

CALENDAR ITEM

C102

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**CONSIDER ACCEPTANCE OF THE
FINAL REPORT AND CLOSING STATEMENT
FOR THE LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2012, THROUGH JUNE 30, 2013),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Long Beach Gas and Oil Department
Attn: Mr. Christopher J. Garner, Director
2400 East Spring Street
Long Beach, CA 90806

BACKGROUND:

The City of Long Beach, as required by section 10 of Chapter 138, Statutes of 1964, 1st Extraordinary Session, has filed with the California State Lands Commission (Commission) the Final Report and Closing Statement of the Fiscal Year (FY) 2012-2013 Annual Plan, Long Beach Unit (Unit), covering the period July 1, 2012, through June 30, 2013. This report provides the actual performance for the full FY 2012-2013.

There was one modification to the original Annual Plan budget that augmented the Development Drilling category from \$118.5 million to \$147.9 million. This augmentation was necessary to cover the costs for drilling and completing an additional 14 wells during the fiscal year. Noted at the time of this modification, overall expenditures would not exceed the original Annual Plan budget through expenditure reductions in other plan categories. The actual total expenditures for the fiscal year were \$420.2 million, which was \$4.1 million less than the approved Annual Plan of \$425.3 million. No other changes were made to the amount or distribution of funds among the four other budget categories.

The average oil and gas rates for FY 2012/2013 were reported to be 24,869 barrels (bbls)/day of oil (1,197 bbls/day higher than the plan estimate) and 7.83

CALENDAR ITEM NO. **C102** (CONT'D)

million cubic feet/day of gas (1.14 million cubic feet/day lower than the plan estimate). The reason for the higher than estimated oil production rate was the stronger than anticipated development program for the fiscal year. This modified development program culminated in drilling and completing 82 wells during the fiscal year, whereas the original Annual Plan contained only 67 wells. The lower than anticipated gas production was primarily the result of less than anticipated production from the shallow gas zone as it is nearing the end of its productive life. The cumulative recoveries and injection through June 2013 are as follows:

Oil Production	1,017,810,000 Barrels
Gas Production	277,783 million cubic feet
Water Production	8,835,696,000 Barrels
Water Injection	10,972,434,000 Barrels

Cumulative Injection - Gross Production Ratio is 1.11 bbls/bbl.

Net profit for FY 2012/2013 was \$527.1 million, which was \$464.1 million higher than the approved modified budget estimate. The higher than planned net profits were mainly the result of actual oil prices being much higher than Plan oil prices. The original Annual Plan budget forecast used an oil price of \$55.00/bbl and a gas price of \$4.00/MCF, whereas the actual prices averaged \$103.35/bbl of oil and \$3.33/MCF of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 2012/2013 are shown in the table below.

MILLIONS DOLLARS					
	ACTUAL FIRST QUARTER FY12/13	ACTUAL SECOND QUARTER FY 12/13	ACTUAL THIRD QUARTER FY 12/13	ACTUAL FOURTH QUARTER FY 12/13	ACTUAL TOTAL FISCAL YEAR 12/13
Oil Revenue	237.5	225.8	239.6	234.9	937.8
Gas Revenue	2.0	2.4	2.4	2.7	9.5
Expenditures	99.1	122.9	99.3	98.9	420.2
Net Profit	140.4	105.3	142.7	138.7	527.1
Original Budget Net Profit	9.2	30.2	14.5	9.0	63.0
Change	131.2	75.1	128.2	129.7	464.1
Oil Price \$/BBL	104.13	99.62	107.49	102.16	103.35

CALENDAR ITEM NO. C102 (CONT'D)

MILLIONS DOLLARS					
	ACTUAL FIRST QUARTER FY12/13	ACTUAL SECOND QUARTER FY 12/13	ACTUAL THIRD QUARTER FY 12/13	ACTUAL FOURTH QUARTER FY 12/13	ACTUAL TOTAL FISCAL YEAR 12/13
Gas Price \$/MCF	2.76	3.37	3.37	3.82	3.33

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. The staff recommends that the Commission find that acceptance of the Final Report and Closing Statement does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment and, therefore, is not a project in accordance with the California Environmental Quality Act (CEQA).

Authority: Public Resources Code section 21065 and California Code of Regulations, Title 14, sections 15060, subdivision (c)(3), and 15378.

EXHIBITS:

- A. Fiscal Year 2012/2013 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 2012/2013 Oil Rate, Annual Plan vs. Budget.
- C. Letter from the City of Long Beach requesting approval of the Final Closing Statement.

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the acceptance of the Final Report and Closing Statement is not subject to the requirements of CEQA pursuant to California Code of Regulations, Title 14, section 15060, subdivision (c)(3), because the subject activity is not a project as defined by Public Resources Code section 21065 and California Code of Regulations, Title 14, section 15378.

CALENDAR ITEM NO. **C102** (CONT'D)

AUTHORIZATION:

Accept for filing the Final Report and Closing Statement for the Long Beach Unit Annual Plan, for the period July 1, 2012, through June 30, 2013, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

Exhibit A
LBU Financial Performance

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FISCAL YEAR 2012-2013 ANNUAL PLAN VS ACTUAL

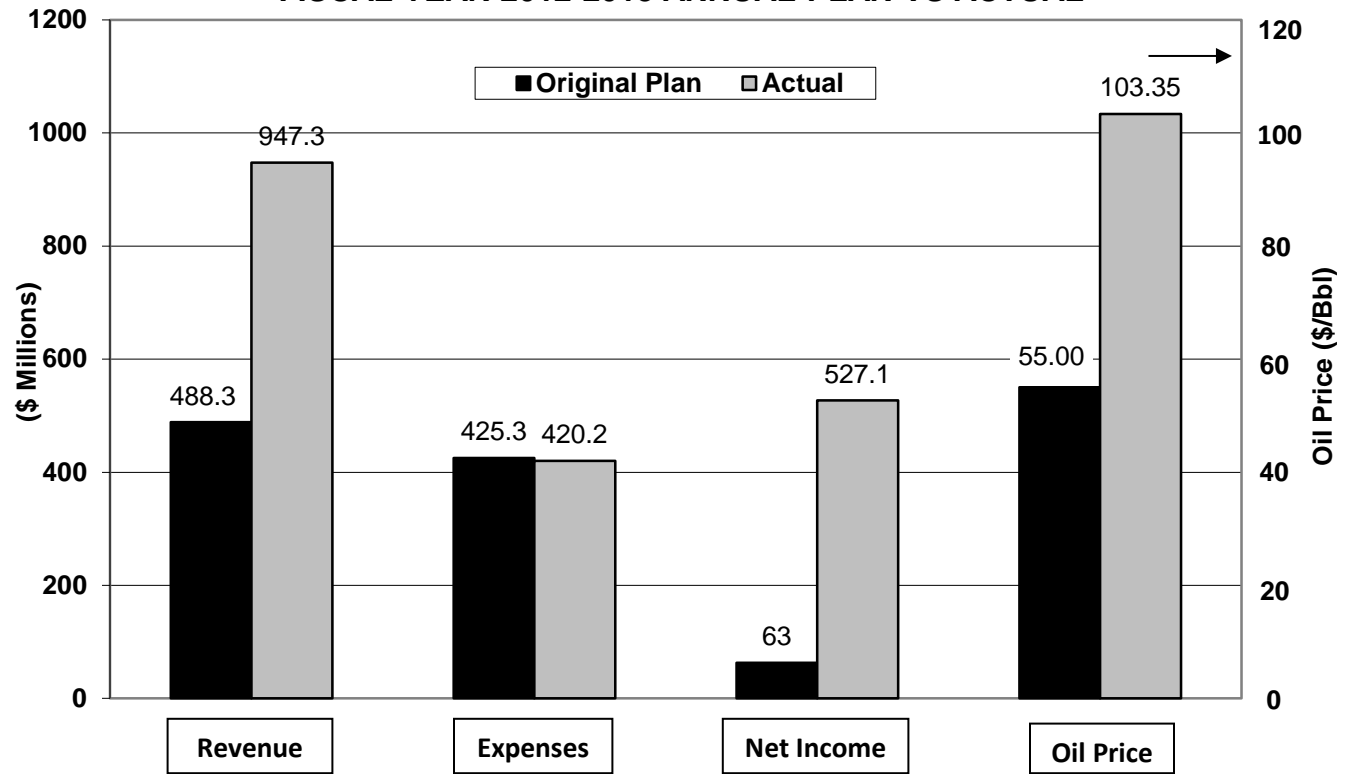
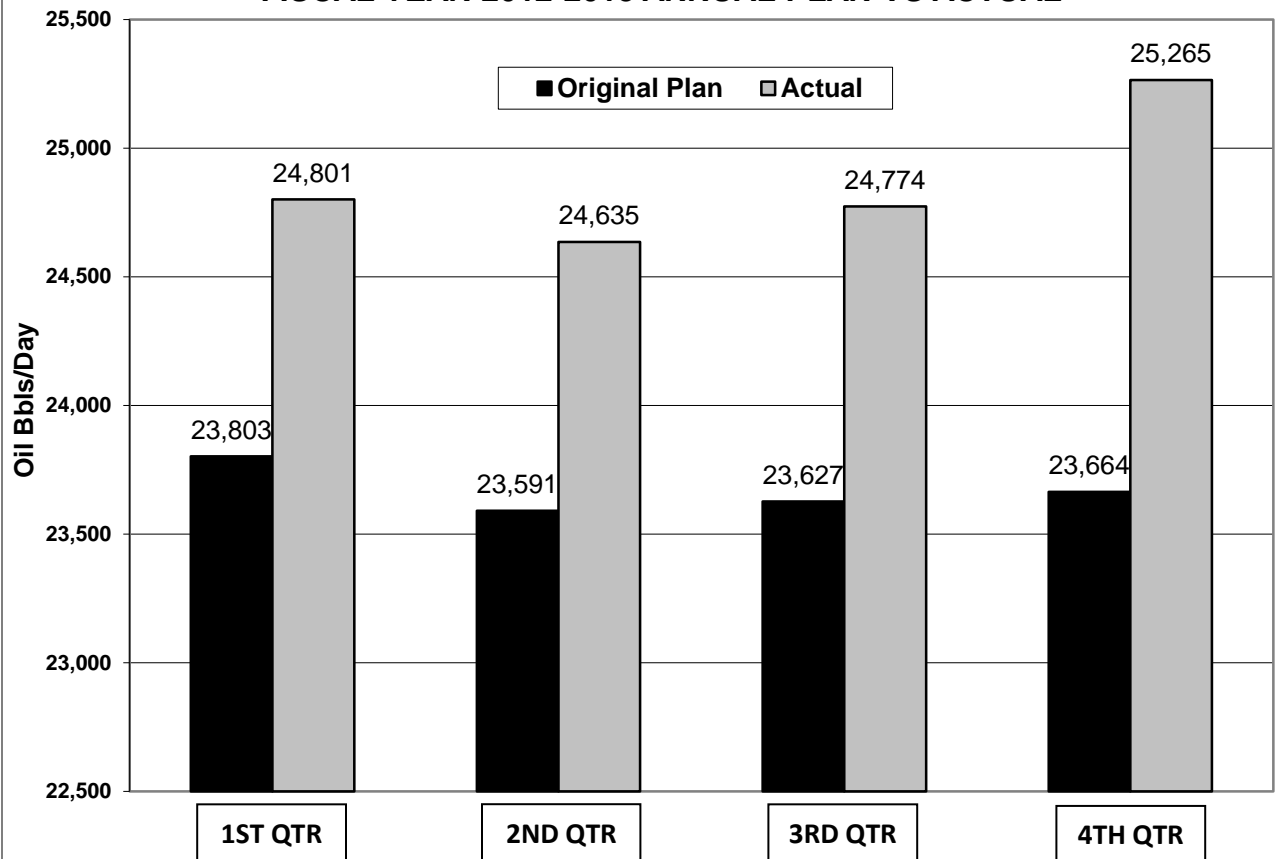


Exhibit B
LBU OIL RATE PERFORMANCE
FISCAL YEAR 2012-2013 ANNUAL PLAN VS ACTUAL

W 17166



CITY OF LONG BEACH



DEPARTMENT

CHRISTOPHER J. GARNER
DIRECTOR2400 EAST SPRING STREET • LONG BEACH, CA 90806
(562) 570-2000 • FAX (562) 570-2050

www.lbgo.org

September 25, 2013

Ms. Marina Voskanian
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 to the Annual Plan
(July 1, 2012 - June 30, 2013)

Dear Ms. Voskanian:

In accordance with provisions of Part IV, Section C, of the Annual Plan, attached for your approval is the final report and closing statement to the Annual Plan covering the period July 1, 2012 through June 30, 2013. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2013 budget was \$425.3 million while the actual spent was \$420.2 million or 99 percent of budget. Higher realized oil prices than built into the Plan has resulted in fiscal year profit of \$527.1 million in comparison to \$63 million originally estimated in the Plan.

Funding Category	Budget	Actual	Variance
Development Drilling	118.5	147.4	Additional 14 wells drilled as per Supplement of \$29.4 million approved on June 25, 2013 for a total of \$147.9 million; at about supplemented budget
Operating Expense	108.6	93.0	Lower maintenance, fuel, and utility costs
Facilities, Maintenance, and Plant	93.0	76.5	Lower repair initiatives and better optimization
Unit Field Labor and Administrative	60.8	63.5	At about budget
Taxes, Permits, and Administrative Overhead	44.4	39.7	At about budget
Total	425.3	420.2	

Note: Numbers in table are in millions of dollars (rounded).

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.

Sincerely,

Christopher J. Garner
Director

Attachment



OXY LONG BEACH, INC.

P.O. Box 2800
LONG BEACH, CA 90801
111 WEST OCEAN BOULEVARD, SUITE 800
LONG BEACH, CA 90802
TELEPHONE (562) 624-3400
FACSIMILE (562) 624-3295

September 09, 2013

Christopher J. Garner, Director
Long Beach Gas and Oil Department
2400 East Spring Street
Long Beach, CA 90806

Dear Mr. Garner:

Subject: 44-13 Thums Request
Final Report and Closing Statement
Annual Plan (July 1, 2012 - June 30, 2013)

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, 2012 through June 30, 2013. This report contains a reconciliation of Unit activities by category.

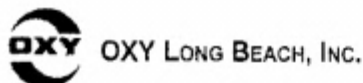
DEVELOPMENT DRILLING

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

FY2013 reflects the successful implementation of the Unit's operation strategy that has attempted to take advantage of the oil price environment. During the FY2013 Plan period, operations activities increased to maximize return to the Unit while managing persistent commodity market risk. During the period, the Unit operated a three full-time rig program. A total of 82 wells were drilled and completed during the period. 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	18	6	24	28	16	44
Terminal	2	1	3	2	2	4
UP-Ford	3	0	3	2	1	3
237	1	0	1	0	0	0
Total	24	7	31	32	19	51



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On June 30, 2013, the total number of wells in the Unit was 1,444, of which 748 were active producers, 464 were active injectors, and 232 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 67 new and redrilled wells that were to be drilled with two and half full-time drilling rigs. The actual number of wells drilled and completed was 82 using three full-time drilling rigs.

Total spending for Development Drilling was \$147.4 million, compared to \$147.9 million approved budget, including a Supplement of \$29.4 million to drill additional 14 wells, as per approval received on June 25th, 2013.

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 24,869 bbls/day, which was 1,197 bbls/day higher than the Plan estimate. The higher oil rate was the result of a stronger than anticipated development program for the year.
- Gas production averaged 7,833 mcf/day, which was 1,140 mcf/day lower than the Plan estimate. Lower performance of the shallow gas well is the primary cause for the decrease.
- Water injection averaged 1,115,098 bbls/day, which was 55,781 bbls/day higher than originally estimated in the Plan. Water production averaged 1,016,733 bbls/day, which was 18,174 bbls/day more than the Plan estimate.
- The average price for Unit crude was \$103.35/bbl during the Plan period. The Plan was based on \$55.00/bbl crude. The average price for Unit gas was \$3.33/mcf and the Plan was based on \$4.00/mcf.



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Budget to Actual Variance

The budget for the Operating Expense category was \$108.6 million, of which \$93.0 million, or 86%, was spent. The lower spending level was primarily related to lower maintenance rig count (2.3 vs. Plan 3.2), lower fuel cost, and lower SCE tariff than in the Plan.

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:

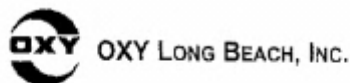
- Thums Tank and Vessel
- J FWKO & DP Treater Construction
- Freeman Culvert Piping to Cellars #700 & 800
- J2 Backwash & Booster Pump Suction and Discharge Piping (T1)
- SS Skim Basin Liner – White & Chaffee
- Pier J Electrical Distribution Upgrade
- Thums Regulated pipeline Inspection Survey and Evaluation
- Grissom Injection Pump
- Grissom ESP Electrical Capacity Expansion
- Freeman Material Shop & Construction

Budget to Actual Variance

The Facilities, Maintenance and Plant Category had a budget of \$93.0 million, of which just \$76.5 million, or 82%, was spent. The lower spending level was primarily related to opex repair initiatives, chemical program optimization, and timing of facility projects.

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.



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Budget to Actual Variance

The Unit Field Labor and Administrative category had a budget of \$60.8 million, while actual spend was 5% higher at \$63.5 million.

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 \$44.4 million, of which \$39.7 million, or 90%, was spent.

SUMMARY

The Long Beach Unit FY2013 budget was \$425.3 million, of which \$420.2 million, or 99%, was spent. Higher realized oil prices than built into the Plan resulted in fiscal year profit of \$527.1 million in comparison to \$63.0 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.

Yours very truly,

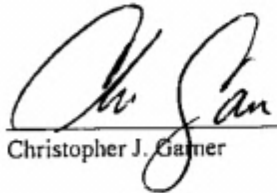
Frank Komin
General Manager



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APPROVED:

 9/17/13
Christopher J. Garner Date

PR/RK
Attachments
cc: Management Team



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Economic Projections

Data in Thousands of \$	ACTUAL FIRST QUARTER FY13	ACTUAL SECOND QUARTER FY13	ACTUAL THIRD QUARTER FY13	ACTUAL FOURTH QUARTER FY13	ACTUAL TOTAL FISCAL YEAR FY13	BUDGET TOTAL FISCAL YEAR FY13	% ACTUAL OVER/UNDER (-) BUDGET FY13
ESTIMATED REVENUE							
Oil Revenue	\$ 237,544	\$ 225,796	\$ 239,553	\$ 234,886	\$ 937,778	\$ 475,199	97.3%
Gas Revenue	\$ 1,968	\$ 2,382	\$ 2,429	\$ 2,726	\$ 9,505	\$ 13,103	-27.5%
TOTAL REVENUE	\$ 239,512	\$ 228,178	\$ 241,981	\$ 237,612	\$ 947,284	\$ 488,302	94.0%
ESTIMATED EXPENDITURES							
Development Drilling	\$ 39,069	\$ 40,761	\$ 32,866	\$ 34,706	\$ 147,402	\$ 118,514	* -0.3%
Operating Expense	\$ 20,849	\$ 25,601	\$ 23,272	\$ 23,294	\$ 93,016	\$ 108,639	-14.4%
Facilities & Maintenance	\$ 16,254	\$ 24,699	\$ 16,526	\$ 19,024	\$ 76,503	\$ 93,013	-17.8%
Unit Field Labor & Admin	\$ 13,066	\$ 22,577	\$ 15,623	\$ 12,259	\$ 63,524	\$ 60,758	4.6%
Taxes, Permits & Admin Overhead	\$ 9,878	\$ 9,262	\$ 11,011	\$ 9,591	\$ 39,742	\$ 44,414	-10.5%
TOTAL EXPENDITURES	\$ 99,117	\$ 122,899	\$ 99,297	\$ 98,874	\$ 420,187	\$ 425,338	-1.2%
NET PROFIT	\$ 140,395	\$ 105,279	\$ 142,685	\$ 138,739	\$ 527,097	\$ 62,964	737.1%

* This number is based on Development Drilling Budget of \$118.5 million supplemented by \$29.4 million on June 25, 2013 for a total of \$147.9 million

Major Planning Assumptions

	ACTUAL FIRST QUARTER FY13	ACTUAL SECOND QUARTER FY13	ACTUAL THIRD QUARTER FY13	ACTUAL FOURTH QUARTER FY13	ACTUAL TOTAL FISCAL YEAR FY13	BUDGET TOTAL FISCAL YEAR FY13	% ACTUAL OVER/UNDER (-) BUDGET FY13
OIL PRODUCTION :							
QUARTERLY (1,000 BBL)	2,282	2,266	2,230	2,299	9,077	8,640	
AVERAGE B/D	24,801	24,635	24,774	25,265	24,869	23,671	5%
GAS PRODUCTION :							
QUARTERLY (MMCF)	714	707	722	715	2,859	3,276	
AVERAGE MCF/D	7,765	7,689	8,018	7,860	7,833	8,972	-13%
WATER PRODUCTION :							
QUARTERLY (1,000 BBL)	92,949	93,728	91,478	92,949	371,104	364,462	
AVERAGE B/D	1,010,310	1,018,777	1,016,425	1,021,421	1,016,733	998,559	2%
WATER INJECTION :							
QUARTERLY (1,000 BBL)	101,319	101,157	103,506	100,963	406,946	386,637	
AVERAGE B/D	1,101,297	1,099,537	1,150,071	1,109,487	1,115,098	1,059,317	5%
AVG OIL PRICE (\$/BBL)	104.13	99.62	107.49	102.16	103.35	55.00	88%
AVG GAS PRICE (\$/MCF)	2.76	3.37	3.37	3.82	3.33	4.00	-17%



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Oil Production

Location	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/12 - 6/30/13	6/30/2013		6/30/2013
Grissom	4,426	192,527	702	32,048
White	6,348	175,352	2,564	48,068
Chaffee	5,955	221,132	2,308	74,267
Freeman	5,350	279,945	1,541	95,141
Pier J	2,790	148,854	717	28,259
Total	24,869	1,017,810	7,833	277,783

Gas Production

Location	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/12 - 6/30/13	6/30/2013		6/30/2013
SHALLOW GAS	-	-	17	5,478
TAR	62	1,950	25	813
RANGER	18,638	756,638	5,999	175,561
TERMINAL	3,812	149,288	959	30,663
UP-Ford	2,347	105,658	807	60,327
237	10	4,276	27	4,941
Total	24,869	1,017,810	7,833	277,783

Water Production

Location	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/12 - 6/30/13	6/30/2013		6/30/2013
Grissom	226,988	2,180,694	272,586	2,679,611
White	233,334	1,655,160	215,831	2,068,624
Chaffee	190,630	1,499,885	209,485	2,216,546
Freeman	240,954	2,105,975	276,255	2,261,978
Pier J	124,827	1,393,981	140,941	1,745,674
Total	1,016,733	8,835,696	1,115,098	10,972,434

Water Injection

Location	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/12 - 6/30/13	6/30/2013		6/30/2013
SHALLOW GAS	-	-	-	-
TAR	782	10,328	1,446	24,394
RANGER	811,234	7,334,823	890,996	9,084,897
TERMINAL	147,194	1,082,320	163,312	1,336,579
UP-Ford	57,486	403,079	59,344	526,564
237	37	5,147	-	-
Total	1,016,733	8,835,696	1,115,098	10,972,434



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Number of wells
As of June 30, 2013

By Location	Producer	Injector	Total
Grissom	201	97	298
White	198	116	314
Chaffee	215	129	344
Freeman	210	114	324
Pier J	108	56	164
Total	932	512	1,444

By Reservoir			
SHALLOW GAS	6	0	6
TAR	12	2	14
RANGER	659	367	1,026
TERMINAL	154	81	235
UP-Ford	96	62	158
237	5	0	5
Total	932	512	1,444