

EXHIBIT C

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CITY OF LONG BEACH



DEPARTMENT

CHRISTOPHER J. GARNER
DIRECTOR

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September 13, 2010

Mr. Greg Scott
Chief, Mineral Resources Management Division
California State Lands Commission
200 Oceangate, 12th Floor
Long Beach, CA 90802-4331

SUBJECT: REQUEST FOR APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT FOR THE ANNUAL PLAN (JULY 1, 2009 THROUGH JUNE 30, 2010)

Dear Mr. Scott:

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 to the Annual Plan covering the period July 1, 2009 through June 30, 2010. 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

FY 2010 reflects the successful implementation of the Unit's operation strategy in light of highly volatile oil prices. During the FY 2010 Plan period, operation activities were gradually increased in line with the oil prices to maximize return to the Unit while managing the commodity market risk. In the beginning, the Unit operated a one rig program which was slowly ramped up to a two full rig program by the end of FY 2010. Thirty-two wells were drilled and completed during the period. 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	9	0	9	11	8	19
Terminal	0	0	0	1	0	1
UP-Ford	0	0	0	2	0	2
237	1	0	1	0	0	0
Total	10	0	10	14	8	22

On June 30, 2009, the total number of wells in the Unit was 1,361, of which 717 were active producers, 456 were active injectors, and 188 wells were shut in due to mechanical or reservoir related issues. Excluded from these totals are the abandoned wells.

Budget to Actual Variance

The Plan provided funds for 50 new and redrilled wells that were to be drilled with two full-time drilling rigs. However, due to change in the operating strategy to conserve Unit cash, the drilling activity was lower than the Plan. In the beginning of FY 2010, the Unit operated a one and a half rig program as compared to two rig program in the Plan. Subsequently, as the oil prices firmed up, the half rig was converted to full time towards the end of FY 2010. The reduction in drilling rig count resulted in 32 wells being drilled in comparison to 50 wells in the Plan.

Total spending for Development Drilling was \$47.0 million, which is \$27.1 million below Plan. This difference was mainly driven by the lower drilling activity versus Plan.

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, for all electric power costs and abandonment costs.

Operations Review

- Unit oil shipments during the Plan period averaged 26,267 bbls/day, which was 806 bbls/day higher than the Plan estimate. The base oil rate decline was around 3% points lower than expected primarily due to the success of waterflood management initiatives instituted in the Unit during the previous years. The oil production potential was within the historic variations. The number of wells shut-in for voidage and repair was also in line with historic levels.
- Gas production averaged 11,023 mcf/day, which was 1,540 mcf/day lower than the Plan estimate. Watering out of two shallow gas wells is the primary cause for the shortfall.
- Water injection averaged 1,063,035 bbls/day, which was 23,980 bbls/day higher than originally estimated in the Plan. Water production averaged 968,809 bbls/day, which was 11,432 bbls/day lower than the Plan estimate.
- The average price for Unit crude was \$67.4/bbl during the Plan period. The Plan was based on \$40.0/bbl crude. The average price for Unit gas was \$3.1/mcf, and the Plan was based on \$6.00/mcf.
- The Plan included \$820,000 for the wells and facility abandonment expenses. Actual abandonment expense was \$473,000 primarily due to the facility abandonments. Well abandonment expense was minimal.

Budget to Actual Variance

The budget for the Operating Expense category was \$103.7 million, of which \$88.4 million, or 85 percent was spent. The lower spending level was primarily related to lower electricity costs due to lower actual SCE tariffs and fuel costs for power plant usage. Including two high-cost fracture-stimulated wellwork projects, 15 IWW projects were completed at an average cost of

\$352,000 per project, which was higher than the 19 IWW projects in the Plan at an average cost of \$216,000.

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:

- Pier J Polarity Treater
- Pier J1 Piping & Access Road
- Pier J2 Piping
- Pier F JL-2 Pipeline Encasement
- Grissom Culvert Piping Cellars #4,5,6, 7
- Grissom Injection Piping Replacement
- Pier J Wemco Conversion & Controls
- J-2 to J-6 Shipping Piping
- Pier J2 Automation
- Replace Bolted Tanks
- Grissom Barge Ramp

Budget to Actual Variance

The Facilities, Maintenance, and Plant Category had a budget of \$77.5 million, of which \$67.4 million, or 87 percent, was spent.

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, Oxy Long Beach, Inc. billable costs, 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 \$52.8 million, of which \$50.3 million, or 95 percent, was spent.

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The Unit Field Labor and Administrative category spending was below Plan primarily due to lower actual headcount than the Plan estimate.

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 \$42.1 million, of which \$33.1 million, or 79 percent, was spent.

SUMMARY

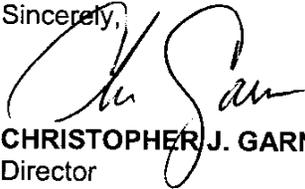
The Long Beach Unit FY 2010 budget was \$350.2 million, of which \$286.2 million or 82 percent was spent. Higher realized oil prices and lower operating costs than built into the Plan has resulted in fiscal year profit of \$372.6 million in comparison to \$49.1 million originally estimated in the Plan.

Significant effort was made during the Plan period to achieve best-in-class waterflood performance, which is paramount to increasing long term value for the Unit. The development program was successfully implemented, which was optimized for capital investment and cash flow, while maintaining focus on health, environment and safety. Your concurrence with this Final Report and Closing Statement of the Annual Plan is requested.

BUDGET RECONCILIATION

Attached are the June 2009 Budget Statement for Fiscal Year Projects; Annual Plan Economic Projections; 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.

Sincerely,



CHRISTOPHER J. GARNER
Director

CJG:kmt:lld
FIN 312.003

Enclosures

Economic Projections

(Data in Thousands of \$)	ACTUAL FIRST QUARTER FY10	ACTUAL SECOND QUARTER FY10	ACTUAL THIRD QUARTER FY10	ACTUAL FOURTH QUARTER FY10	ACTUAL TOTAL FISCAL YEAR FY10	BUDGET TOTAL FISCAL YEAR FY10	% ACTUAL OVER/UNDER(-) BUDGET FY10
ESTIMATED REVENUE							
Oil Revenue	\$146,232	\$166,363	\$166,469	\$167,454	\$646,519	\$371,728	73.9%
Gas Revenue	\$2,353	\$2,570	\$4,015	\$3,393	\$12,331	\$27,513	-55.2%
TOTAL REVENUE	\$148,585	\$168,933	\$170,484	\$170,847	\$658,849	\$399,241	65.0%
ESTIMATED EXPENDITURES							
Development Drilling	\$6,057	\$17,567	\$11,129	\$12,224	\$46,978	\$74,100	-36.6%
Operating Expense	\$21,338	\$21,022	\$22,546	\$23,495	\$88,401	\$103,717	-14.8%
Facilities & Maintenance	\$13,249	\$21,043	\$15,520	\$17,606	\$67,419	\$77,490	-13.0%
Unit Field Labor & Admin	\$10,306	\$15,332	\$14,183	\$10,504	\$50,324	\$52,769	-4.6%
Taxes, Permits & Admin. Overhead	\$8,766	\$6,562	\$9,298	\$8,465	\$33,090	\$42,105	-21.4%
TOTAL EXPENDITURES	\$59,716	\$81,526	\$72,676	\$72,295	\$286,212	\$350,181	-18.3%
NET PROFIT	\$88,869	\$87,407	\$97,808	\$98,553	\$372,637	\$49,060	659.6%

Major Planning Assumptions

	ACTUAL FIRST QUARTER FY10	ACTUAL SECOND QUARTER FY10	ACTUAL THIRD QUARTER FY10	ACTUAL FOURTH QUARTER FY10	ACTUAL TOTAL FISCAL YEAR FY10	BUDGET TOTAL FISCAL YEAR FY10	% ACTUAL OVER/UNDER(-) BUDGET FY10
OIL PRODUCTION:							
QUARTERLY (1,000 BBL)	2,426	2,397	2,347	2,417	9,587	9,293	
AVERAGE B/D	26,369	26,058	25,796	26,853	26,267	25,461	3.17%
GAS PRODUCTION:							
QUARTERLY (MMCF)	1,051	1,045	922	1,006	4,023	4,586	
AVERAGE MCF/D	11,421	11,362	10,127	11,175	11,023	12,563	-12.26%
WATER PRODUCTION:							
QUARTERLY (1,000 BBL)	88,012	88,420	87,476	89,708	353,615	357,788	
AVERAGE B/D	956,655	961,084	961,271	996,752	968,809	980,241	-1.17%
WATER INJECTION							
QUARTERLY (1,000 BBL)	96,410	97,487	96,723	97,388	388,008	379,255	
AVERAGE B/D	1,047,935	1,059,645	1,062,886	1,082,088	1,063,035	1,039,056	2.31%
AVG OIL PRICE (\$/BBL)	60	69	71	69	67	40	68.58%
AVG GAS PRICE (\$/MCF)	2	2	4	3	3	6	-48.92%

<u>Location</u>	<u>Oil Production</u>		<u>Gas Production</u>	
	<u>Average B/D</u>	<u>Cumulative Mbbls.</u>	<u>Average MCF/D</u>	<u>Cumulative</u>
	<u>7/1/09-6/30/10</u>	<u>6/30/10</u>	<u>7/1/09-6/30/10</u>	<u>MMCF</u>
Grissom	5,782	187,210	3,455	30,540
White	5,175	168,484	2,341	44,791
Chaffee	5,434	214,869	2,312	71,306
Freeman	7,224	273,539	2,219	93,163
Pier J	2,652	146,075	696	27,517
Total	26,267	990,178	11,023	267,316

<u>Reservoir</u>				
Shallow Gas		-	2,468	4,536
Tar V	74	1,875	31	782
Ranger	18,458	736,189	6,063	168,682
Terminal	4,827	144,863	1,290	29,482
Union Pacific-Ford	2,680	103,077	1,006	59,376
237	228	4,174	165	4,458
Total	26,267	990,178	11,023	267,316

<u>Location</u>	<u>Water Production</u>		<u>Water Injection</u>	
	<u>Average B/D</u>	<u>Cumulative Mbbls.</u>	<u>Average B/D</u>	<u>Cumulative Mbbls.</u>
	<u>7/1/09-6/30/10</u>	<u>6/30/10</u>	<u>7/1/09-6/30/10</u>	<u>6/30/10</u>
Grissom	257,117	1,922,508	273,330	2,384,362
White	162,986	1,424,263	185,821	1,848,012
Chaffee	175,070	1,293,285	201,514	1,990,312
Freeman	244,542	1,842,372	250,453	1,974,029
Pier J	129,094	1,260,649	151,916	1,591,435
Total	968,809	7,743,077	1,063,035	9,788,150

<u>Reservoir</u>				
Shallow Gas			-	-
Tar V	826	9,398	2,137	22,586
Ranger	757,682	6,470,068	826,110	8,149,802
Terminal	148,764	920,453	164,852	1,159,915
Union Pacific-Ford	59,756	338,658	69,936	455,847
237	1,781	4,499	-	-
Total	968,809	7,743,077	1,063,035	9,788,150

By Reservoir

Zone	Producer	Injector	Total
SG	7	0	7
Tar	12	2	14
Ranger	596	348	944
Terminal	160	78	238
UPF	91	64	155
237	3	0	3
Total	869	492	1361

By Islands

Zone	Producer	Injector	Total
Grissom	201	97	298
White	158	109	267
Chaffee	204	127	331
Freeman	213	111	324
Pier J	93	48	141
Total	869	492	1361