

MINUTE ITEM

This Calendar Item No. C67 was approved as
Minute Item No. 67 by the California State Lands
Commission by a vote of 3 to 0 at its
4/13/99 meeting.

**CALENDAR ITEM
C67**

A 57, 58

S 29

04/13/99
W 17151
A. Reid

CONSIDER APPROVAL OF THE
LONG BEACH UNIT PROGRAM PLAN
(JULY 1, 1999 - JUNE 30, 2004),
AND THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 1999 - JUNE 30, 2000),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

APPLICANT:

City of Long Beach
Department of Oil Properties
Attn.: Mr. Dennis M. Sullivan, Director
211 East Ocean Boulevard, Suite 500
Long Beach, CA 9082

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 Program Plan (July 1, 1999 - June 30, 2004) and the Long Beach Unit Annual Plan (July 1, 1999 - June 30, 2000) have been submitted by the City of Long Beach (City) to the California State Lands Commission (Commission).

At its meeting on March 16, 1999, the Long Beach City Council adopted the proposed Program Plan and Annual Plan and authorized their submittal to the Commission for consideration and approval. The Commission has 45 days following formal submission of the Program Plan and Annual Plan to take action. If no action is taken, the plans are deemed to be approved as submitted.

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The economic projections for the period July 1, 1999 through June 30, 2004 (as presented by the City) are shown below:

(Data Shown are in Thousands of Dollars)

<u>PERIOD</u>	<u>OIL AND GAS</u>	<u>EXPENDITURES</u>	<u>NET INCOME</u>
FY 99-00	\$178,300	\$155,100	\$ 23,200
FY 00-01	\$176,100	\$140,800	\$ 35,300
FY 01-02	\$166,500	\$115,600	\$ 50,800
FY 02-03	\$146,600	\$109,200	\$ 37,500
FY 03-04	<u>\$129,200</u>	<u>\$101,700</u>	<u>\$ 27,400</u>
	\$796,700	\$622,500	\$174,200

As presented, the plans include anticipated rates of production, revenues, expenditures, and net profits for the Unit as projected by the City of Long Beach Department of Oil Properties. The City has estimated that the Unit net income from July 1999 through June 2004 will be \$174 Million. This income projection is based on an assumed constant oil price of \$12.00 over the five year plan period. This income will be generated primarily from oil revenues based on production forecasts ranging from 39,000 barrels of oil per day (BOPD) in FY 1999-00 to approximately 28,400 BOPD in FY 2003-04. These production rates are based on the assumption that development drilling will include 24 wells per year for FY 1999-00 and 2000-01. Thereafter, drilling activity is expected to be limited to replacement drilling of some existing wells as they fail. In the first quarter of FY 1996-97, ARCO met its contractual requirement (by FY 1999-00) to invest \$100 Million. Expenditures shown herein include capital investments which are over and above this figure.

The Commission staff has reviewed the Program Plan and Annual Plan as submitted by the City and believes that these plans provide an engineering framework to meet the objectives of the Optimized Waterflood Agreement and are based on all engineering, geologic, and economic information available at the time of preparation, and that the budgets contained in the Annual Plan are consistent with the Program Plan. Engineers representing the State, City, THUMS, and ARCO agree that 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

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participation by all parties at Unit forums, Engineering Committee meetings, Voting Party Committee meetings, and during events as they occur in the field. However, projections of net income might not be met in FY 99-00 if oil prices stay at the current level of around \$10.20/bbl. Projections indicate that if oil prices for the Long Beach Unit stay at around \$10.20/BBL, the FY 99-00 net income will be much lower than expected.

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), the Commission 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 Title 14, California Code of Regulations, section 15378.

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

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 LONG BEACH UNIT PROGRAM PLAN (JULY 1, 1999 - JUNE 30, 2004) AND THE LONG BEACH UNIT ANNUAL PLAN (JULY 1, 1999 THROUGH JUNE 30, 2000, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.