

**MINUTE ITEM**

This Calendar Item No C117 was approved as Minute Item No. 117 by the California State Lands Commission by a vote of 3 to 0 at its 12/16/98 meeting.

**CALENDAR ITEM  
C117**

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12/16/98

W 17114

S 29

S. Curran

**CONSIDER APPROVAL OF THE FOURTH AMENDMENT OF THE FY 1997-98  
ANNUAL PLAN, FINAL REPORT AND CLOSING STATEMENT  
LONG BEACH UNIT, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY**

**APPLICANT:**

City of Long Beach  
Department of Oil Properties  
211 East Ocean Boulevard, Suite 500  
Long Beach, California 90802

**BACKGROUND:**

The City of Long Beach has submitted to the Commission the Fourth Amendment of the FY 1997-98 Annual Plan, Long Beach Unit, covering the period July 1, 1997 through June 30, 1998. This report provides the actual performance for the full Fiscal Year 1997-98. There were no changes to the latest approved budget of \$191,500,000 or to the distribution to the five budget categories.

The average oil and gas rates for the 1997-98 Fiscal Year were reported to be 43,995 bbls/day of oil (1,250 bbls/day more than originally estimated) and 9,496 MCF/day of gas (69 MCF/day less than forecast). The higher than planned oil rate is primarily due to exceptional results from the frac program. The cumulative recoveries and injection through June, 1998 are as follows:

Oil Production	848,354,373 Barrels
Gas Production	223,486,624 MCF
Water Production	4,254,177,165 Barrels
Water Injection	5,929,784,869 Barrels

Cumulative Injection - Gross Production Ratio is 1.162 Bbls/Bbl.

Total expenditures for the Unit were \$176.6 million which is \$14.9 million less than the latest approved budget of \$191.5 million. The reduction in expenditures was triggered

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due to continued low oil prices through out the fiscal year. Oil prices declined from \$15.24 to \$9.11 per barrel between the second and fourth quarters. The lower expenditure level was achieved by reducing contract personnel, delaying projects, and reducing drilling from two to zero rigs and well work from nine to four work over rigs.

Net Profits for the 1997-98 Fiscal Year were \$31.2 million, which is \$28.61 million less than estimated in the latest approved budget, due entirely to lower than budgeted oil prices. The latest approved budget assumed an oil price of \$15.50/BBL and an average gas price of \$2.26 per/MCF, but prices actually averaged \$12.41/BBL., and \$2.45/MCF for the fiscal year. The actual oil and gas prices, expenditures, and net profits for Fiscal Year 1997-98 are shown in the table below.

MILLION DOLLARS					
TOTAL	ACTUAL FIRST QUARTER FY 97-98	ACTUAL SECOND QUARTER FY 97-98	ACTUAL THIRD QUARTER FY 97-98	ACTUAL FOURTH QUARTER FY 97-98	FISCAL YEAR 97-98
Oil Revenue	60.1	61.0	41.8	36.4	199.3
Gas Revenue	1.9	2.4	2.9	2.2	8.5
Expenditures	(50.9)	(50.4)	(40.9)	(34.4)	(176.6)
Net Profit	11.027	13.076	2.914	4.229	31.246
Original	12.728	14.224	15.929	17.019	59.900
Change	(1.701)	(1.148)	(13.015)	(2.79)	(28.654)
Oil Price/BBL	\$14.99	\$15.24	\$10.32	\$9.11	\$12.41
Gas Price/MCF	\$2.25	\$2.86	\$2.34	\$2.43	\$2.46

Commission staff has reviewed the Fourth 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.

**OTHER PERTINENT INFORMATION**

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (Title 14, California Code of Regulations, section 15061), Commission staff has determined that this activity is exempt from the

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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 Title 14, California Code of Regulations, section 15378.

**EXHIBITS:**

- A. Fiscal Year 1997-98 Financial Projections
- B. Fourth Quarter Fiscal Year 1997-98 Financial Performance
- C. Fiscal Year 1997-98 Oil Rate Projections
- D. Letter Requesting Approval of Fourth Amendment of the Annual Plan, Long Beach Unit, (July 1, 1997 - June 30, 1998)

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**IT IS RECOMMENDED THAT THE COMMISSION:**

**CEQA FINDING:**

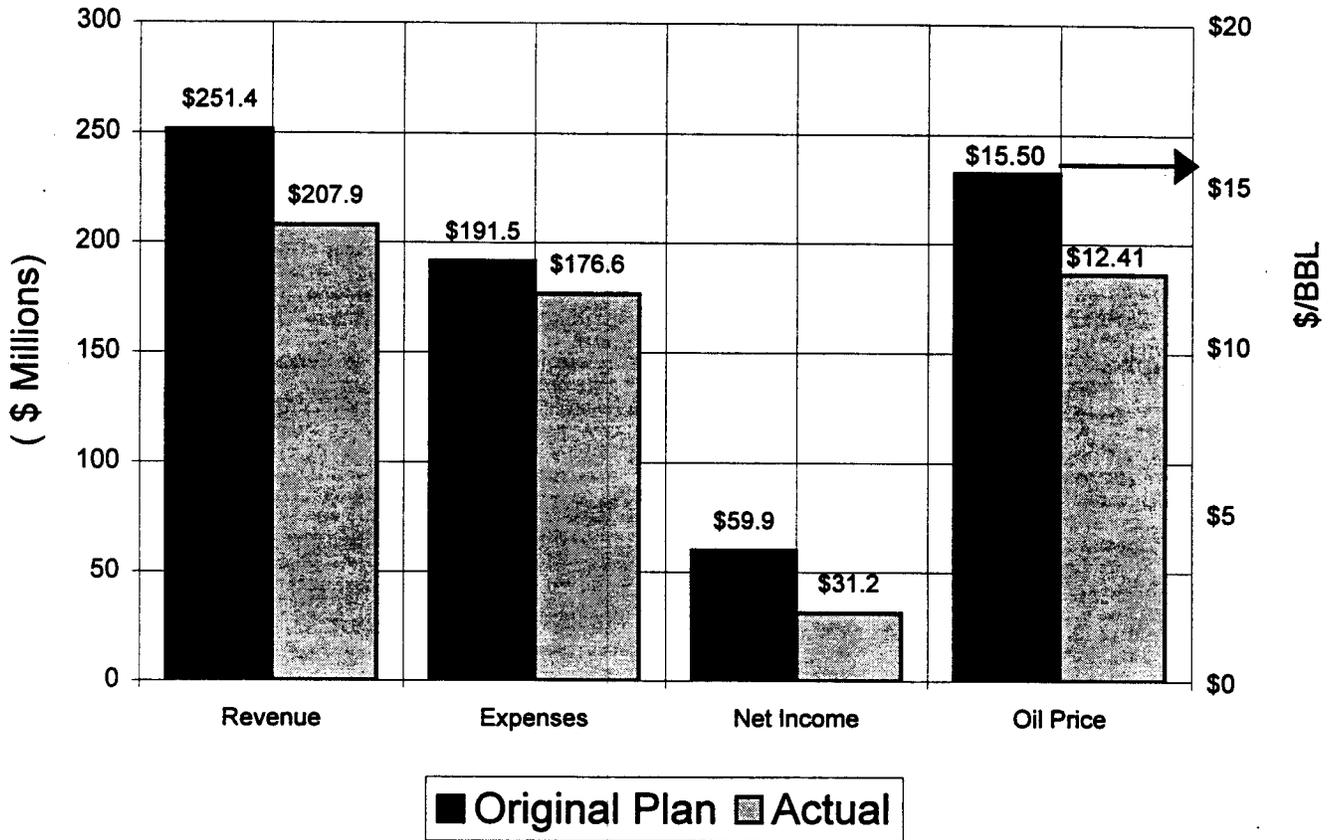
FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

**AUTHORIZATION:**

APPROVE THE FOURTH AMENDMENT OF THE LONG BEACH UNIT ANNUAL PLAN, FINAL REPORT AND CLOSING STATEMENT, FOR THE PERIOD JULY 1, 1997 THROUGH JUNE 30, 1998.

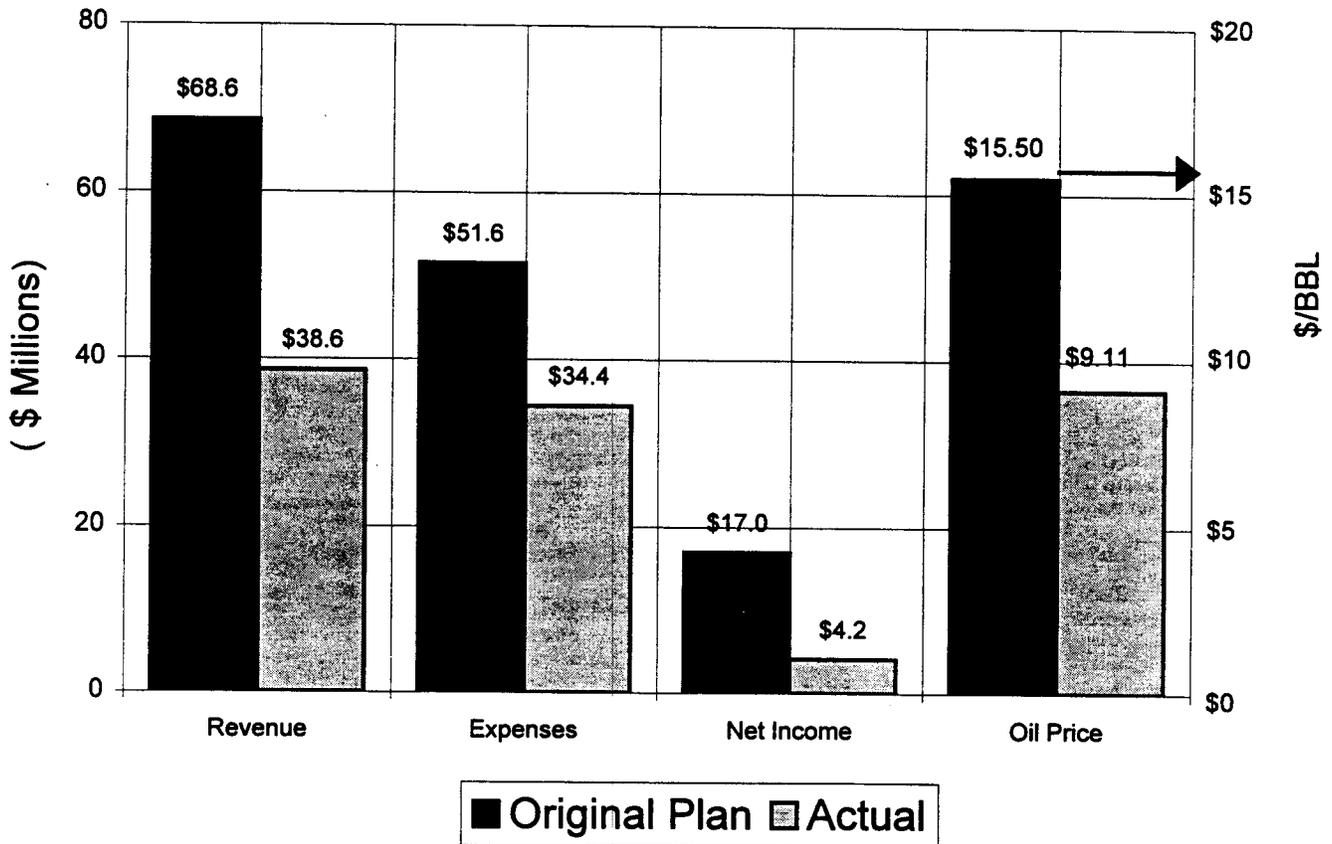
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# LBU FINANCIAL PERFORMANCE FISCAL YEAR 1997-98 ANNUAL PLAN

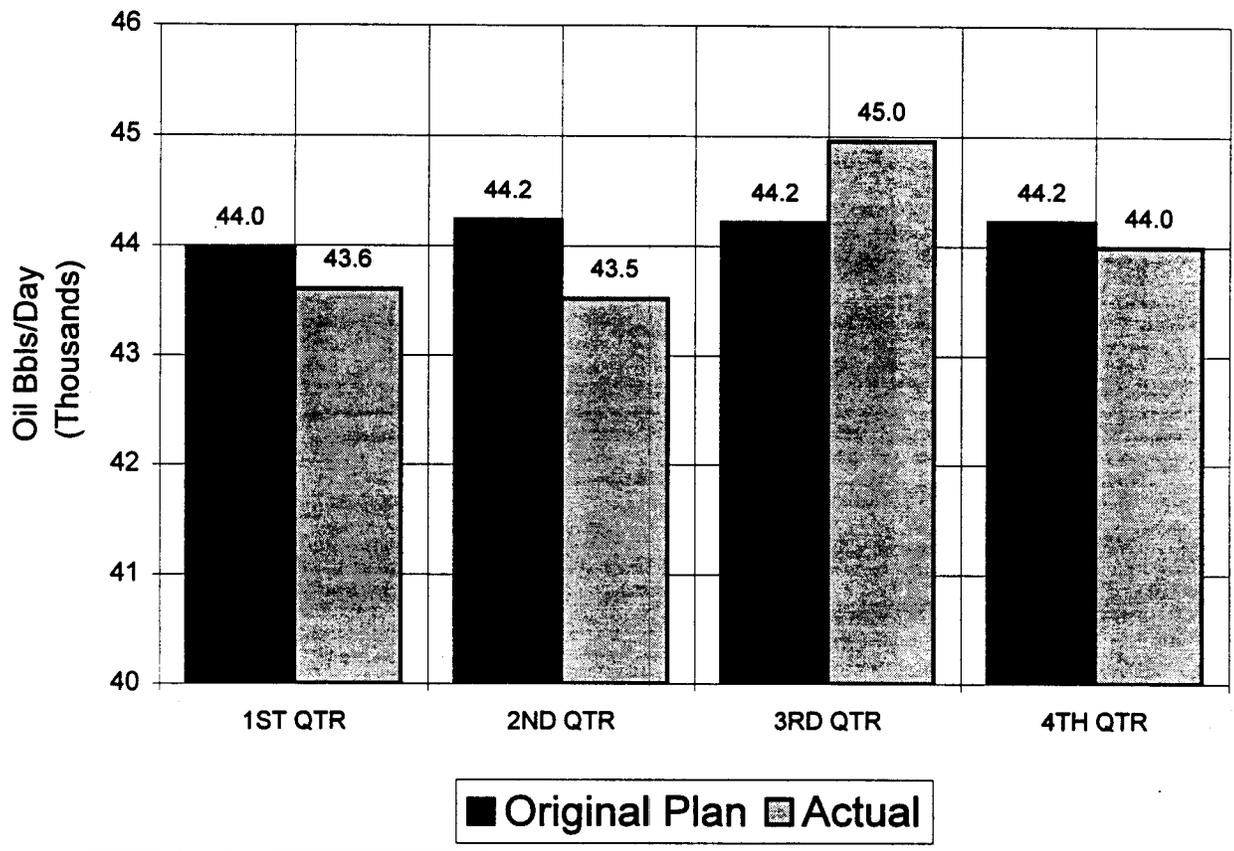


# LBU FINANCIAL PERFORMANCE FOURTH QUARTER FY 1997-98

Exhibit "B"



# LBU OIL RATE PERFORMANCE FISCAL YEAR 1997-98 ANNUAL PLAN



**CITY OF LONG BEACH**

DEPARTMENT OF OIL PROPERTIES

211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (562) 570-3900 • FAX 570-3922

September 22, 1998

Mr. P. B. Mount II, Chief  
Division of Mineral Resources Management  
State Lands Commission  
200 Oceangate, 12<sup>th</sup> Floor  
Long Beach, California 90802

Subject: **REQUEST FOR APPROVAL OF THE FOURTH AMENDMENT OF  
THE ANNUAL PLAN (JULY 1, 1997 THROUGH JUNE 30, 1998)  
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, 1997 through June 30, 1998. This report contains a reconciliation of Unit activities by category.

**DEVELOPMENT DRILLING**

The Development Drilling Category provides funding for all drilling and redrilling activity, and maintenance and replacement of drilling equipment within the Unit.

**Operations Review**

- Two drilling rigs were operated during the first six months of the period. One drilling rig was laid down on January 8, 1998, and the second drilling rig was laid down on March 9, 1998. There were no drilling rigs being operated at the end of the period.

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- During the Plan period five new wells and twenty-nine redrilled wells were completed. Following is a listing of both new completions and redrills by zone:

Zone	New Completions			Redrills		
	Prod	Inj	Total	Prod	Inj	Total
Tar	0	0	0	0	0	0
Ranger	4	0	4	15	3	18
Terminal	0	0	0	0	0	0
Upper/Lower Terminal	1	0	1	1	1	3
UP-Ford	0	0	0	4	3	7
237	0	0	0	1	0	1
Totals	5	0	5	22	7	29

On June 30, 1998, the total number of wells was 1,332, of which 874 were producers and 458 were injectors. Excluded from these totals are abandoned wells.

### **Budget to Actual Variance**

The Development Drilling Category had a budget of \$39,200,000, of which \$34,264,000, or 84.7 percent, was expended. The Plan provided funds for approximately 48 new and redrilled wells. The main reason for under-expenditure in this category was that only 34 wells were actually completed. However, the lower costs associated with fewer wells was partially offset by higher than planned average well completion costs, primarily due to a greater than anticipated number of UP-Ford frac completions.

### **OPERATING EXPENSE**

The Operating Expense Category provides funding for the on-going 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**

- Unit oil production during the Plan period averaged 43,995 bbls/day, which was 1,250 bbls/day more than estimated in the budget. Gas production averaged 9,496 mcf/day, which was 699 mcf/day more than estimated in the budget. The greater than forecast production was primarily due to exceptional results from the frac program.

- Water injection averaged 692,733 bbls/day, which was 796 bbls/day less than estimated in the budget. Water production averaged 614,327 bbls/day, which was 49,080 bbls/day more than estimated in the budget.

### **Budget to Actual Variance**

The Operating Expense Category had a modified budget of \$61,700,00, of which \$47,291,000, or 76.7 percent, was expended. The higher spending level was primarily related to an increase in electrical costs due to higher fluid volumes.

There were no significant variances from budget in non-well project expenditures for the quarter.

## **OTHER PLANT**

The Other Plan 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 during the Plan period include the following:

- Skim basin vapor recovery upgrade on Island Grissom;
- Sand filters for reclaimed water;
- Clean-up water well on Island White;
- Pump and motor repair;
- Tank and vessel repair; and
- Produced water piping on Island Chaffee.

### **Budget to Actual Variance**

The Other Plant Category had a budget of \$34,800,000, of which \$29,528,000, or 84.9 percent, was expended. The under-expenditure resulted from a curtailment of project activities after the oil price decline.

## **UNIT FIELD LABOR AND ADMINISTRATIVE**

The Unit Field Labor and Administrative Category provides 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**

The Unit Field Labor and Administrative Category had a budget of \$35,700,000, of which \$35,001,000, or 98.0 percent, was expended.

The Unit Field Labor and Administrative Category had no significant project expenditures.

**TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD**

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**

The Taxes, Permits, and Administrative Overhead Category had a budget of \$20,100,000, of which \$19,726,000, or 98.1 percent, was expended.

**SUMMARY**

The Unit had a budget of \$191,500,000, of which \$176,609,000, or 92.2 percent, was expended through June 30, 1998.

Significant steps were taken in the second and third quarters to reduce expenditures. These included reducing contract personnel, delaying projects, and reducing drilling from two to zero rigs and wellwork from nine to four workover rigs. The effect of these reductions is reflected in a decrease of \$17.7 million in expenditures in the third and fourth quarters, and are in response to a decline in oil prices from \$15.24 to \$9.11 per barrel of oil between the second and fourth quarters.

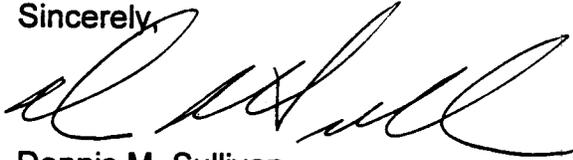
The total profit of \$31.2 million is \$1.3 million less than originally estimated, due entirely to lower than budgeted oil prices.

**BUDGET RECONCILIATION**

Attached is the June 1998 Budget Statement, Fiscal Year Projects Report, revised Annual Plan Economic Projections and Major Planning Assumptions, and an end of period report of number 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.

Sincerely,



Dennis M. Sullivan  
Director

DMS:slg

FIN 312.003

Attachments

### Economic Projections

(Data in Thousands of Dollars)	ACTUAL FIRST QUARTER FY97/98	ACTUAL SECOND QUARTER FY97/98	ACTUAL THIRD QUARTER FY97/98	ACTUAL FOURTH QUARTER FY97/98	ACTUAL TOTAL FISCAL YEAR FY97/98	BUDGET* TOTAL FISCAL YEAR FY97/98	% PROJECTED OVER/UNDER- BUDGET FY97/98
<b>ESTIMATED REVENUE</b>							
Oil Revenue	\$60,120	\$61,034	\$41,751	\$36,408	\$199,314	\$218,428	-8.75%
Gas Revenue	1,886	2,405	2,019	2,231	8,541	5,619	52.00%
<b>TOTAL REVENUE</b>	<b>\$62,006</b>	<b>\$63,439</b>	<b>\$43,770</b>	<b>\$38,639</b>	<b>\$207,855</b>	<b>\$224,047</b>	<b>-7.23%</b>
<b>ESTIMATED EXPENDITURES</b>							
Development Drilling	\$9,260	\$9,697	\$10,141	\$5,166	\$34,264	\$39,200	-12.59%
Operating Expense	17,721	17,786	11,784	10,798	58,090	61,700	-5.85%
Other Plant	8,250	8,573	6,165	6,541	29,528	34,800	-15.15%
Unit Field Labor & Administrative	10,172	8,939	8,241	7,649	35,001	35,700	-1.96%
Taxes, Permits & Admin Overhead	5,577	5,367	4,525	4,256	19,726	20,100	-1.86%
<b>TOTAL EXPENDITURES</b>	<b>\$50,979</b>	<b>\$50,364</b>	<b>\$40,856</b>	<b>\$34,410</b>	<b>\$176,609</b>	<b>\$191,500</b>	<b>-7.78%</b>
<b>NET PROFIT</b>	<b>\$11,027</b>	<b>\$13,076</b>	<b>\$2,914</b>	<b>\$4,229</b>	<b>\$31,246</b>	<b>\$32,547</b>	<b>-4.00%</b>

\* Budget shown is the Stretch Plan

### Major Planning Assumptions

	ACTUAL FIRST QUARTER FY97/98	ACTUAL SECOND QUARTER FY97/98	ACTUAL THIRD QUARTER FY97/98	ACTUAL FOURTH QUARTER FY97/98	ACTUAL TOTAL FISCAL YEAR FY97/98	BUDGET* TOTAL FISCAL YEAR FY97/98	% PROJECTED OVER/UNDER- BUDGET FY97/98
<b>OIL PRODUCTION:</b>							
SHIPMENTS (1,000 BBL)	4,012	4,004	4,046	3,997	16,058	15,602	
AVERAGE B/D	43,604	43,519	44,956	43,920	43,995	42,745	2.92%
<b>GAS PRODUCTION:</b>							
ACTUAL SHIPPED (1,000 MCF)	839	842	863	922	3,466	3,211	
AVERAGE MCF/D	9,123	9,150	9,583	10,136	9,496	8,797	7.94%
<b>WATER PRODUCTION:</b>							
ACTUAL (1,000 BBL)	52,063	52,770	53,654	55,539	214,234		
AVERAGE B/D	565,899	573,590	596,152	610,321	586,390	568,511	3.14%
<b>WATER INJECTION</b>							
ACTUAL (1,000 BBL)	62,652	63,404	62,518	64,274	252,848		
AVERAGE B/D	680,998	689,175	694,639	706,310	692,733	693,529	-0.11%
<b>AVG OIL PRICE (\$/BBL)</b>	<b>\$14.99</b>	<b>\$15.24</b>	<b>\$10.32</b>	<b>\$9.11</b>	<b>\$12.41</b>	<b>\$15.50</b>	<b>-19.92%</b>
<b>AVG GAS PRICE (\$/MCF)</b>	<b>\$2.25</b>	<b>\$2.86</b>	<b>\$2.34</b>	<b>\$2.42</b>	<b>\$2.46</b>	<b>\$2.25</b>	<b>9.33%</b>

\* Budget shown is the Stretch Plan

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## NUMBER OF WELLS

As of June 30, 1998

	Producers	Injectors	Total
<b>By Location</b>			
Grissom	190	93	283
White	149	92	241
Chaffee	212	116	328
Freeman	221	95	316
Pier J (Inc. THX)	102	62	164
<b>Total</b>	<b>874</b>	<b>458</b>	<b>1332</b>
<b>By Reservoir</b>			
Tar V	11	2	13
Ranger (All Areas)	661	358	1019
Upper & Lower Terminal VI, VII	67	34	101
Terminal (Blocks VIII, 90)	59	34	93
Union Pacific-Ford (All Areas)	73	30	103
237 (All Areas)	3	0	3
<b>Total</b>	<b>874</b>	<b>458</b>	<b>1332</b>

(Figures exclude abandoned producers and abandoned injectors)

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<u>Location</u>	<u>Oil Production</u>		<u>Gas Production</u>	
	<u>Average B/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative Bbls.</u> <u>6/30/98</u>	<u>Average MCF/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative MCF</u> <u>6/30/98</u>
Grissom	10,058	153,545,552	862	21,451,715
White	8,172	144,803,443	1,388	35,589,717
Chaffee	11,521	181,623,089	2,913	59,536,758
Freeman	10,677	235,400,372	3,313	82,646,431
Pier J (Inc. THX)	3,567	132,981,916	1,020	24,222,954
<b>Total</b>	<b>43,995</b>	<b>848,354,373</b>	<b>9,496</b>	<b>223,447,574</b>

<u>Reservoir</u>	<u>Average B/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative Bbls.</u> <u>6/30/98</u>	<u>Average MCF/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative MCF</u> <u>6/30/98</u>
Tar V	101	1,396,672	61	594,892
Ranger (All Areas)	28,697	639,045,434	5,884	141,755,261
Upper Terminal & Lower Terminal VI, VII	5,067	70,414,366	893	9,474,441
Terminal (Blocks VIII, 90)	3,652	46,773,998	1,120	13,357,108
Union Pacific-Ford (All Areas)	6,477	86,865,292	1,538	54,039,293
237 (All Areas)	-	3,858,611	-	4,265,269
<b>Total</b>	<b>43,995</b>	<b>848,354,373</b>	<b>9,496</b>	<b>223,486,264</b>

<u>Location</u>	<u>Water Production</u>		<u>Water Injection</u>	
	<u>Average B/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative Bbls.</u> <u>6/30/98</u>	<u>Average B/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative Bbls.</u> <u>6/30/98</u>
Grissom	136,780	1,009,221,057	166,582	1,406,127,606
White	117,828	803,521,988	119,704	1,164,792,639
Chaffee	105,256	648,940,346	139,911	1,230,267,414
Freeman	142,331	994,330,067	167,135	1,101,192,739
Pier J (Inc. THX)	84,195	797,961,133	99,401	1,027,413,963
<b>Total</b>	<b>586,390</b>	<b>4,253,974,590</b>	<b>692,733</b>	<b>5,929,794,359</b>

<u>Reservoir</u>	<u>Average B/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative Bbls.</u> <u>6/30/98</u>	<u>Average B/D</u> <u>7/1/97-6/30/98</u>	<u>Cumulative Bbls.</u> <u>6/30/98</u>
Tar V	736	6,148,823	1,654	14,934,331
Ranger (All Areas)	476,394	3,669,985,368	552,312	5,071,892,908
Upper Terminal & Lower Terminal VI, VII	56,995	327,798,104	64,758	408,067,998
Terminal (Blocks VIII, 90)	25,073	96,148,523	36,241	196,537,549
Union Pacific-Ford (All Areas)	27,193	150,908,457	37,768	238,352,083
237 (All Areas)	-	3,187,890	-	-
<b>Total</b>	<b>586,390</b>	<b>4,254,177,165</b>	<b>692,733</b>	<b>5,929,784,869</b>

THUMS LONG BEACH COMPANY  
Budget Statement  
Current Period: JUN-98

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	23,100,000	39,200,000	1,528,769	34,264,102	87.4	4,935,898	39,200,000	-12.6
OPERATING EXPENSE	56,900,000	61,700,000	3,869,585	58,080,003	94.1	3,609,997	61,700,000	-5.9
OTHER PLANT	28,000,000	34,800,000	1,859,634	29,527,915	84.9	5,272,085	34,800,000	-15.1
UNIT FIELD LABOR & ADMINISTRATIVE	34,200,000	35,700,000	2,523,261	35,000,881	98.0	699,119	35,700,000	-2.0
TAXES, PERMITS, & ADMIN. OVERHEAD	14,200,000	20,100,000	1,274,739	19,725,808	98.1	374,192	20,100,000	-1.9
Unit Totals	157,400,000	191,500,000	11,053,988	176,608,709	92.2	14,891,291	191,500,000	-7.8