

**MINUTE ITEM**  
This Calendar Item No. C101 was approved as  
Minute Item No. 101 by the California State Lands  
Commission by a vote of 3 to 0 at its  
4-24-01 meeting.

**CALENDAR ITEM**  
**C101**

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04/24/01

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A. Reid

**CONSIDER THE FIRST MODIFICATION TO THE ANNUAL PLAN  
(JULY 1, 2000 THROUGH JUNE 30, 2001) AND THE  
FIRST MODIFICATION OF THE PROGRAM PLAN  
(JULY 1, 1999 THROUGH JUNE 30, 2004),  
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:**

The City of Long Beach (City) has submitted to the Commission the First Modification and Supplement to the Annual Plan, of the Long Beach Unit (LBU), covering the period (July 1, 2000 through June 30, 2001). In accordance with the provisions of the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, the City is also submitting for approval the First Modification to the Program Plan (July 1, 1999 through June 30, 2004).

**Program Plan Modification and Annual Plan Modification:**

By letter dated April 19, 2001 the City has requested significant changes to the July 1999 through June 2004 Program Plan and the Annual Plan for the period July 1, 2000 through June 30, 2001. In view of the short period of time available before the Commission Meeting the Staff has been unable to adequately evaluate the City's request. Therefore the Staff recommends that the Commission deny the City's request without prejudice.

CALENDAR ITEM NO. C101 (CONT'D)

**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 CEQA does not apply to projects which a public agency rejects or disapproves.

Authority: Public Resources Code section 21080 (b) (5) and Title 14, California Code of Regulations, section 15270.

**EXHIBIT:**

- A. Letter from the City of Long Beach requesting approval of the First Modification to the Program Plan (July 1, 1999 - June 30, 2004) and the First Modification and Supplement to the Annual Plan (July 1, 2000 - June 30, 2001).

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

**CEQA FINDING:**

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 AS A STATUTORILY EXEMPT PROJECT PURSUANT TO PUBLIC RESOURCES CODE SECTION 21080 (b) (5) AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15270, PROJECTS WHICH A PUBLIC AGENCY REJECTS OR DISAPPROVES.

**AUTHORIZATION:**

DENY WITHOUT PREJUDICE THE CITY OF LONG BEACH'S REQUEST FOR THE FIRST MODIFICATION AND SUPPLEMENT OF THE ANNUAL PLAN (JULY 1, 2000 THROUGH JUNE 30, 2001) AND THE FIRST MODIFICATION OF THE PROGRAM PLAN (JULY 1, 1999 THROUGH JUNE 30, 2004), 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

April 19, 2001

W 17151

W 17153

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: REQUEST FOR APPROVAL OF THE FIRST MODIFICATION OF THE PROGRAM PLAN (JULY 1999 THROUGH JUNE 2004) AND THE FIRST MODIFICATION AND SUPPLEMENT OF THE ANNUAL PLAN (JULY 1, 2000 THROUGH JUNE 30, 2001)**

Dear Mr. Mount:

In accordance with the provision of Section 2.04 of the Optimized Waterflood Program Agreement, we are submitting for your approval the First Modification of the Program Plan covering the period July 1999 through June 2004. In accordance with provisions of Part IV, Sections A and B, of the Annual Plan, we are also submitting for your approval the First Modification and Supplement of the Annual Plan covering the period July 1, 2000 through June 30, 2001.

**Program Plan Modification**

The section in the Program Plan titled "External Issues – Electrical Power" will have the following paragraph added:

The LBU will also evaluate the feasibility of constructing or leasing a power generation plant. If this power plant feasibility study predicts favorable economics, the LBU will likely request approval to initiate development of a power generation plant within the Plan period.

**Annual Plan Modification and Supplement**

A modification is required since the amount to be expended for the Facilities, Maintenance and Plant category will exceed 120 percent of its budgeted amount. This category will require \$12 Million additional (43% increase) for facility, maintenance and improvement project costs, including a power generation plant. However, changes in other categories, as discussed below, will maintain the total Annual Plan budget at \$184.6 Million.

A supplement is required to provide for the significant and uncommon expenses not originally contemplated associated with constructing or leasing a power generation plant. The section of the Annual Plan titled "C. Facilities, Maintenance, and Plant will have the following paragraph added:

The LBU will also evaluate the feasibility of constructing or leasing a power generation plant. If this power generation plant feasibility study predicts favorable economics, the LBU will likely request approval to initiate development of a power generation plant within the Plan period.

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The supplement will not increase the total Annual Plan budget. However, it will provide for \$8 Million to be spent for equipment and engineering design of a power generation plant. Of the \$8 Million, \$6.5 Million is estimated to be spent in the Facilities, Maintenance and Plant category and the remaining \$1.5 Million is estimated to be spent in the Taxes, Permits and Administrative Overhead category for permitting costs and administrative overhead and in the Unit Field Labor and Administrative category.

The power generation plant will extend field life by reducing the cost of power and minimizing exposure to the volatile California electricity market. The conceptual project estimate is \$36.6 Million, with an estimated \$8 Million to be spent in Fiscal Year 2001 for equipment and engineering design and an estimated \$28.6 Million to be spent in the following fiscal year(s). The LBU would be reimbursed for monies spent on a power generation plant if the State authorizes the use of Tidelands Oil Revenue Funds for this purpose.

Timing is essential due to the current electricity price cap expiring on March 31, 2002, subjecting the LBU to free market electricity prices. The LBU will already be experiencing a 100% increase in electricity rates by summer 2001 that will increase annual electrical rates from \$25 Million to \$50 Million. The expiration of the electricity price cap in March 2002 (or before) could expose the LBU to even higher rates; therefore, plans need to be finalized and equipment needs to be ordered to bring the proposed plant online by summer 2002. Financing options are currently being negotiated among the LBU participants.

Following is a summary of the modifications to the Annual Plan categories:

Development Drilling, \$9.0 Million decrease

- Maintain a one versus two drilling rig program

Operating Expense, \$5.0 Million increase

- Increase in electricity rates

Facilities, Maintenance and Plant, \$12.0 Million increase

- Power Generation Plant major equipment down payments and progressive payments (+\$6.5 Million).
- Repair Projects (+ \$5.0 Million)
  - Piping Replacements
  - Tank & Vessel Backlog Program
- Various operational expenses (+\$0.5 Million)
  - Chemicals
  - Waste hauling

Taxes, Permits and Administrative Overhead, \$8.0 Million decrease

- Lower property taxes than planned

Mr. Paul Mount  
April 19, 2001  
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After approval of this request, the revised Annual Plan Category budgets will be as follows:

Annual Plan Category	Original (Million)	Modified (Million)
Development Drilling	\$36.8	\$27.8
Operating Expense	\$60.5	\$65.5
Facilities, Maintenance, and Plant	\$27.6	\$39.6
Unit Field Labor and Administrative	\$34.1	\$34.1
Taxes, Permits and Administrative Overhead	\$25.6	\$17.6
<b>Total</b>	<b>\$184.6</b>	<b>\$184.6</b>

The City of Long Beach, as Unit Operator of the LBU, approves this proposed First Modification of the Program Plan. In accordance with Section 2.04 of the Optimized Waterflood Program Agreement, your approval of this proposed First Modification is requested.

The City of Long Beach, as Unit Operator of the LBU, also approves this proposed First Modification and Supplement of the Annual Plan. In accordance with Section 5 of Chapter 138, 1964 First Extraordinary Session, and Article 2.06 of the Optimized Waterflood Program Agreement, your approval of this proposed First Modification and Supplement is requested.

Sincerely,



Dennis M. Sullivan  
Director

DMS:rjr

Cc: Frank Komin, THUMS

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OPR 708.200  
FIN 312.002

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