

MINUTE ITEM
This Calendar Item No. **C83**
was approved as Minute Item
No. **83** by the State Lands
Commission by a vote of **3**
to **0** at its **4-26-00**
meeting.

**CALENDAR ITEM
C83**

A 54
S 27

04/20/00
W 17153
A. Reid

**APPROVE THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2000 - JUNE 30, 2001),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Attn.: Mr. Dennis M. Sullivan, Director
Department of Oil Properties
211 East Ocean Boulevard, Suite 500
Long Beach, CA 90802

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, 2000 - June 30, 2001) has been submitted by the City of Long Beach (City) to the State Lands Commission (Commission).

At its meeting on February 29, 2000, the Long Beach City Council adopted the proposed Annual Plan and authorized its submittal to the Commission for consideration and approval. The Commission has 45 days following formal 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, 2000 through June 30, 2001 (as presented by the City) are shown below:

Revenue	\$240,300,000
Expenditures	\$184,600,000
Net Income:	\$ 55,700,000

As presented, the Long Beach Unit Annual Plan includes anticipated rates of production, revenues, expenditures, and net profits for the Unit as projected by

CALENDAR ITEM NO. C83 (CONT'D)

the City of Long Beach Department of Oil Properties. The City has estimated that the Unit net income for the 2000-2001 Fiscal Year will be \$55.7 Million, after total Expenditures of \$184.6 Million. The increase in total expenditures from \$140.8 Million to \$184.6 Million from the Five-Year Program Plan reflects the current budgeted oil price of \$17.00/bbl. This higher oil price provides the basis for an increase in drilling activity and previously deferred well workovers, maintenance, and higher than anticipated taxes. This oil price estimate is an increase over the Five-Year Program Plan estimate of \$12.00/bbl, reflecting the current high oil price being experienced in the Unit. The forecast oil production rate of 37,588 bbls/day is about 1,000 bbl/day less than the Five-Year Program Plan projection. The decrease in estimated production volume is a result of the lower than expected oil price experiences during Fiscal year 1998-1999 and the first half of Fiscal year 1999-2000. The lower than anticipated oil price necessitated reducing well drilling and workover activity to selected wells having highest expected performance. This, and the lower than expected rates from the wells that were drilled, caused the current oil-producing rate to be below the Five-Year Program Plan.

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 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 participation by all parties at Unit forums, Engineering Committee meetings, Voting Party Committee meetings, and during events as they occur in the field.

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 staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

CALENDAR ITEM NO. **C83** (CONT'D)

EXHIBIT:

- A. Letter to the California State Lands Commission from the City of Long Beach

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 ANNUAL PLAN (JULY 1, 2000 THROUGH JUNE 30, 2001), LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.



CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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

Exhibit A

W 17153

March 17, 2000

Mr. Paul B. Mount II, P.E.
Chief, Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

**SUBJECT: SUBMISSION OF THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2000 - JUNE 30, 2001)**

Dear Mr. Mount:

The City of Long Beach, as Unit Operator of the Long Beach Unit, and in accordance with Chapter 138, Section 5(a), Chapter 941, and the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, Section 2.05(a) and (b), submits thirty copies of the Long Beach Unit Annual Plan (July 1, 2000 - June 30, 2001).

The Annual Plan was approved by the City of Long Beach Economic Development and Finance Committee and the Long Beach City Council on February 29, 2000. If you have any questions, please contact Mr. Bob Rawnsley at (562) 570-3961.

Sincerely,

Dennis M. Sullivan
Director

DMS:RJR

Enclosures

cc: P. D. Thayer
A. V. Hager
F. O. Ludlow
J. K. Eastlack
R. A. Alesso

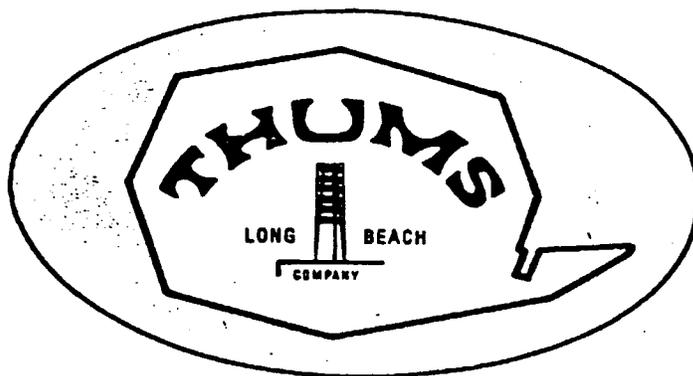
FIN 312.006

CALENDAR PAGE	000502
MINUTE PAGE	8195

**Long Beach Unit
Thums Long Beach Company
(Agent for Field Contractor)**

ANNUAL PLAN

July 1, 2000 through June 30, 2001



CALENDAR PAGE 00503

MINUTE PAGE

8196

Part I

Introduction

This Annual Plan was developed to reflect anticipated activity levels in the 2000/01 fiscal period (from July 1, 2000 through June 30, 2001). It is being submitted as required by Section 5(a) of Chapter 138, Statutes of 1964, First Extraordinary Session, and as revised by passage of Assembly Bill 227 (Chapter 941) and the Optimized Waterflood Program Agreement approved by the State of California, the City of Long Beach, and Atlantic Richfield Company.

This Plan provides for drilling, producing, water injection, and other associated activities from offshore and onshore locations. The budget for these activities is grouped into the following five major categories:

Plan Category	Fiscal Year 2000 - 2001 (\$ Million)
Development Drilling	\$ 36.8
Operating Expense	\$ 60.5
Facilities, Maintenance, and Plant	\$ 27.6
Unit Field Labor and Administrative	\$ 34.1
Taxes, Permits, and Administrative Overhead	\$ 25.6
Total	\$ 184.6

CALENDAR PAGE 504

MINUTE PAGE 8197

A. Plan Basis

This Plan was developed based on the parameters outlined in the Program Plan for the period July 1999 through June 2004 and revised to reflect the following current estimates of volumes, drilling activity, and expenditures for the 2000/01 fiscal period.

Volumes

Oil production in the 1999-2004 Program Plan was expected to average 38.6 Mbopd for the 2000/01 fiscal period. These oil and gas volumes have been revised downward. Oil production for the 2000/01 fiscal period is expected to average 37.6 Mbopd within a revised range of 33.8 to 39.5 Mbopd. Gas production is expected to average 8.6 MMcfd within a range of 7.8 to 9.5 MMcfd. Water production and injection volumes have been revised upward. Water production for the period is expected to average 648 Mbwpd within a revised range of 551 to 681 Mbwpd. Water injection is expected to average 737 Mbwpd within a revised range of 664 to 774 Mbwpd.

Decrease in the forecast of oil production volumes from the Program Plan is a result of:

- (1) The base decline between the time of the original forecast and this forecast was slightly steeper than expected.
- (2) The continuous drilling program planned was interrupted due to low oil prices.
- (3) The expected contribution from the development program in FY01 has been slightly decreased.
- (4) The original forecast did not include planned facility downtime that is in the current forecast.

Revenue and Expenses

A projected oil price of \$17.00/bbl and gas price of \$2.25/mcf will result in revenues of \$240.3 million, which is \$64.2 million more than anticipated in the 1999-2004 Program Plan. Budgeted expenses of \$184.6 million for the 2000/01 fiscal period are \$43.8 million more than anticipated in the 1999-2004 Program Plan. Projected net profit is \$55.7 million for the 2000/01 fiscal period.

Higher expenditures than those anticipated in the 1999-2004 Program Plan are consistent with a higher oil price expected for the 2000/01 fiscal period. A portion of the incremental expenditure is directed at improving the Unit's long-term cost structure through investment in rate-adding drilling prospects as well as cost-reducing plant improvements and consolidations. These activities had been deferred during the recent low-price period. The remainder of the incremental expenditure is due to increased Mining Rights, Improvements Taxes, and Personal Property Taxes, which are based on the current higher oil price environment. Comparisons of revenue, expenditures, profit and volumes are shown in Part II-C of this Plan.

CALENDAR PAGE 060505

MINUTE PAGE

8198

Drilling

This Plan allows for drilling approximately 31 new and redrilled development wells. It is expected that this will be accomplished by primary crews moving between the islands operating THUMS drilling rigs, the additional drilling use of a workover rig, and a contract drilling rig for operations on the Pier. Workover rigs will continue to be used for completions. Locations of production and injection wells to be drilled or redrilled are presented in Part II, Schedule 1B of this Plan.

Maintenance

Most of the major projects anticipated during the Plan period are required to maintain current equipment capabilities or to enhance operations. Other projects will be necessary to take advantage of improvement opportunities and to address changes in the oil field operating environment.

Many projects will be undertaken to repair or replace equipment that has outlived its useful life. Items needing to be repaired or replaced include oil, gas, and water lines; tanks and vessels; pumps and motors. These projects are consistent with past activities to keep the Unit facilities in safe operating condition.

Abandonments

Wells with no further economic use will be abandoned to reduce current and future Unit liability. This Plan period provides funds for both in-zone plugs and conditional abandonments.

Safety, Environmental, and Regulatory Compliance

Projects relating to safety and environmental issues and others necessary for meeting compliance with code, permit, or regulatory requirements will continue to be undertaken.

Economic Review

Project expenditures during the Plan period are subject to economic review through the Determination and Authority for Expenditure processes.

All existing wells are frequently reviewed in light of changing crude prices to determine if they are economic to operate. Well servicing work is justified both on economics and conditions consistent with good engineering, business, and operating practices.

CALENDAR PAGE 506

MINUTE PAGE 8199

B. Economic Projections
 (Data in Millions of Dollars)

	BUDGET FIRST QUARTER <u>FY00/01</u>	BUDGET SECOND QUARTER <u>FY00/01</u>	BUDGET THIRD QUARTER <u>FY00/01</u>	BUDGET FOURTH QUARTER <u>FY00/01</u>	BUDGET TOTAL <u>FY00/01</u>
<u>ESTIMATED REVENUE</u>					
Oil Revenue	\$ 59.12	\$ 58.91	\$ 57.32	\$ 57.89	\$ 233.2
Gas Revenue	\$ <u>1.80</u>	\$ <u>1.79</u>	\$ <u>1.75</u>	\$ <u>1.76</u>	\$ <u>7.1</u>
TOTAL REVENUE	\$ 60.9	\$ 60.7	\$ 59.1	\$ 59.6	\$ 240.3
<u>ESTIMATED EXPENDITURES</u>					
Development Drilling	\$ 5.89	\$ 7.11	\$ 9.58	\$ 14.22	\$ 36.8
Operating Expense	\$ 17.96	\$ 15.46	\$ 13.85	\$ 13.26	\$ 60.5
Facilities & Maintenance	\$ 6.65	\$ 6.70	\$ 7.11	\$ 7.16	\$ 27.6
Unit Field Labor & Administration	\$ 8.94	\$ 8.58	\$ 8.56	\$ 8.05	\$ 34.1
Taxes, Permits & Oyerhead	\$ <u>7.14</u>	\$ <u>6.39</u>	\$ <u>6.71</u>	\$ <u>5.32</u>	\$ <u>25.6</u>
TOTAL EXPENDITURES	\$ 46.6	\$ 44.2	\$ 45.8	\$ 48.0	\$ 184.6
<u>NET PROFIT</u>	\$ 14.3	\$ 16.5	\$ 13.3	\$ 11.6	\$ 55.7

CALENDAR PAGE 000507

MINUTE PAGE 8200

C. MAJOR PLANNING ASSUMPTIONS

	<u>BUDGET FIRST QUARTER FY00/01</u>	<u>BUDGET SECOND QUARTER FY00/01</u>	<u>BUDGET THIRD QUARTER FY00/01</u>	<u>BUDGET FOURTH QUARTER FY00/01</u>	<u>BUDGET TOTAL FY00/01</u>
<u>OIL PRODUCTION</u>					
PRODUCED (1000 BBL)	3,478	3,465	3,372	3,405	13,720
(AVERAGE B/D)	37,800	37,663	37,463	37,422	37,588
<u>GAS PRODUCTION</u>					
PRODUCED (1000 MCF)	800	797	775	783	3,155
(AVERAGE MCF/D)	8,694	8,663	8,617	8,607	8,645
<u>WATER PRODUCTION</u>					
(1000 BBL)	59,548	59,598	58,361	59,057	231
(AVERAGE B/D)	647,257	647,808	648,459	648,978	648,121
<u>WATER INJECTION</u>					
(1000 BBL)	67,822	67,831	66,369	67,121	269,143
(AVERAGE B/D)	737,195	737,294	737,431	737,598	737,379
OIL PRICE (\$/BBL)	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00	\$ 17.00
GAS PRICE (\$/MCF)	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25	\$ 2.25

CALENDAR PAGE 508

MINUTE PAGE S201

PART II

Program Plan Schedules

A. Range of Production and Injection

Schedule 2A
 Range of Production and Injection - FY 2000/01
 Long Beach Unit Program Plan, July 1999-June 2004

FISCAL YEAR	RANGE OF PRODUCTION AND INJECTION RATES			
	OIL MBOPD	WATER MBWPD	GAS MMCFPD	INJECTION MBWPD
2000-01	34.7 - 40.5	524.4 - 647.8	7.8 - 9.5	624 - 728
FISCAL YEAR	RANGE OF INJECTION PRESSURES			
	TAR PSI	RANGER PSI	TERMINAL PSI	UP/FORD PSI
2000-01	Up to 1500	Up to 2500	Up to 2500	Up to 3000

CALENDAR PAGE 509
MINUTE PAGE 8202

SCHEDULE 2B
ANTICIPATED NEW AND REDRILLED WELLS
FISCAL YEAR 2000 - 01

LONG BEACH UNIT PROGRAM PLAN, JULY 1999 - JUNE 2004

RESERVOIR	CRB	PRODUCERS										INJECTORS												
		GRISSOM		WHITE		CHAFFEE		FREEMAN		PIER-J		GRISSOM		WHITE		CHAFFEE		FREEMAN		PIER-J				
		MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX	MIN	MAX			
TAR	35	0	0									0	0									0	0	
RANGER WEST	1	0	0	0	0							0	0											
	2	1	3									0	0											
	3	1	1	0	0					0	0	1	1									0	0	
	4	1	3	1	1			0	0	1	1	0	0					0	0			0	0	
	5	0	0					0	0	1	3							0	0			0	0	
	36							0	0	0	0							0	0			0	0	
	7							0	0									0	0			0	0	
	8			1	1			0	0					0	0			0	0					
	9			0	0									0	0			0	0					
	10			0	2									0	0									
	11			0	0									0	0									
	12			0	0									0	0									
	13			0	0					0	0			0	0									
	37									0	0							0	0					
RANGER EAST	14			0	0									0	0									
	15			2	4			0	0					0	0			0	0					
	16			0	0			0	0					0	0			0	0					
	17					0	0									0	0	0	0					
	18					1	1									0	0	0	0					
	32					0	0									1	2							
	33					0	0									0	0							
	20					0	0									0	0							
	21					0	0			0	0					0	0			0	0			
	22					0	0			0	0					0	0			0	0			
TERMINAL	38	0	0							0	0	0	0									0	0	
	39	1	1	1	1			0	0	0	0	0	0	0	0			0	0			0	0	
	40			0	0			0	0					0	0			0	0					
	24			0	0			0	0					0	0			0	0					
	42					0	0									0	0							
	43					0	0			0	0					0	0			0	0			
UP FORD	26			0	0					0	0			0	0							0	0	
	27			1	1					0	0			0	0							0	0	
	31	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	44			0	0	0	0	0	0	0	0			0	0	0	0	0	0					
	45			0	0	0	2	0	0	0	0			0	0	0	1	0	0					
	46			0	0	1	1	0	0	0	0			0	0	0	0	0	0					
237			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		TOTAL																						
		14 - 26																						

CALENDAR PAGE 510
MINUTE PAGE 8203

C. COMPARISON TO PROGRAM PLAN

	PROGRAM PLAN	ANNUAL PLAN	VARIANCE	
	2000-01	2000-01	OVER/(UNDER)	%
Drilling - Total Wells	24	31	7	29%
Net Oil Production - bbls	14,075,130	13,719,718	(355,412)	(3%)
BOPD	38,562	37,588	(974)	(3%)
Water Production - bbls	225,199,160	236,564,278	11,365,118	5%
BWPD	616,984	648,121	31,137	5%
Water Injection - bbls	252,912,880	269,143,155	16,230,275	6%
BWPD	692,912	737,379	44,467	6%
<hr/>				
Total Revenue	176,127,000	240,335,000	64,208,000	36%
Total Expenditures	140,842,000	184,633,000	43,791,000	31%
Net Income	35,285,000	55,702,000	20,417,000	58%
Oil Price - \$/bbl	\$ 12.00	\$ 17.00	\$ 5.00	42%
Gas Price - \$/bbl	\$ 2.25	\$ 2.25	\$ -	0%

Revenue Variance: The Revenue variance from the Program Plan is due to the increase in forecast oil price from \$12.00/bbl to \$17.00/bbl.

Expenditure Variance: Expenditure forecasts in several categories were increased since the Program Plan. The Drilling program is being expanded by \$18 million due to activity increases responding to higher oil price. Electricity is increased by \$5 million due to higher activity and rates. Facility & Maintenance expenditures are \$5 million higher in order to catch up on projects postponed during low oil prices, and to position the Unit for future cost savings. Salaries, Wages, & Benefits are \$3 million higher to cover increased contributions to the Thums pension plan and increased payroll resulting from added development personnel. The Taxes category will be affected by higher oil prices; higher Unit valuation will increase Mining Rights Taxes by \$6 million, and a special assessment of \$3 million is expected for the non-operating contractors' interests. Mining Rights Taxes valuation continues to be contested.

of Tract 1. The
CALENDAR PAGE 000511

MINUTE PAGE

8204

Part III

Itemized Budget of Expenditures

A. Development Drilling \$36,800,000

The Development Drilling Category of expenditures encompasses all drilling and re-drilling activity, as well as maintenance and replacement of drilling equipment, within the Unit. Funds for development drilling are based on the assumption that 31 wells would be drilled or re-drilled during the Plan year, using up to two drilling rigs and 3 completion rigs. A deep test well is planned during the year.

Drilling and completing new wells, as well as re-drilling and recompleting existing wells, account for 91 percent of the funding provided in this Category. Included in these activities is funding for rig move-in, drilling and casing, completion activities, drilling rig in-zone plugs and conditional abandonments, and unscheduled activity (fishing operations, cement squeezing, special logging, contract drilling services, etc.).

Exact specifications regarding the distribution of wells, bottom hole locations, and completion intervals will be determined by ARCO Long Beach, Inc. (ALBI). These decisions will be influenced by contributions from Reservoir Engineering, results from ongoing engineering studies, and new well performance. This information will be reviewed at regularly-scheduled Unit forums.

Also included in this Category are funds for purchasing drilling equipment and all direct costs for support and maintenance (repair, expense replacement) of Unit-owned drilling rigs and equipment.

B. Operating Expense \$60,500,000

The Operating Expense Category of expenditures encompasses the ongoing costs of day-to-day well production and injection operations necessary for producing, processing, and delivering crude oil and gas, and for all electric power charges. The Plan for this Category was based on estimated oil production of 37.6 Mbopd, estimated gas production of 8.6 MMcfpd, water injection requirement of 737.4 Mbwpd, and water production of 648.1 Mbwpd. Anticipated operating expenses were based on operating 4 workover rigs/month for servicing active well counts of 663 producers and 365 injectors, and 1/4 rig for abandonment activity.

The day-to-day costs for well production and injection operations represent approximately 59 percent of the funding provided in this Category. Included are funds for acidizing, fracturing, routine well work, well conversions, in-zone plugs, conditional abandonments, and other charges incurred for well maintenance.

Funds are also provided in this Category for electricity. Cost for electric power is based on estimated kilowatt usage of 492,000,000 kwh at an average rate of \$0.0507/kwh.

CALENDAR PAGE

000512

MINUTE PAGE

8205

C. Facilities, Maintenance, and Plant

\$27,600,000

The Facilities, Maintenance, and Plant Category of expenditures encompasses costs for maintenance, repairs, upgrades; additions of surface facilities and pipeline; and costs for general field services.

Approximately 81% of the funding in this category is for general field and operating costs. This includes, but is not limited to, charges for general labor, equipment rentals, and materials for general maintenance (painting, welding, electrical, etc.) of all Unit systems, such as oil gathering, treating, storage, and transfer; gas gathering and treating; scale and corrosion control; produced water handling; waste disposal; leasehold improvements; electrical system; fresh water system; fire protection and safety; marine operations; automotive equipment. Funds are also provided for chemical purchases and laboratory-related charges for chemical treatment of produced and injected fluids; gas processing charges; make-up water; security; transportation; small tools; and other miscellaneous field activities. Approximately 19 percent of the funding in this Category is for major facilities repair and improvement projects.

D. Unit Field Labor and Administrative

\$34,100,000

The Unit Field Labor and Administrative Category of expenditures encompasses costs for Unit personnel and other Unit support activities.

Funding for Unit personnel includes costs of salaries, wages, benefits, training, and expenses of all Thums employees. These costs represent approximately 72 percent of the Category total.

Funding for Unit support activities includes, but is not limited to, costs for professional and temporary services necessary for the completion of support activities; charges for data processing; computer hardware and software; communications; office rent; general office equipment and materials; Unit Operator billable costs; ALBI billable costs; seismic monitoring; drafting and reproduction services; Department of Transportation drug and alcohol testing; special management projects; and other miscellaneous support charges.

CALENDAR PAGE 513

MINUTE PAGE 8206

E. Taxes, Permits, and Administrative Overhead \$25,600,000

The Taxes, Permits, and Administrative Overhead Category of expenditures includes funds for specific taxes, permits, licenses, land leases, and all administrative overhead costs for the Unit.

Funding is provided for taxes levied on personal property, mining rights, and oil production; for the Petroleum and Gas Fund Assessment; annual well permits and renewals; Conservation Committee of California Oil and Gas Producers Assessment; California Oil Spill Response, Prevention, and Administration fee; land leases; and pipeline right-of-way costs. These costs represent approximately 78 percent of the Category total.

This Category includes costs for a tax assessment by the Los Angeles County Tax Assessor for Mining Rights and Improvements and Personal Property Taxes, a portion of which we believe are incorrect and are being appealed.

Funding is also provided in this Category for all Administrative Overheads, as called for in Exhibit F of the Unit Operating Agreement.

CALENDAR PAGE 514

MINUTE PAGE 8207

PART IV

Definitions

This Annual Plan may be Modified or Supplemented after review by the State Lands Commission for consistency with the current Program Plan. All Modifications and Supplements to this plan will be presented by the Department of Oil Properties, City of Long Beach, acting with the consent of ALBI, to the State Lands Commission in accordance with Article 2.06 of the Optimized Waterflood Program Agreement.

In addition, on or before October 1, 2001 the City of Long Beach shall present to the State Lands Commission a final report and closing statement of the 2000-01 Annual Plan, in accordance with the provision in Section 10 of Chapter 138.

A. Modifications

The City of Long Beach, acting with the consent of ALBI, has the authority to cause the expenditures of funds for Unit Operations in excess of the amount set forth in the budget included in the Annual Plan, provided, however, that no such expenditure shall be incurred that would result in any category of expenditures set forth in the budget to exceed 120 percent of the budgeted amount for that category. A budget modification would be required for any expenditures which would cause a budget category to exceed its budgeted amount by 120 percent.

Any transfer of funds between budget categories or an augmentation or decrease of the entire budget may be accomplished by a budget modification in accordance with section 5(g) of Chapter 138 and Article 2.06 of the Optimized Waterflood Program Agreement.

Investment, facilities, and management expense projects commenced in prior budget periods, which are to be continued during the current budget period, may be added to this budget by a modification in accordance with Article 2.06 of the Optimized Waterflood Program Agreement.

B. Supplements

This Annual Plan contains all the investment and expense projects reasonably anticipated at the time the Plan was drafted and for which adequate detailed studies existed. Any significant and uncommon expenses not originally contemplated may be added to this budget or transferred by a supplement in accordance with Article 2.06 of the Optimized Waterflood Program Agreement. The amount of the supplement shall include sufficient funds to complete the projects.

CALENDAR PAGE	000515
MINUTE PAGE	8208

C. Final Report and Closing Statement

The final report and closing statement for fiscal year 2000/01 shall contain a reconciliation by category as finally modified and the actual accomplishments, including:

1. New wells and redrills by zone.
2. Facilities and capital projects.
3. Production by zone.
4. Injection by zone.

CALENDAR PAGE	000516
MINUTE PAGE	8209