

MINUTE ITEM

This Calendar Item No. C79 was approved as Minute Item No. 79 by the California State Lands Commission by a vote of 2 to 0 at its 579/96 meeting.

**CALENDAR ITEM
C79**

A 57, 58

05/09/96

S 29

W 17112

B. Landry

**CONSIDER APPROVAL OF THE SECOND AMENDMENT OF THE 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 has submitted to the Commission the Second 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 second 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 5 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 oil production projections are illustrated in Exhibit C.

The average oil and gas rates for the second quarter of the 1995-1996 Fiscal Year were reported to be 43,766 bbls/day of oil (3616 bbls/day less than originally estimated) and 8,323 MCF/day of gas (1627 MCF/day less than forecast). The lower than planned oil and gas rates are primarily due to premature declines in production in the Cut Recovery Block 1 Waterflood and in several new horizontally completed wells. The cumulative recoveries and injection through December, 1995 are as follows:

Oil Production	809,126,424 Barrels
Gas Production	215,182,271 MCF
Water Production	3,743,004,356 Barrels
Water Injection	5,323,476,992 Barrels

Cumulative Injection - Gross Production Ratio is 1.169 Bbls/Bbl.

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CALENDAR ITEM NO. C79 (CONT'D)

The revised economic projections reflect the combined effects of lower produced fluid volumes, lower costs, and higher oil prices. The overall effect of these variations resulted in an increase in quarterly Net Profit of \$5.4 Million. Original major planning assumptions were based on an average oil price of \$12.75/bbl and an average gas price of \$2.00/mcf. Revised oil and gas prices, expenditures, and net profits for Fiscal Year 1996 are shown in the table below. Although higher oil prices were experienced 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					
TOTAL	ACTUAL FIRST QUARTER FY 95-96	ACTUAL SECOND QUARTER FY 95-96	ESTIMATED THIRD QUARTER FY 95-96	ESTIMATED FOURTH QUARTER FY 95-96	FISCAL YEAR 95-96
Oil Revenue	58.9	54.8	51.0	51.0	215.8
Gas Revenue	1.1	1.3	1.5	1.6	5.4
Expenditures	(44.5)	(35.4)	(39.1)	(42.2)	(161.3)
Net Profit	15.5	20.7	13.4	10.4	59.9
Original	17.1	15.3	16.9	15.7	65.0
Change	(1.6)	+5.4	(3.5)	(5.3)	(5.1)
Oil Price/BBL	\$14.14	\$13.60	\$12.75	\$12.75	\$13.32
Gas Price/MCF	\$1.39	\$1.63	\$1.75	\$1.75	\$1.64

The Commission's staff has reviewed the Second 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. C79 (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 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. Fourth Quarter 1995 Financial Performance
- C. Fiscal Year 1995-96 Oil Rate Projections
- D. Letter Requesting Approval of Second Amendment to Plan of Development and Operations and Budget

IT IS RECOMMENDED THAT THE COMMISSION:

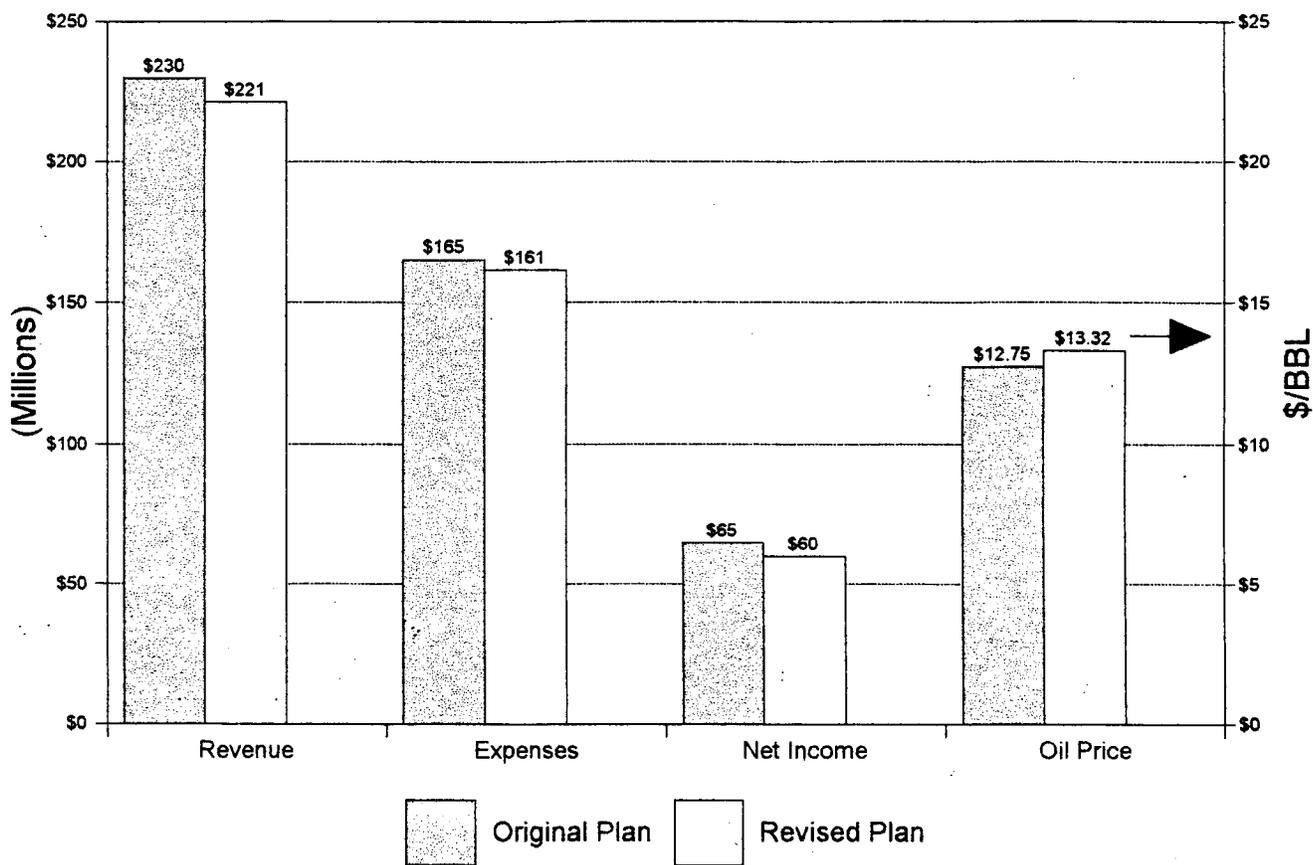
1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. CONSIDER APPROVAL OF THE SECOND AMENDMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, REVISING ECONOMIC PROJECTIONS AND MAJOR PLANNING ASSUMPTIONS, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1995 THROUGH JUNE 30, 1996.

Long Beach Unit

FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit A

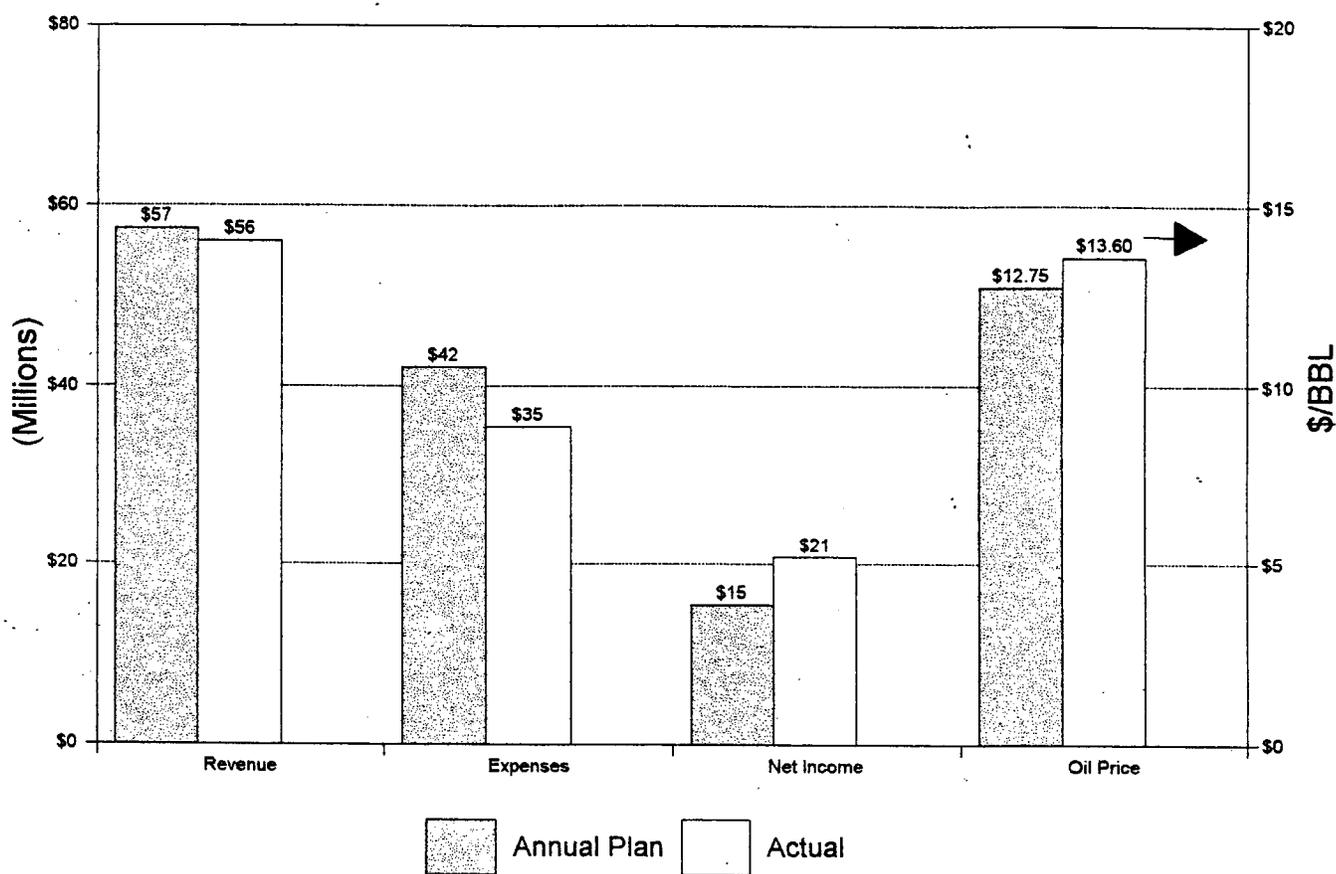
December 1995



Long Beach Unit

FOURTH QUARTER 1995

Exhibit B

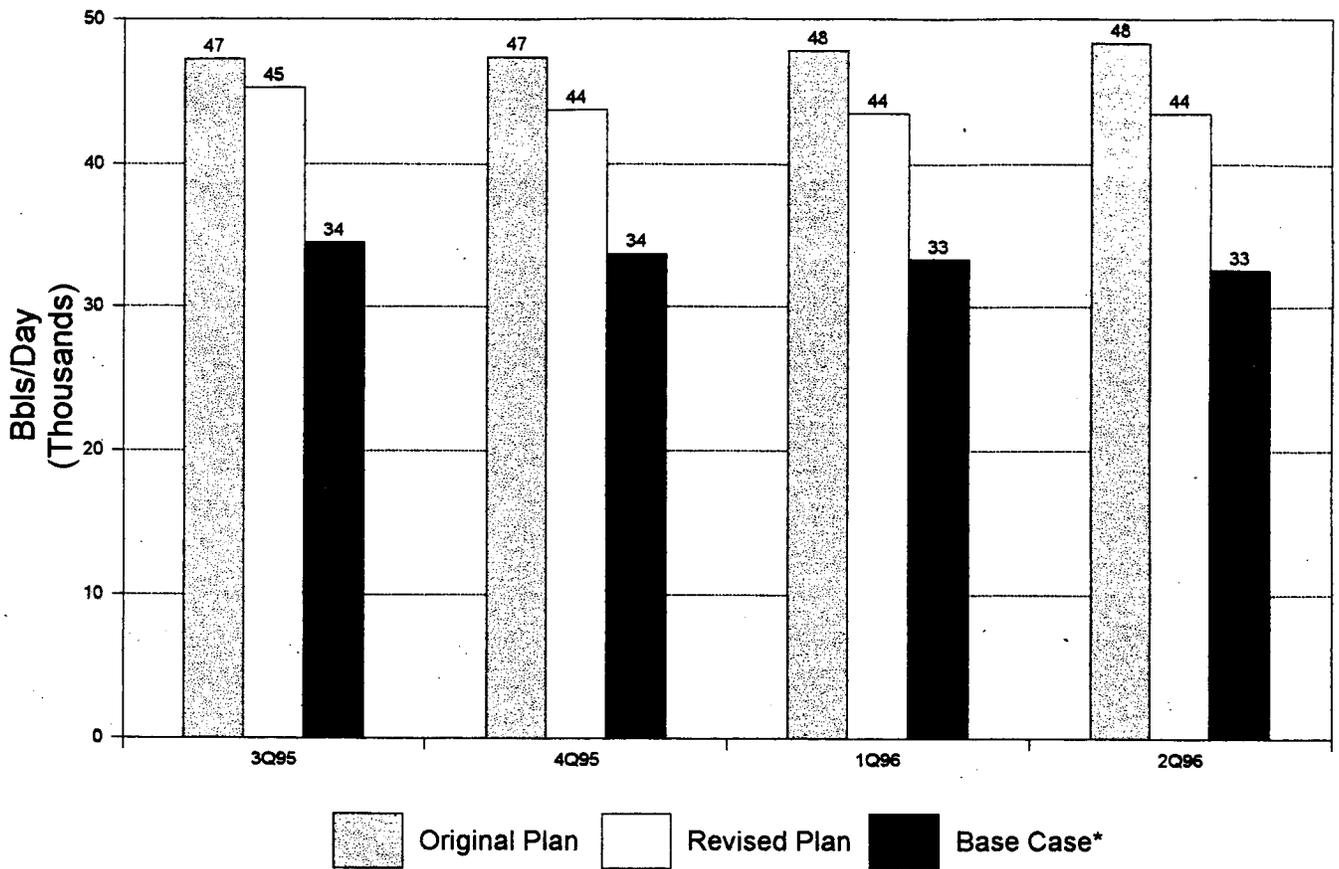


Long Beach Unit

FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit C

Revised Dec-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

February 15, 1996

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 SECOND 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 Second Amendment of the Annual Plan covering the period July 1, 1995 through June 30, 1996.

This report reviews second 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 and one workover drilling rig were in operation in the second quarter. During the quarter one redrilled producer and one new injector were completed, both in the Ranger zone.

Highlights for drilling operations during the quarter include:

- Recompleted slurry injection well C-822 and converted well C-130 to a pressure monitor well.
- Delays in completing wells B-743 and J-324 resulted in reduced well completions for the quarter.

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- Started the first dual lateral well at Thums (B-743). This well was started early in the second quarter with completion now expected in the third quarter.
- Well J-324 was drilled using coiled tubing. Miscellaneous problems with the workover rig resulted in greater than planned rig time.

On December 31, 1995, the total number of wells was 1,315, of which 882 were producers and 433 were injectors. Excluded from these total are 29 abandoned wells, 9 abandoned producers, and 20 injectors.

Budget to Actual Variance

The Development Drilling category has a budget of \$27,972,000, of which \$10,651,560, or 38.1 percent, is expended. The Plan provides funds for approximately 51 new and redrilled wells.

The current estimate for fiscal year expenditures is \$23.8 million, and 38 well completions. This new projection is based on operating one rig through the period, with occasional assistance from a workover rig, a coiled tubing unit, and a second contractor rig.

OPERATING EXPENSE

Operations Review

Production and injection volumes in the second quarter were lower than estimated in the Annual Plan, and below expected ranges in the Program Plan. Actual decline rates for horizontally completed wells and production in the Cut-Recovery Block I area 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 second quarter, the Unit's oil production rate averaged 43,766 bbls/day, which is 3,616 bbls/day less than originally estimated in the Major Planning assumptions section of the Annual Plan, and 1,234 bbls/day less than the low end of the Program Plan's expected range. Oil shipments during the period averaged 43,812 bbls/day. The latest estimate for total oil production through the end of the fiscal period is 16.2 million barrels.

Gas production averaged 8,323 mcf/day, which is 1,627 mcf/day less than originally estimated in the Annual Plan, and 977 mcf/day less than the low end of the Program Plan's expected range. Gas shipments, which are reported one month in arrears, averaged 8,462 mcf/day. The latest estimate for total gas production through the end of the fiscal period is 3.3 billion cubic feet.

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Water injection averaged 660,870 bbls/day, which is 42,282 bbls/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Water production averaged 553,828 bbls/day, which is 76,189 bbls/day less than originally estimated. The latest estimate for total water injection and production through the end of the fiscal period is 245.6 million barrels, respectively.

Budget to Actual Variance

The Operating Expense category has a budget of \$50,207,000, of which \$26,525,318, or 52.8 percent, is expended. It is anticipated that expenditures in this category will slightly exceed the budget. The latest estimate for expenditures in this category through the end of the fiscal period is \$51.0 million. Costs in the category are higher than planned due to a higher than anticipated rate increase for electricity 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 \$17,544,174, or 49.0 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$34.7 million.

Other Plant category projects with significant expenditures in the second quarter include:

- Installation of a Unit gas compression facility;
- Facility design for cogeneration;
- 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 barge basin fender system at Island Grissom;
- Purchase variable speed drives; and
- Electrical upgrades at the J-5 site.

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 \$16,266,585, or 48.2 percent, is expended. It is anticipated that expenditures in this category will exceed budget by less than 1 percent. The latest estimate for expenditures is \$34.0 million.

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

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 \$8,922,499, or 51.8 percent, is expended. Greater than anticipated costs in this category are due to a higher than expected mining rights tax assessment. The Unit has accepted a settlement with the Los Angeles County Tax Assessor of \$1.0 million for the 1993 tax year. The money may not be recovered until the 1996-1997 fiscal period, in which case it is anticipated that expenditures in this category through the end of the fiscal period are estimated at \$17.8 million (excludes the impact of recovering the \$1.1 million tax appeal settlement in the current fiscal period).

SUMMARY

The Unit has a budget of \$164,938,000, of which \$79,910,136, or 48.4 percent, was expended through December 31, 1995. The latest estimate of expenditures for the Plan period through June 30, 1996 is \$161.3 million.

Second quarter profit of \$20.7 million is \$5.4 million more than originally estimated. Greater than anticipated second quarter profit is attributed to higher oil prices and lower than planned expenditures. Revenue for the period was slightly less than planned, with higher than anticipated oil prices offsetting lower than anticipated production.

Second Amendment of the Annual Plan
(July 1, 1995 through June 30, 1996)

February 15, 1996
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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:amh

Attachments

FIN 312.003

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A. Economic Projections

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY95/96	BUDGET FIRST QUARTER FY95/96	ACTUAL 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	BUDGET VARIANCE
ESTIMATED REVENUE											
Oil Revenue	\$8,865	\$55,414	\$4,833	\$55,579	\$51,026	\$55,473	\$51,026	\$56,111	\$215,750	\$222,576	(\$6,826)
Gas Revenue	1,156	1,825	\$1,272	1,831	\$1,474	1,827	\$1,548	1,848	\$5,452	7,332	(\$1,880)
TOTAL REVENUE	\$60,024	\$57,239	\$56,105	\$57,410	\$52,499	\$57,300	\$52,574	\$57,959	\$221,202	\$229,908	(\$8,706)
ESTIMATED EXPENDITURES											
Development Drilling	\$7,346	\$4,670	\$3,306	\$7,869	\$5,820	\$6,971	\$7,282	\$8,462	\$23,754	\$27,972	\$4,218
Operating Expense	14,670	13,507	11,846	12,518	11,199	11,681	13,264	12,501	\$50,988	50,207	(\$781)
Other Plant	9,345	9,290	8,199	8,931	8,272	9,018	8,907	8,540	\$34,723	35,779	\$1,056
Unit Field Labor & Administrative	8,056	8,434	8,211	8,434	9,335	8,448	8,435	8,448	\$34,037	33,764	(\$273)
Taxes, Permits & Admin Overhead	5,114	4,258	3,809	4,333	4,511	4,285	4,336	4,340	\$17,769	17,216	(\$553)
TOTAL EXPENDITURES	\$44,530	\$40,159	\$35,371	\$42,085	\$39,137	\$40,403	\$42,224	\$42,291	\$161,271	\$164,938	\$3,667
NET PROFIT	\$15,484	\$17,080	\$20,734	\$15,325	\$13,362	\$16,897	\$10,350	\$15,668	\$59,931	\$64,970	(\$5,039)

B. Major Planning Assumptions

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY95/96	BUDGET FIRST QUARTER FY95/96	ACTUAL 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	BUDGET VARIANCE
OIL SHIPPED (1,000 BBL)	4,164		4,031								
PRODUCED (1,000 BBL)	4,164	4,346	4,026	4,359	4,002	4,351	4,002	4,401	16,194	17,457	(1,263)
PRODUCED (B/D)	45,256	47,241	43,766	47,382	43,500	47,811	43,500	48,361	44,367	47,827	(3,460)
GAS SHIPPED (1,000 MCF)	832		779								
PRODUCED (1,000 MCF)	825	913	766	915	842	914	885	924	3,317	3,666	(349)
PRODUCED (MCF/D)	8,962	9,921	8,323	9,950	9,154	10,040	9,615	10,156	9,088	10,044	(956)
WATER PRODUCTION (1,000 BBL)	51,648	57,752	50,952	57,962	56,811	57,617	57,793	58,037	217,204	231,368	(14,164)
(B/D)	561,390	627,743	553,828	630,017	617,511	633,154	628,181	637,765	595,079	633,884	(38,805)
WATER INJECTION (1,000 BBL)											
(B/D)											
Oil Price (\$/BBL)	\$14.11	\$12.75	\$13.60	\$12.75	\$12.75	\$12.75	\$12.75	\$12.75	245,465	257,773	(12,308)
Gas Price (\$/MCF)	\$1.39	\$2.00	\$1.63	\$2.00	\$1.75	\$2.00	\$1.75	\$2.00	672,506	706,227	(33,721)

NUMBER OF WELLS
AS OF DECEMBER 31, 1995

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	184	91	275
White	149	92	241
Chaffee	211	107	318
Freeman	231	84	315
Pier J (Inc. THX)	<u>107</u>	<u>59</u>	<u>166</u>
TOTAL	882	433	1,315
Tar V	11	2	13
Ranger (All Areas)	671	334	1,005
Upper & Lower Terminal VI, VII	68	35	103
Terminal (Blocks VIII, 90)	57	32	89
Union Pacific-Ford (All Areas)	71	30	101
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
TOTAL	882	433	1,315

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

OIL PRODUCTION

	<u>Average B/D</u> <u>10/1/95 - 12/31/95</u>	<u>Cumulative</u> <u>Bbls. 12/31/95</u>
Grissom	9,864	144,740,784
White	8,175	137,509,697
Chaffee	10,651	171,632,353
Freeman	10,587	225,704,043
Pier J (Inc. THX)	4,489	129,539,547
TOTAL	43,766	809,126,424
Tar V	160	1,288,217
Ranger (All Areas)	30,273	613,126,178
Upper Terminal & Lower Terminal VI, VII	5,088	65,832,758
Terminal (Blocks VIII, 90)	4,390	43,107,430
Union Pacific-Ford (All Areas)	3,855	81,913,230
237 (All Areas)	0	3,858,611
TOTAL	43,766	809,126,424

GAS PRODUCTION

	<u>Average Mcf</u> <u>10/1/95 - 12/31/95</u>	<u>Cumulative</u> <u>Mcf 12/31/95</u>
Grissom	852	20,697,825
White	1,997	33,764,803
Chaffee	2,051	57,370,099
Freeman	2,412	80,094,177
Pier J (Inc. THX)	1,011	23,255,367
TOTAL	8,323	215,182,271
Tar V	65	537,695
Ranger (All Areas)	5,846	136,354,525
Upper Terminal & Lower Terminal VI, VII	965	8,595,346
Terminal (Blocks VIII, 90)	607	12,532,748
Union Pacific-Ford (All Areas)	840	52,896,688
237 (All Areas)	0	4,265,269
TOTAL	8,323	215,182,271

WATER PRODUCTION

	<u>Average B/D</u> <u>10/1/95 - 12/31/95</u>	<u>Cumulative</u> <u>Bbls. 12/31/95</u>
Grissom	135,162	888,314,537
White	106,102	700,193,560
Chaffee	106,307	557,126,190
Freeman	127,317	872,567,091
Pier J (Inc. THX)	78,940	724,802,978
TOTAL	553,828	3,743,004,356
Tar V	646	5,542,714
Ranger (All Areas)	461,657	3,249,319,929
Upper Terminal & Lower Terminal VI, VII	51,611	279,562,490
Terminal (Blocks VIII, 90)	21,657	74,586,989
Union Pacific-Ford (All Areas)	18,257	130,804,344
237 (All Areas)	0	3,187,890
TOTAL	553,828	3,743,004,356

INJECTION WATER

	<u>Average B/D</u> <u>10/1/95 - 12/31/95</u>	<u>Cumulative</u> <u>Bbls. 12/31/95</u>
Grissom	179,606	1,255,502,064
White	129,486	1,051,719,127
Chaffee	132,244	1,111,218,752
Freeman	139,584	959,930,938
Pier J (Inc. THX)	79,950	945,106,111
TOTAL	660,870	5,323,476,992
Tar V	1,383	13,529,874
Ranger (All Areas)	533,553	4,582,722,189
Upper Terminal & Lower Terminal VI, VII	63,747	352,774,580
Terminal (Blocks VIII, 90)	33,182	165,128,388
Union Pacific-Ford (All Areas)	29,005	209,321,961
237 (All Areas)	0	0
TOTAL	660,870	5,323,476,992