

MINUTE ITEM
This Calendar Item No. C76
was approved as Minute Item
No. 76 by the State Lands
Commission by a vote of 2
to 0 at its 2/27/96
meeting.

CALENDAR ITEM
C76

A 57, 58

S 29

02/27/96

W 17112

Landry

**CONSIDER APPROVAL OF THE LONG BEACH UNIT
ANNUAL PLAN (JULY 1, 1996 - JUNE 30, 1997)
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

BACKGROUND:

In accordance with Chapter 941 of the Statutes of 1991 (AB 227) and the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, the Long Beach Unit Annual Plan (July 1, 1996 - June 30, 1997) has been submitted by the City of Long Beach (City) to the State Lands Commission (Commission) for approval.

The City Council of the City of Long Beach at its meeting on February 13, 1996, adopted the proposed Annual Plan and formally authorized its submittal on February 13, 1996, to the State Lands Commission for consideration and approval. The Commission has 45 days following submission of the Annual Plan to take action. If no action is taken, the plan is deemed to be approved as submitted.

The economic projections for the period July 1, 1996 through June 30, 1997 as presented by the City are shown on the attached Exhibits and below:

REVENUE:	\$209,028,000
EXPENDITURES:	\$150,550,000
NET INCOME:	\$ 58,477,000

As presented, the Long Beach Unit Annual Plan includes anticipated rates of production, expenditures, revenues, and net profits for the Unit as projected by the City. The City has estimated that the Unit Net Income for the 1996-97 Fiscal Year will be \$58,477,000 after total Expenditures of \$150,550,000. This income scenario is based on a forecast production rate of 43,658 bbs/day, which is

CALENDAR ITEM NO. C76 (CONT'D)

±5,300 bbls/day less than the Five year Program Plan projection. The downward revision is due to lower than expected field production performance due to: (1) higher than expected decline rates in the Cut Recovery Block 1 Waterflood, (2) deferral of a second drilling rig in Fourth Quarter 1995 pending results of a 3D Seismic Survey, (3) higher than expected declines in newly-drilled horizontal wells, (4) exhaustion of increased-rate type wellwork opportunities, and (5) lower than anticipated water injection rates. The revised 43,658 bbl/day figure is based on an assumption of 40 new and redrilled wells with one to two active rigs. At the present time, one rig is active. The Commission staff has evaluated the Annual Plan and agrees with the City's analysis for the downward revision in the production and injection volumes. Revenues for the fiscal year are based on an oil price of \$12.75/bbl, which is low compared to an estimated average oil price of \$14.21 in Calendar Year 1995. Although the \$12.75/bbl. of oil is consistent with the Five Year Program Plan assumptions, Long Beach Unit crude is currently priced in the \$14.25/bbl. range (+\$1.50/bbl higher). It should be noted that if current oil pricing levels (\$14.25/bbl) are sustained, the increased oil price will offset the decreased oil rate projection and actual Net Profit for the Fiscal Year will be approximately \$83 million, as originally projected. Attachments "A" through "C" represent the deviations from the original Five Year Program Plan due to lower than anticipated oil production rates.

The Commission staff has reviewed the Annual Plan as submitted by the City and believes that it provides an engineering framework to meet the objectives of the Optimized Waterflood Agreement and is based on all engineering, geologic, and economic information available at the time of preparation. Engineers representing the State, City, THUMS, and ALBI agree that the objectives will be met in all areas of interest, including those of good oil field practice, proper reservoir management, safety to employees and the public, and environmental protection, through active participation by all parties at Unit forums, Engineering Committee meetings, at Voting Party Committee meetings, and during events as they occur in the field.

CALENDAR ITEM NO. C76 (CONT'D)

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. Comparison of Annual Plan to Five Year Plan
- B. Fiscal Year 1996-97 Financial Projections
- C. Fiscal year 1996-97 Oil Rate Projections

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. CONSIDER APPROVAL OF THE LONG BEACH UNIT ANNUAL PLAN FOR THE PERIOD JULY 1, 1996 THROUGH JUNE 30, 1997.

EXHIBIT "A"

COMPARISON OF ANNUAL PLAN TO FIVE YEAR PLAN

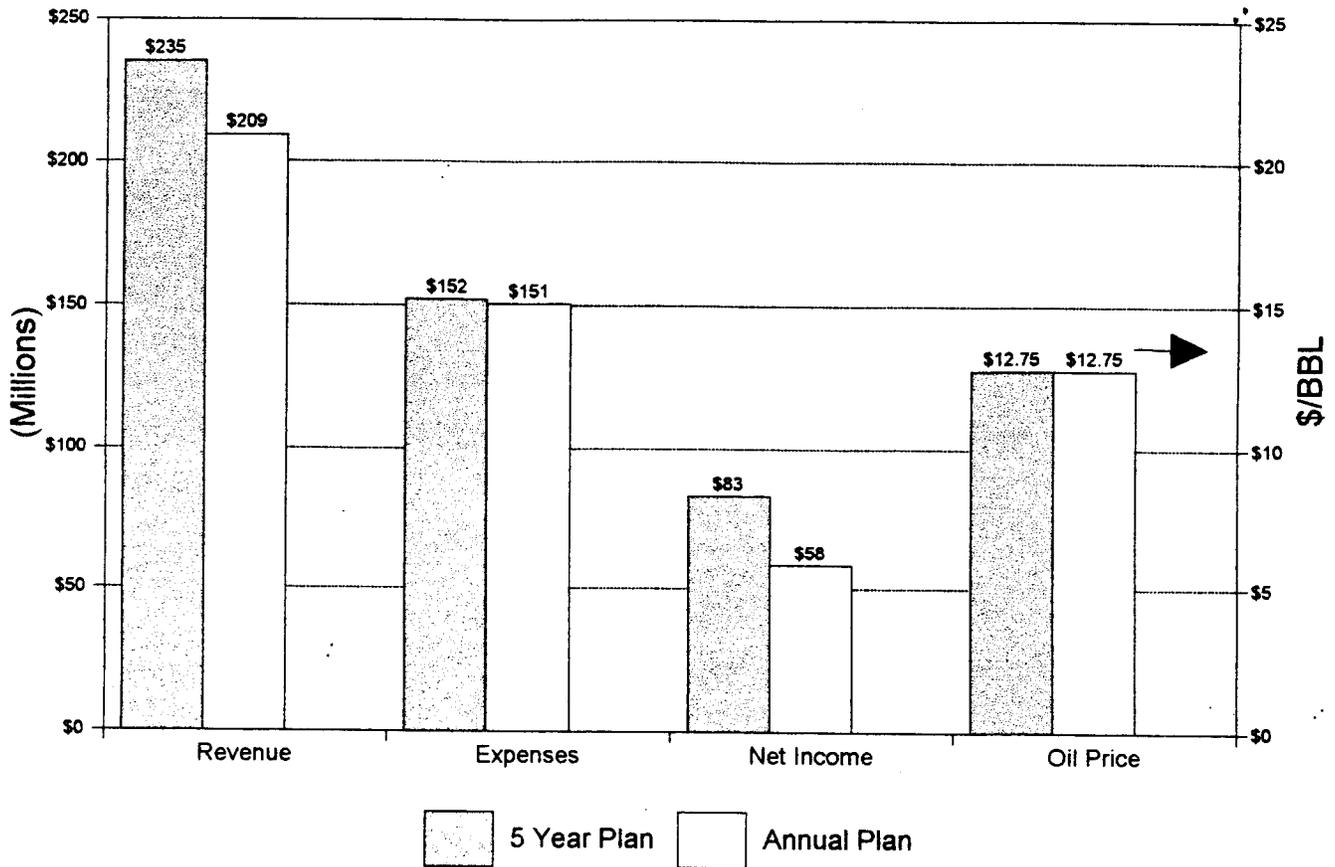
ITEM	FIVE YEAR PLAN	FISCAL YEAR 1996/1997 ANNUAL PLAN	DEVIATION
Revenue	\$235,179,000	\$209,028,000	(26,141,000)
Expenditures	\$152,100,000	\$150,550,000	(\$1,550,000)
Net Profit	\$83,069,000	\$58,477,000	(24,592,000)
Oil Price	\$12.75	\$12.75	None
Gas Price	\$2.00	\$1.75	None
No. Wells Drilled/Redrilled	30 - 40	40	None
Active Rigs	1 - 2	1 - 2	None
Producers Planned	15 - 30	15 - 30	None
Injectors Planner	15 - 25	15 - 25	None

Long Beach Unit

FISCAL YEAR 1996-97 ANNUAL PLAN

Exhibit B

March 1996

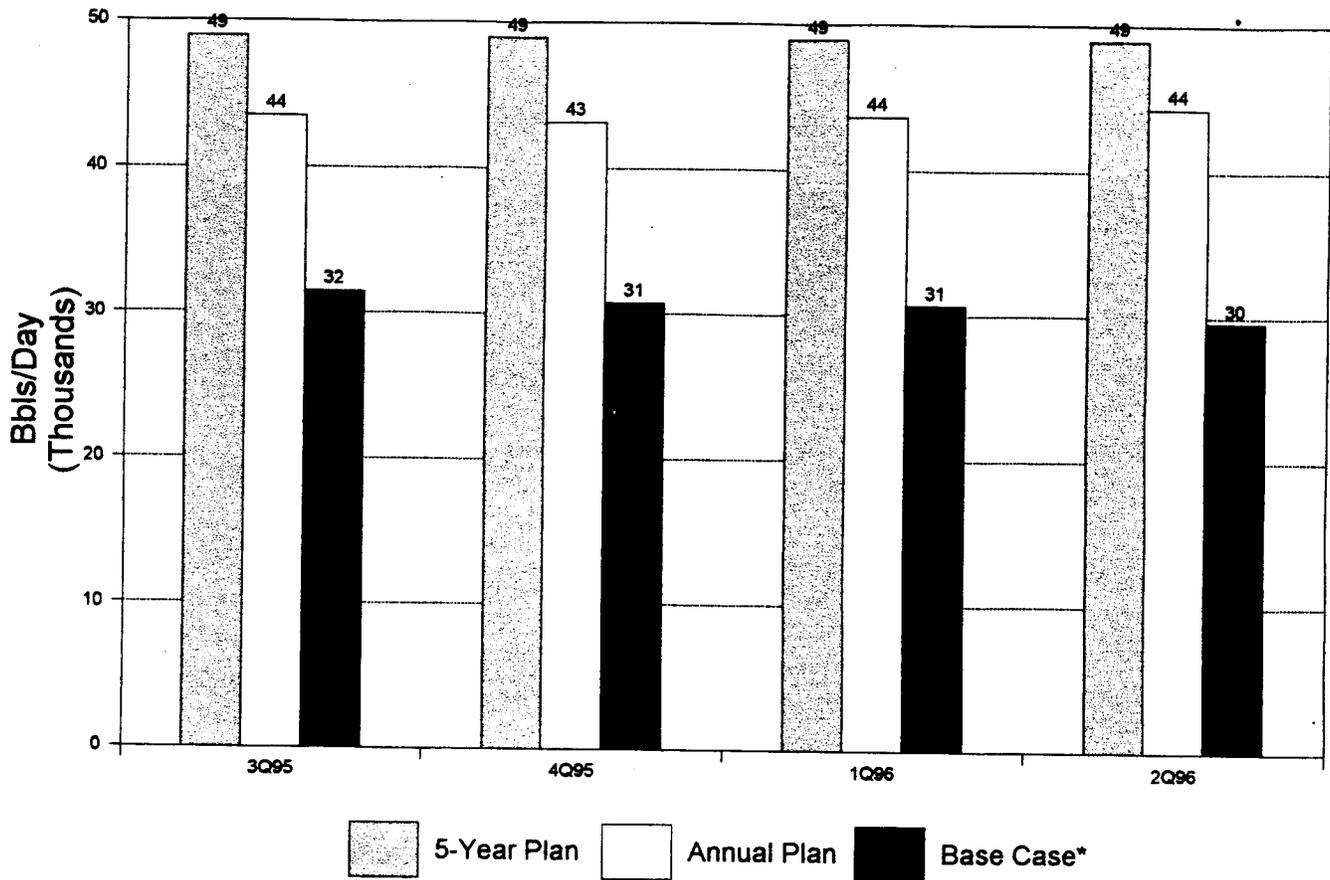


Long Beach Unit

FISCAL YEAR 1996-97 ANNUAL PLAN

Exhibit C

March 1996



*Prediction if Optimized Waterflood Not Implemented