

**CALENDAR ITEM
C58**

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10/29/10

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A. Reid

**CONSIDER APPROVAL OF THE FINAL REPORT AND CLOSING
STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2009 THROUGH JUNE 30, 2010),
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
2400 East Spring Street
Long Beach, CA 90806

BACKGROUND:

The City of Long Beach has submitted to the California State Lands Commission (Commission) the Final Report and Closing Statement of the Fiscal Year 2009-2010 Annual Plan, Long Beach Unit, covering the period July 1, 2009 through June 30, 2010. This report provides the actual performance for the full Fiscal Year 2009-2010.

There were no modifications to the original budget of \$350.2 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 09/10 were reported to be 26,267 bbls/day of oil (806 bbls/day higher than originally estimated) and 11,023 MCF/day of gas (1,540 MCF/day lower than forecast). The reason for the more than anticipated oil production rate was a lower than expected decline in base production for the fiscal year. The cumulative recoveries and injection through June 2010 are as follows:

Oil Production	990,178,000 Barrels
Gas Production	267,316,000 MCF

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Water Production 7,743,077,000 Barrels
 Water Injection 9,788,150,000 Barrels

Cumulative Injection - Gross Production Ratio is 1.12 bbls/bbl.

Total expenditures for the Unit were \$286.2 million, which was \$63.4 million less than the approved budget for Fiscal Year 09/10. The lower expenditures were primarily due to lower than anticipated drilling activity resulting in a reduction of the associated costs. The original plan provided for the drilling/redrilling of 50 wells with two full-time drilling rigs. Due to economic considerations, the Unit did not go to a full-time two rig program until late in the fiscal year. This delay resulted in 32 wells being drilled as compared to the 50 wells contained in the annual plan. Also, lower electricity costs were realized from both lower Southern California Edison tariffs and fuel costs for power plant usage.

Net profit for the 09/10 fiscal year was \$372.6 million, which was \$323.6 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 \$67.00/bbl of oil and \$3.00/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 09/10 are shown in the table below.

MILLION DOLLARS					
	ACTUAL FIRST QUARTER FY09/10	ACTUAL SECOND QUARTER FY 09/10	ACTUAL THIRD QUARTER FY 09/10	ACTUAL FOURTH QUARTER FY 09/10	ACTUAL TOTAL FISCAL YEAR 09/10
Oil Revenue	\$146.2	\$166.4	\$166.5	\$167.4	\$646.5
Gas Revenue	\$2.3	\$2.6	\$4.0	\$3.4	\$12.3
Expenditures	\$59.7	\$81.5	\$72.6	\$72.3	\$286.2
Net Profit	\$88.8	\$87.5	\$97.8	\$98.5	\$372.6
Original Budget Net Profit	\$16.6	\$15.3	\$8.0	\$9.1	\$49.0
Change	\$72.2	\$72.2	\$89.8	\$89.4	\$323.6
Oil Price \$/BBL	\$60.00	\$69.00	\$71.00	\$69.00	\$67.00
Gas Price \$/MCF	\$2.00	\$2.00	\$4.00	\$3.00	\$3.00

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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.

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 CEQA because it 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, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Fiscal Year 09/10 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 09/10 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

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of 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, 2009 through June 30, 2010, Long Beach Unit, Wilmington Oil Field, Los Angeles County.