit

FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit C

Revised Sep-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 570-3922

November 20, 1995

W 17109

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

Exhibit D

Subject: **REQUEST FOR APPROVAL OF THE FIRST AMENDMENT
OF THE ANNUAL PLAN, LONG BEACH UNIT
(JULY 1, 1995 THROUGH JUNE 30, 1996)**

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, 1995 through June 30, 1996.

This report reviews 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

Two drilling rigs and one workover drilling rig were in operation in the first month of the quarter. Drilling operations were reduced to one rig in the second and third months of the quarter.

During the first quarter, two new producers were completed in the Ranger zone. Also completed in the first quarter were five redrilled producers and three redrilled injectors.

Highlights for drilling operations during the quarter include:

- Six of the seven producers were completed as horizontal wells.
- A portable, top-drive drilling system was used to improve drilling efficiency.

CALENDAR PAGE 175.6

MINUTE PAGE 2787

On September 30, 1995, the total number of wells was 1,314, of which 887 were producers and 427 were injectors. Excluded from these totals are 29 abandoned wells, 9 abandoned producers, and 20 abandoned injectors.

Budget to Actual Variance

The Development Drilling category has a budget of \$27,972,000, of which \$7,345,862, or 26.3 percent, is expended. The Plan provides funds for approximately 51 new and redrilled wells.

The current estimate for fiscal year well expenditures is \$23.0 million, and 38 well completions. This new projection is based on operating one rig through the period, with occasional assistance from a workover rig, coiled tubing unit, and a second contractor rig.

OPERATING EXPENSE

Operations Review

Production and injection volumes in the first quarter were lower than estimated in the Annual Plan, and below expected ranges in the Program Plan. Actual decline rates for both horizontally completed wells and for production from Cut-Recovery Block I of the waterflood were greater than originally anticipated in the Plans. Lower than anticipated volumes are expected to continue throughout the Plan periods.

During the first quarter, the Unit's oil production rate averaged 45,256 bbls/day, which is 1,985 bbls/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan, and 44 bbls/day less than the low end of the Program Plan's expected range. Oil shipments during the period averaged 45,258 bbls/day. The latest estimate for total oil production through the end of the fiscal period is 16.4 million barrels.

Gas production averaged 8,962 mcf/day, which is 959 mcf/day less than originally estimated in the Annual Plan, and 338 mcf/day less than the low end of the Program Plan's expected range. Gas shipments, which are reported one month in arrears, averaged 9,038 mcf/day. The latest estimate for total gas production through the end of the fiscal period is 3.4 billion cubic feet.

Water injection averaged 667,697 bbls/day, which is 34,207 bbls/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Water production averaged 561,390 bbls/day, which is 19,112 bbls/day less than originally estimated. The latest estimate for total water injection and production through the end of the fiscal period is 213.1 million barrels and 254.4 million barrels, respectively.

Budget to Actual Variance

The Operating Expense category has a budget of \$50,207,000, of which \$14,679,154, or 29.2 percent, is expended. The latest estimate for expenditures in this category through the end of the fiscal period is \$49.0 million.

Estimated cost for electricity is higher than planned due to a higher than anticipated rate increase which became effective January 1, 1995.

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 \$35,779,000, of which \$9,344,833, or 26.1 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$33.8 million.

Although less than budget, the estimated fiscal year expenditures are higher than planned. When adjusted for reduced costs on cogeneration facility work (\$0.25 million estimated versus \$8.0 million budgeted), expenditures are \$5.8 million over planned amounts. The latest estimate for fiscal year expenditures reflects greater than originally planned fresh water costs, gas processing costs, major projects cost, and general maintenance activity.

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

- Installation of a Unit gas compression facility;
- Electrical upgrades at the J-5 site;
- Relocation of product pipelines to accommodate the Long Beach Harbor Department's port expansion;
- Repair and routine maintenance of oil treating vessels;
- Repair and routine maintenance to water injection pumps and motors;
- Repair of barge basin fender system at Island Grissom; and
- The purchase of variable speed drives.

UNIT FIELD LABOR AND ADMINISTRATIVE

Budget to Actual Variance

The Unit Field Labor and Administrative category has a budget of \$33,764,000, of which \$8,055,748, or 23.9 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$33.6 million.

The Unit Field Labor and Administrative category had significant project expenditures in the first quarter for 3-D seismic survey costs.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category has a budget of \$17,216,000, of which \$5,113,693, or 29.7 percent, is expended. Higher than expected expenditures in this category are due to a higher than expected mining rights tax assessment. Unless a refund is obtained as a result of pending appeals, it is anticipated that expenditures in this category will exceed 100 percent of budget. Expenditures in this category through the end of the fiscal period are estimated at \$17.4 million (excludes the impact of a successful tax appeal).

SUMMARY

The Unit has a budget of \$164,938,000, of which \$44,539,290, or 27.0 percent, was expended through September 30, 1995. The latest estimate of expenditures for the Plan period through June 30, 1996 is \$156.8 million.

First quarter profit of \$15.5 million was \$1.6 million less than originally estimated. Lower than anticipated first quarter profit is attributed to lower than planned oil and gas production, and higher than planned expenditures.

The latest estimate for fiscal year profit of \$67.3 million is \$2.3 million greater than originally estimated in the Annual Plan.

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

CALENDAR PAGE	175.9
MINUTE PAGE	2790

A. Economic Projections

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY95/96	BUDGET FIRST QUARTER FY95/96	LATEST EST. SECOND QUARTER FY95/96	BUDGET SECOND QUARTER FY95/96	LATEST EST. THIRD QUARTER FY95/96	BUDGET THIRD QUARTER FY95/96	LATEST EST. FOURTH QUARTER FY95/96	BUDGET FOURTH QUARTER FY95/96	LATEST EST. TOTALS FISCAL YEAR FY95/96	ORIGINAL TOTAL BUDGET
ESTIMATED REVENUE										
Oil Revenue	\$58,865	\$55,414	\$56,335	\$55,579	\$52,026	\$55,473	\$51,435	\$56,111	\$218,662	\$222,576
Gas Revenue	1,158	1,825	\$1,213	1,831	\$1,500	1,827	\$1,483	1,848	\$5,354	7,332
TOTAL REVENUE	\$60,024	\$57,239	\$57,549	\$57,410	\$53,526	\$57,300	\$52,917	\$57,959	\$224,015	\$229,918
ESTIMATED EXPENDITURES										
Development Drilling	\$7,346	\$4,670	\$5,190	\$7,869	\$5,078	\$6,971	\$5,393	\$8,462	\$23,007	\$27,972
Operating Expense	14,679	13,507	11,597	12,518	11,215	11,681	11,466	12,501	\$48,957	50,207
Other Plant	9,345	9,290	9,756	8,931	8,078	9,018	6,627	8,540	\$33,806	35,779
Unit Field Labor & Administrative	8,056	8,434	8,371	8,434	8,616	8,448	8,526	8,448	\$33,569	33,764
Taxes, Permits & Admin Overhead	5,114	4,258	4,176	4,333	4,250	4,285	3,873	4,340	\$17,413	17,216
TOTAL EXPENDITURES	\$44,539	\$40,159	\$39,090	\$42,085	\$37,237	\$40,403	\$35,885	\$42,291	\$156,751	\$164,938
NET PROFIT	\$15,484	\$17,080	\$18,459	\$15,325	\$16,289	\$16,897	\$17,032	\$15,668	\$67,264	\$64,970

Unit Field
 CALENDAR
 TAXES, PERMITS & ADMIN OVERHEAD
 TOTAL EXPENDITURES
 NET PROFIT
 MINUTE PAGE
 PAGE 175.10
 2791

B. Major Planning Assumptions

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY95/96	BUDGET FIRST QUARTER FY95/96	LATEST EST. SECOND QUARTER FY95/96	BUDGET SECOND QUARTER FY95/96	LATEST EST. THIRD QUARTER FY95/96	BUDGET THIRD QUARTER FY95/96	LATEST EST. FOURTH QUARTER FY95/96	BUDGET FOURTH QUARTER FY95/96	LATEST EST. TOTALS FISCAL YEAR FY95/96	TOTAL BUDGET
OIL PRODUCTION										
(1,000 BBL)	4,164	4,346	4,127	4,359	4,080	4,351	4,034	4,401	16,405	17,457
(B/D)	45,256	47,241	44,860	47,382	44,353	47,811	43,849	48,361	44,946	47,827
GAS PRODUCTION										
(1,000 MCF)	825	913	867	915	857	914	847	924	3,395	3,646
(MCF/D)	8,962	9,921	9,421	9,950	9,314	10,040	9,208	10,156	9,302	10,044
WATER PRODUCTION										
(1,000 BBL)	51,648	57,752	53,326	57,962	53,867	57,617	54,234	58,037	213,074	231,368
(B/D)	561,390	627,743	579,631	630,017	585,506	633,154	589,500	637,765	583,766	633,884
WATER INJECTION										
(1,000 BBL)	61,428	64,575	63,892	64,690	64,311	64,081	64,786	64,426	254,417	257,773
(B/D)	667,697	701,904	694,482	703,152	699,033	704,192	704,191	707,980	697,033	706,227
CRUDE PRICE (\$/BBL)	\$14.14	\$12.75	\$13.65	\$12.75	\$12.75	\$12.75	\$12.75	\$12.75	\$12.75	\$12.75
GAS PRICE (\$/MCF)	\$1.40	\$2.00	\$1.40	\$2.00	\$1.75	\$2.00	\$1.75	\$2.00	\$2.00	\$2.00

NUMBER OF WELLS
AS OF SEPTEMBER 30, 1995

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	185	90	275
White	150	90	240
Chaffee	212	106	318
Freeman	233	82	315
Pier J (Inc. THX)	107	59	166
TOTAL	887	427	1,314
Tar V	11	2	13
Ranger (All Areas)	674	330	1,004
Upper & Lower Terminal VI, VII	68	35	103
Terminal (Blocks VIII, 90)	58	31	89
Union Pacific-Ford (All Areas)	72	29	101
237 (All Areas)	4	0	4
TOTAL	887	427	1,314

(Figures exclude 9 abandoned producers and 20 abandoned injectors.)

CALENDAR PAGE	175.12
MINUTE PAGE	2793

OIL PRODUCTION

	<u>Average B/D</u> <u>7/1/95 - 9/30/95</u>	<u>Cumulative</u> <u>Bbls. 9/30/95</u>
Grissom	10,260	143,833,321
White	8,342	136,757,629
Chaffee	10,909	170,652,438
Freeman	11,150	224,729,993
Pier J (Inc. THX)	4,595	129,126,535
TOTAL	45,256	805,099,916
Tar V	240	1,273,461
Ranger (All Areas)	31,343	610,341,089
Upper Terminal & Lower Terminal VI,VII	5,301	65,364,620
Terminal (Blocks VIII, 90)	4,337	42,703,560
Union Pacific-Ford (All Areas)	4,035	81,558,575
237 (All Areas)	0	3,858,611
TOTAL	45,256	805,099,916

GAS PRODUCTION

	<u>Average Mcf</u> <u>7/1/95 - 9/30/95</u>	<u>Cumulative</u> <u>Mcf 9/30/95</u>
Grissom	1,141	20,619,450
White	2,118	33,581,070
Chaffee	2,253	57,181,372
Freeman	2,398	79,872,309
Pier J (Inc. THX)	1,052	23,162,388
TOTAL	8,962	214,416,589
Tar V	88	531,740
Ranger (All Areas)	6,238	135,816,683
Upper Terminal & Lower Terminal VI,VII	1,008	8,506,556
Terminal (Blocks VIII, 90)	599	12,476,894
Union Pacific-Ford (All Areas)	1,029	52,819,447
237 (All Areas)	0	4,265,269
TOTAL	8,962	214,416,589

CALENDAR PAGE	175.13
MINUTE PAGE	2794

WATER PRODUCTION

	<u>Average B/D</u> <u>7/1/95 - 9/30/95</u>	<u>Cumulative</u> <u>Bbbs. 9/30/95</u>
Grissom	139,701	875,879,650
White	104,506	690,432,202
Chaffee	106,362	547,345,950
Freeman	130,624	860,853,861
Pier J (Inc. THX)	80,167	717,540,492
TOTAL	561,390	3,692,052,155
Tar V	907	5,483,308
Ranger (All Areas)	470,734	3,206,847,508
Upper Terminal & Lower Terminal VI, VII	50,649	274,814,296
Terminal (Blocks VIII, 90)	21,379	72,594,521
Union Pacific-Ford (All Areas)	17,721	129,124,632
237 (All Areas)	0	3,187,890
TOTAL	561,390	3,692,052,155

INJECTION WATER

	<u>Average B/D</u> <u>7/1/95 - 9/30/95</u>	<u>Cumulative</u> <u>Bbbs. 9/30/95</u>
Grissom	178,273	1,238,978,384
White	124,189	1,039,806,403
Chaffee	137,945	1,099,052,279
Freeman	140,998	947,089,165
Pier J (Inc. THX)	86,292	937,750,719
TOTAL	667,697	5,262,676,950
Tar V	1,936	13,402,644
Ranger (All Areas)	548,188	4,533,635,310
Upper Terminal & Lower Terminal VI, VII	59,667	346,909,812
Terminal (Blocks VIII, 90)	32,359	162,075,688
Union Pacific-Ford (All Areas)	25,547	206,653,496
237 (All Areas)	0	0
TOTAL	667,697	5,262,676,950

CALENDAR PAGE 0	175.14
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MINUTE PAGE	2795
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