

**CALENDAR ITEM
C36**

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**CONSIDER APPROVAL OF THE FINAL REPORT AND CLOSING
STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2007 THROUGH JUNE 30, 2008),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Long Beach Gas and Oil Department
Attn: Mr. Christopher Garner, Director
211 E. Ocean Blvd., Suite 500
Long Beach, CA 90802

BACKGROUND:

The City of Long Beach has submitted to the California State Lands Commission (Commission) the Final Report and Closing Statement of the FY 2007-2008 Annual Plan, Long Beach Unit, covering the period July 1, 2007 through June 30, 2008. This report provides the actual performance for the full Fiscal Year 07/08.

There were no modifications to the original budget of \$395.6 million during the fiscal year. Also, there were no changes made to the amount or distribution of funds between the five budget categories.

The average oil and gas rates for Fiscal Year 07/08 were reported to be 28,578 bbls/day of oil (1,939 bbls/day less than originally estimated) and 13,048 MCF/day of gas (2,976 MCF/day more than forecast). The reason for the less than anticipated oil production rate was a greater than expected decline in production from existing wells and lower than anticipated initial oil rates from new wells. The higher than estimated gas rate was due to higher than anticipated production from Island Grissom Shallow Gas well completions. The cumulative recoveries and injection through June 30, 2008 are as follows:

CALENDAR ITEM NO. **C36** (CONT'D)

Oil Production	970,399,000 Barrels
Gas Production	258,695,000 MCF
Water Production	7,043,508,000 Barrels
Water Injection	9,023,699,000 Barrels

Cumulative Injection - Gross Production Ratio is 1.126 bbls/bbl.

Total expenditures for the Unit were \$348.9 million, which was \$46.7 million less than the approved budget for Fiscal Year 07/08. The lower expenditures were primarily the result of less than anticipated drilling costs, realized through increased drilling efficiency and drilling less expensive wells. Also contributing were lower electrical costs due to the use of a greater percentage of less expensive electricity generated by the Unit power plant. .

Net profit for the 07/08 fiscal year was \$596.0 million, which was \$522.7 million more than the approved budget estimate. The approved budget forecast used an oil price of \$40.00/bbl and a gas price of \$6.00/Mcf. The actual prices averaged \$87.48/bbl of oil and \$6.81/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 07/08 are shown in the table below.

MILLION DOLLARS					
	ACTUAL FIRST QUARTER FY07/08	ACTUAL SECOND QUARTER FY 07/08	ACTUAL THIRD QUARTER FY 07/08	ACTUAL FOURTH QUARTER FY 07/08	ACTUAL TOTAL FISCAL YEAR 07/08
Oil Revenue	175.9	212.5	225.5	298.6	912.5
Gas Revenue	7.7	6.6	7.5	10.6	32.4
Expenditures	86.1	89.8	90.9	82.1	348.9
Net Profit	97.5	129.3	142.1	227.1	596.0
Original Budget Net Profit*	13.3	20.1	19.2	20.7	73.3
Change	84.2	109.2	122.9	206.4	522.7
Oil Price \$/BBL	67.17	80.95	87.43	113.24	87.48
Gas Price \$/MCF	6.77	5.56	6.10	8.69	6.81

Commission staff has reviewed the Final Report and Closing Statement for the Annual Plan, including production, injection, expenditures and revenue figures, and has prepared Exhibits A and B, attached hereto, to represent graphically the actual fiscal year performance compared to the approved budget.

CALENDAR ITEM NO. **C36** (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 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it 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, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Fiscal Year 07/08 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 07/08 Oil Rate, Annual Plan vs. Budget.
- C. Letter from the City of Long Beach requesting approval of the Final Closing Statement.

PERMIT STREAMLINING ACT DEADLINE:

N/A (not a "development project" subject to the Act)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) 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, 2007 THROUGH JUNE 30, 2008, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.