

MINUTE ITEM

This Calendar Item No. ~~C52~~ was approved as Minute Item No. 52 by the California State Lands Commission by a vote of 3 to 0 at its 11/27/00 meeting.

**CALENDAR ITEM
C52**

A 57, 58

S 29

11/27/00
W 17151
A. Reid

**CONSIDER APPROVAL OF THE FINAL REPORT AND
CLOSING STATEMENT OF THE FY 1999-2000 ANNUAL PLAN,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

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

BACKGROUND:

The City of Long Beach has submitted to the Commission, the Final Report and Closing Statement of the FY 1999-2000 Annual Plan, Long Beach Unit, covering the period July 1, 1999 through June 30, 2000. This report provides the actual performance for the full Fiscal Year 1999-2000. There were no changes to the latest approved budget of \$155,100,000 or to the distribution to the five budget categories.

The average oil and gas rates for the 1999-2000 Fiscal Year were reported to be 37,593 bbls/day of oil (1,410 bbls/day less than originally estimated) and 8,896 MCF/day of gas (75 MCF/day less than forecast). The lower than planned oil and gas rates are primarily due to the delay in the startup of the drilling program. Unit oil production rates were maintained with minimal decline through the fiscal year. The cumulative recoveries and injection through June 2000 are as follows:

Oil Production	876,776,982 Barrels
Gas Production	230,201,951 MCF
Water Production	4,730,189,754 Barrels
Water Injection	6,465,523,998 Barrels

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Cumulative Injection - Gross Production Ratio is 1.153 bbls/bbl.

Total expenditures for the Unit were \$154.6 million, which was \$500,000 less than the approved budget for Fiscal Year 1999-2000. Net profit for the 1999-2000 fiscal year was \$140.4 million, which was \$117.1 million more than the approved budget estimate. The increase in profit was due to higher than anticipated oil and gas prices. The approved budget forecast used an oil price of \$12.00/bbl and a gas price of \$2.25/Mcf. The actual prices averaged \$20.79/bbl of oil and \$2.73/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 1999-2000 are shown in the table below.

MILLION DOLLARS					
	ACTUAL FIRST QUARTER FY 99-00	ACTUAL SECOND QUARTER FY 99-00	ACTUAL THIRD QUARTER FY 99-00	ACTUAL FOURTH QUARTER FY 99-00	ACTUAL TOTAL FISCAL YEAR 99-00
Oil Revenue	56.4	68.1	80.0	81.5	286.0
Gas Revenue	2.0	2.3	2.0	2.5	8.9
Expenditures	36.6	37.3	39.5	41.1	154.6
Net Profit	21.8	33.2	42.6	42.9	140.4
Original	6.5	5.4	5.5	5.9	23.2
Change	15.3	27.8	37.1	37.0	117.2
Oil Price/BBL	16.31	19.77	23.53	23.60	20.79
Gas Price/MCF	2.52	2.80	2.51	3.10	2.73

Commission staff has reviewed the Final Report and Closing Statement for the Annual

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Plan, including production, injection, expenditures, and revenue figures and has prepared the attached Exhibits A and B to represent graphically the actual fiscal year performance compared to the approved budget.

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 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 1999-2000 Financial Performance, Annual Plan vs. Budget
- B. Fiscal Year 1999-2000 Oil Rate, Annual Plan vs. Budget
- C. Letter Requesting Approval of Final Report and Closing Statement for the Annual Plan, Long Beach Unit, (July 1, 1999- June 30, 2000)

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMEND 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:

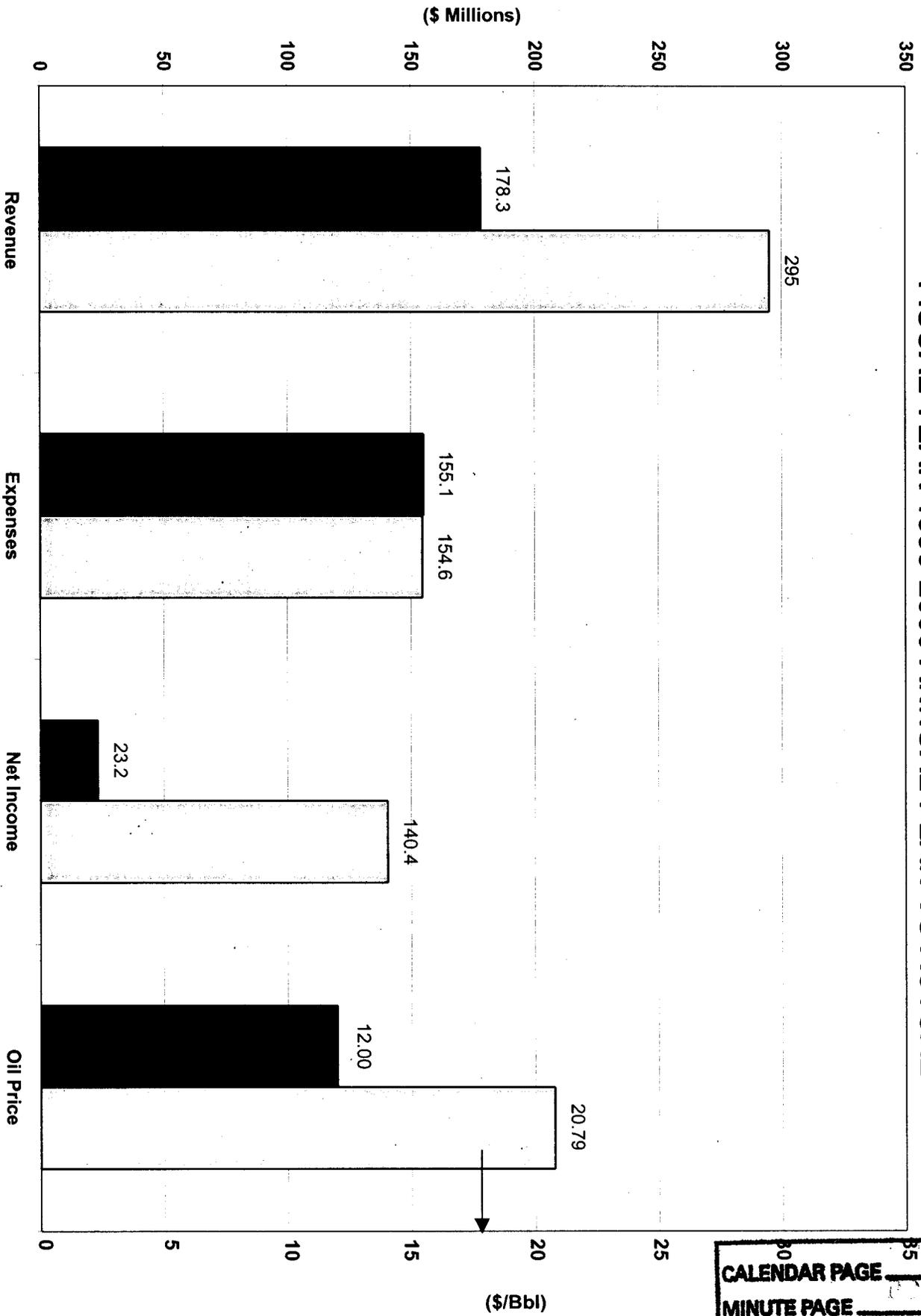
APPROVE THE FINAL REPORT AND CLOSING STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN, FOR THE PERIOD JULY 1, 1999 THROUGH JUNE 30, 2000.

Exhibit A

LBU Financial Performance

FISCAL YEAR 1999-2000 ANNUAL PLAN VS ACTUAL

W 174

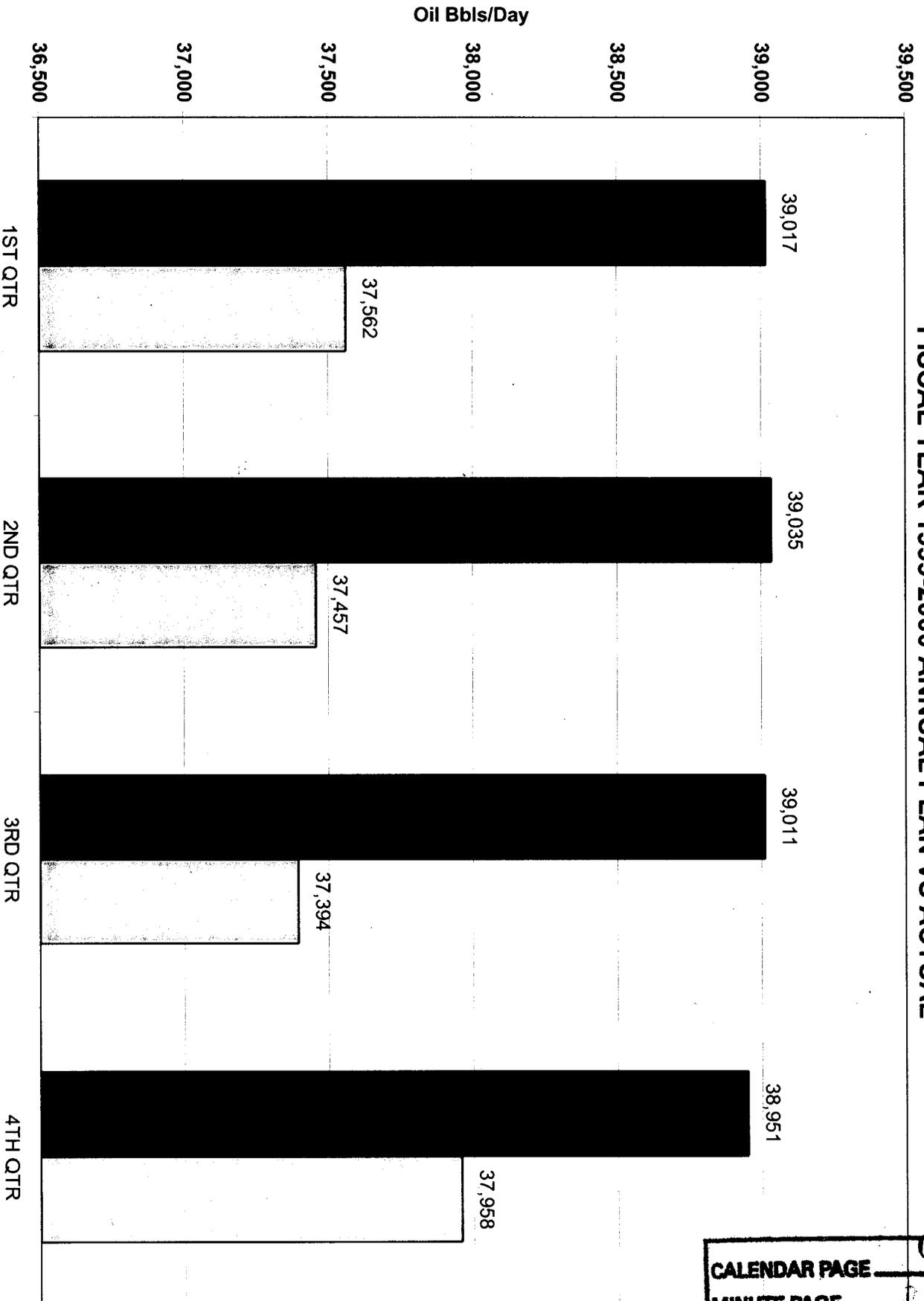


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Exhibit B

LBU OIL RATE PERFORMANCE
FISCAL YEAR 1999-2000 ANNUAL PLAN VS ACTUAL

W 17



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Original Plan Actual



CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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

November 2, 2000

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

Subject: **REQUEST FOR APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT FOR THE ANNUAL PLAN (JULY 1, 1999 THROUGH JUNE 30, 2000)**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section C of the Annual Plan, we are submitting for your approval this final report and closing statement for the Annual Plan covering the period July 1, 1999 through June 30, 2000. This report contains a reconciliation of Unit activities by category.

DEVELOPMENT DRILLING

The Development Drilling category provides funding for all drilling and redrilling activity as well as maintenance and replacement of drilling equipment within the Unit.

Operations Review

During the Plan period 29 new wells were completed. The 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	5	1	6	8	4	12
Terminal	0	0	0	0	0	0
Upper/Lower Terminal	0	0	0	2	0	2
UP-Ford	0	0	0	9	0	9
237	0	0	0	0	0	0
Totals	5	1	6	19	4	23

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On June 30, 2000, the total number of wells was 1,279 of which 837 were producers and 442 were injectors. Excluded from these totals are the abandoned wells.

Budget to Actual Variance

The Development Drilling category had a budget of \$18,800,000, of which \$20,572,000, or 109.4 percent, was expended. The Plan provided funds for 24 new and redrilled wells; however, an additional 5 wells were drilled (4 using a production rig) contributing to the over-expenditure in this category.

OPERATING EXPENSE

The Operating Expense Category provides funding for the ongoing 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 37,593 bbls/day, which was 1,410 bbls/day lower than estimated in the budget.
- Gas production averaged 8,896 mcf/day, which was 75 mcf/day lower than estimated in the budget.
- Water injection averaged 749,843 bbls/day, which was 90,842 bbls/day higher than originally estimated in the budget. Water production averaged 666,402 bbls/day, which was 81,352 bbls/day higher than estimated.
- Full oil production potential was not reached during the Plan period due to the delay of the startup of the drilling program. It was originally estimated that drilling would commence earlier than the actual May 1999 startup.

Budget to Actual Variance

The Operating Expense category had a budget of \$64,700,000, of which \$60,100,000, or 92.9 percent, was expended. The lower spending level is primarily related to abandonment activity. The Annual Plan included \$7.2MM for abandonment, and \$2.5MM was spent. Thirty-one abandonment jobs were completed during the Plan period.

FACILITIES, MAINTENANCE, AND PLANT

The Facilities, Maintenance, and Plant Category provides funds for maintenance, repairs, upgrades, additions of surface facilities and pipelines, and costs for general field services.

Operations Review

Projects with significant expenditures during the fiscal year include the following:

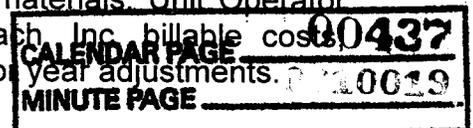
- Purchase Barges
- Skim Basin Cover Upgrade
- Subsea Pipeline Inspection and Repair of GJ-6
- Tank and Pressure Vessel Annual Maintenance
- Water Receiving Tank Preventative Maintenance – Island White
- Fireline Replacement – Island White
- Design of Trench Piping Replacement – Island Freeman
- Replace Hydraulic Plant – Island Freeman
- Flotation Separator #4 Preventative Maintenance – Island Freeman
- Upgrade DOT Pipeline Drawings - Pier J
- Sulfa Treat Change Out- J2
- Oil Treater #9 Preventative Maintenance
- Location Shut Ins at Pier J and B&M
- Piping Inspections for PSM Program - B&M
- Modify Oil Shipping System at B&M
- J-Line Repairs G, W & J
- Replace Mud Plant Bolted Tanks G, W, C, & F
- Marine Repairs - All locations
- Cellar Cleaning - All locations

Budget to Actual Variance

The Facilities, Maintenance, and Plant Category had a budget of \$24,200,000, of which \$26,149,000, or 108.1 percent, was expended. The higher spending level is primarily related to the purchase of two barges.

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. and Oxy Long Beach, Inc. billable costs, year adjustments, 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 \$31,500,000, of which \$30,427,000, or 96.6 percent, was expended.

The Unit Field Labor and Administrative category spending was below Plan primarily due to Field Contractor and DOP billable costs being lower than expected.

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 \$15,800,000, of which \$17,312,000, or 109.6 percent, was expended.

The Taxes, Permits, and Administrative Overhead category spending was over Plan due to a \$1.4 million property tax special assessment related to the 20% non-operating contractor's interest in Tract 1 of the Unit. This assessment will be appealed.

SUMMARY

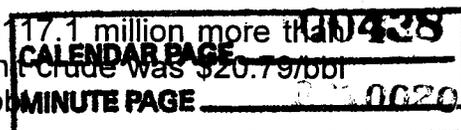
The Unit's overall expenditures during the Plan period were on target with the budget. Of the Unit's \$155,000,000 expenditure budget, \$154,559,000 or 99.7 percent, was spent through June 30, 2000.

Drilling activity was ramping up at the start of the Plan period to a one-rig program and twenty-nine new wells were completed (five more than in the Plan). A delay in rig start-up resulted in oil production being slightly lower (3.6 percent) than forecast.

Several significant facilities upgrades and maintenance projects were completed during the Plan year, including an upgrade of a skim basin cover, purchase of two barges, and inspection and repair of subsea pipelines.

Increased expenditures in drilling, facilities upgrades and maintenance projects, as well as the special tax assessment levied related to the non-operating contractor's interest in Tract, were offset by lower operating, labor and administrative expenditures.

The Unit's Net Profit for the Plan period was \$140.4 million, \$117.1 million more than the original estimate of \$23.3 million. The average price for Unit Crude was \$20.79/bbl during the Plan period, while the budget was based on \$12.00/bbl.



BUDGET RECONCILIATION

Attached are the June 2000 Budget Statement; Fiscal Year Projects Report; Annual Plan Economic Projections and Major Planning Assumptions; rates and volumes of oil, gas and water production and water injection by location and zone; and an end-of-the-period report of number of wells

The City of Long Beach, as Unit Operator of the Long Beach Unit, approves this final report and closing statement. In accordance with Section 5 of Chapter 138, 1964 First Extraordinary Session, your approval of this final report and closing statement is requested.

Sincerely,



Dennis M. Sullivan
Director

DMS:ss

FIN 312.003

Attachments

B. Economic Projections

(Data in Thousands of \$)	ACTUAL FIRST QUARTER FY99/00	ACTUAL SECOND QUARTER FY99/00	ACTUAL THIRD QUARTER FY99/00	ACTUAL FOURTH QUARTER FY99/00	ACTUAL TOTAL FISCAL YEAR FY99/00	BUDGET TOTAL FISCAL YEAR FY99/00	% ACTUAL OVER/UNDER(-) BUDGET FY99/00
ESTIMATED REVENUE							
Oil Revenue	\$56,378	\$68,117	\$80,064	\$81,516	\$286,075	\$170,938	67.4%
Gas Revenue	\$2,041	\$2,309	\$2,029	\$2,524	\$8,903	\$7,367	20.8%
TOTAL REVENUE	\$58,419	\$70,426	\$82,093	\$84,040	\$294,978	\$178,305	65.4%
ESTIMATED EXPENDITURES							
Development Drilling	\$2,454	\$5,239	\$7,784	\$5,096	\$20,573	\$18,800	9.4%
Operating Expense	\$17,430	\$15,642	\$11,905	\$15,123	\$60,100	\$64,700	-7.1%
Facilities & Maintenance	\$4,874	\$5,496	\$7,120	\$8,659	\$26,149	\$24,200	8.1%
Unit Field Labor & Admin	\$7,932	\$6,980	\$8,590	\$6,922	\$30,424	\$31,500	-3.4%
Taxes, Permits & Admin. Overhead	\$3,952	\$3,916	\$4,103	\$5,342	\$17,313	\$15,800	9.6%
TOTAL EXPENDITURES	\$36,642	\$37,273	\$39,502	\$41,142	\$154,559	\$155,000	-0.3%
NET PROFIT	\$21,777	\$33,153	\$42,591	\$42,898	\$140,419	\$23,305	502.5%

C. Major Planning Assumptions

	ACTUAL FIRST QUARTER FY99/00	ACTUAL SECOND QUARTER FY99/00	ACTUAL THIRD QUARTER FY99/00	ACTUAL FOURTH QUARTER FY99/00	ACTUAL TOTAL FISCAL YEAR FY99/00	BUDGET TOTAL FISCAL YEAR FY99/00	% ACTUAL OVER/UNDER(-) BUDGET FY99/00
OIL PRODUCTION:							
QUARTERLY (1,000 BBL)	3,456	3,446	3,403	3,454	13,759	14,236	
AVERAGE B/D	37,562	37,457	37,394	37,958	37,593	39,003	-3.62%
GAS PRODUCTION:							
QUARTERLY (MMCF)	811	824	807	814	3,256	3,274	
AVERAGE MCF/D	8,815	8,955	8,873	8,942	8,896	8,971	-0.84%
WATER PRODUCTION:							
QUARTERLY (1,000 BBL)	59,803	60,499	61,149	62,452	243,903	213,543	
AVERAGE B/D	650,033	657,603	671,964	686,287	666,402	585,050	13.91%
WATER INJECTION							
QUARTERLY (1,000 BBL)	67,435	67,968	69,325	69,715	274,443	240,535	
AVERAGE B/D	732,984	738,782	761,811	766,102	749,843	659,001	13.78%
AVG OIL PRICE (\$/BBL)	\$16.31	\$19.77	\$23.53	\$23.60	\$20.79	\$12.00	73.3%
AVG GAS PRICE (\$/MCF)	\$2.52	\$2.80	\$2.51	\$3.10	\$2.73	\$2.25	21.5%

Oil Production

Gas Production

<u>Location</u>	<u>Average B/D</u> <u>7/1/99-6/30/00</u>	<u>Cumulative Bbls.</u> <u>6/30/00</u>	<u>Average MCF/D</u> <u>7/1/99-6/30/00</u>	<u>Cumulative MCF</u> <u>6/30/00</u>
Grissom	8,577	160,201,285	526	21,895,006
White	6,505	149,846,965	2,349	37,314,515
Chaffee	9,861	188,885,383	3,100	61,689,646
Freeman	9,385	242,412,048	2,346	84,433,856
Pier J (Inc. THX)	3,268	135,421,301	699	24,868,928
Total	37,596	876,766,982	9,020	230,201,951

Reservoir

Tar V	122	1,485,827	43	632,146
Ranger (All Areas)	25,319	658,126,478	6,045	146,208,341
Upper Terminal & Lower Te	4,339	73,736,006	767	10,112,162
Terminal (Blocks VIII, 90)	3,128	49,129,206	790	13,935,091
Union Pacific-Ford (All Are.	4,686	90,422,647	1,373	55,045,374
237 (All Areas)	2	3,866,818	2	4,268,837
Total	37,596	876,766,982	9,020	230,201,951

Water Production

Water Injection

<u>Location</u>	<u>Average B/D</u> <u>7/1/99-6/30/00</u>	<u>Cumulative Bbls.</u> <u>6/30/00</u>	<u>Average B/D</u> <u>7/1/99-6/30/00</u>	<u>Cumulative Bbls.</u> <u>6/30/00</u>
Grissom	163,523	1,126,451,675	191,691	1,542,859,651
White	124,227	893,796,276	134,228	1,260,538,785
Chaffee	128,635	737,908,528	146,813	1,332,755,060
Freeman	158,923	1,108,090,977	175,329	1,228,924,768
Pier J (Inc. THX)	91,091	863,942,298	101,782	1,100,445,734
Total	666,399	4,730,189,754	749,843	6,465,523,998

Reservoir

Tar V	571	6,606,151	954	15,764,106
Ranger (All Areas)	536,953	4,053,752,122	601,509	5,498,886,836
Upper Terminal & Lower Te	62,294	373,087,716	69,669	459,024,835
Terminal (Blocks VIII, 90)	27,349	115,722,776	36,583	223,204,599
Union Pacific-Ford (All Are.	39,224	177,804,925	41,128	268,643,622
237 (All Areas)	8	3,216,064	-	-
Total	666,399	4,730,189,754	749,843	6,465,523,998

THUMS LONG BEACH COMPANY
 Budget Statement
 Current Period: JUN-00

Date: 23-OCT-00 12:02:56
 Page: 1

Currency: USD
 No specific Company requested

Budget Category	Original Budget	Current Month	FYTD Expenditure	Percent Expended	Unexpended Balance	FYTD Budget	Over/Under FYTD Budget
DEVELOPMENT DRILLING	18,800,000	1,728,692	20,571,635	109.4%	(1,771,635)	18,800,000	1,771,635
OPERATING EXPENSE	64,700,000	5,273,119	60,100,039	92.9%	4,599,961	64,700,000	(4,599,961)
OTHER PLANT	24,200,000	4,264,078	26,148,964	108.1%	(1,948,964)	24,200,000	1,948,964
UNIT FIELD LABOR & ADMINISTRATION	31,500,000	3,159,930	30,426,878	96.6%	1,073,122	31,500,000	(1,073,122)
TAXES, PERMITS, & ADMIN. OVERHEAD	15,800,000	3,110,778	17,311,818	109.6%	(1,511,818)	15,800,000	1,511,818
Unit Totals	155,000,000	17,536,597	154,559,334	99.7%	440,666	155,000,000	(440,666)

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