

CALENDAR ITEM

**C58**

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12/17/14  
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H. Rassamdana

**CONSIDER ACCEPTANCE OF THE  
FINAL REPORT AND CLOSING STATEMENT  
FOR THE LONG BEACH UNIT ANNUAL PLAN  
(JULY 1, 2013, THROUGH JUNE 30, 2014),  
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, 1<sup>st</sup> Extraordinary Session, has submitted to the California State Lands Commission (Commission) the Final Report and Closing Statement (Statement) to the Annual Plan (Plan) for fiscal year (FY) 2013-2014, Long Beach Unit (Unit), covering the period July 1, 2013, through June 30, 2014. This report provides the actual performance for the full FY 2013-2014.

There were no modifications to the original budget of \$438.4 million during the fiscal year. Also, there were no changes made to the amount of funds in or the distribution of funds between the five budget categories.

The average oil and gas rates for FY 2013-2014 were reported to be 24,848 barrels (bbls)/day of oil (570 bbls/day higher than the Plan estimate) and 8,941 thousand cubic feet (MCF)/day of gas (686 MCF/day higher than the Plan estimate). The higher than estimated oil and gas production rates are due to the stable development program for the fiscal year. The cumulative recoveries and injection through June 2014 are as follows:

CALENDAR ITEM NO. **C58** (CONT'D)

Oil Production            1,026,877 Mbarrels  
 Gas Production            281,052 MMCF  
 Water Production        9,214,338 Mbarrels  
 Water Injection        11,380,626 Mbarrels

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

Total expenditures for the Unit were \$418.6 million, which was \$19.8 million less than the approved budget for FY 2013-2014. The lower than planned expenditures were primarily the result of less than anticipated facilities/maintenance costs for the fiscal year.

Net profits for FY 2013-2014 were \$518.6 million, which were \$368.9 million higher than the approved budget estimate. The higher than planned net profit was the result of actual oil prices being higher than Plan oil prices. The approved budget forecast used an oil price of \$65.00/bbl and a gas price of \$4.00/MCF, whereas the actual prices averaged \$101.83/bbl of oil and \$4.17/MCF of gas for the fiscal year.

See the table below for additional details.

Actual Oil and Gas Prices, Expenditures, and Net Profit for FY 2013-2014 (in millions of dollars)					
	ACTUAL FIRST QUARTER FY 13/14	ACTUAL SECOND QUARTER FY 13/14	ACTUAL THIRD QUARTER FY 13/14	ACTUAL FOURTH QUARTER FY 13/14	ACTUAL TOTAL FY 13/14
Oil Revenue	243.4	223.6	226.7	229.8	923.5
Gas Revenue	2.9	3.1	4.2	3.4	13.6
Expenditures	100.2	115.3	107.3	95.8	418.6
Net Profit	146.1	111.4	123.7	137.4	518.6
Original Budget Net Profit	49.6	29.0	39.7	31.3	149.6
Change	96.5	82.4	84.0	106.1	369.0
Oil Price \$/BBL	105.58	98.01	100.55	103.19	101.83
Gas Price \$/MCF	3.60	3.87	4.96	4.26	4.17

CALENDAR ITEM NO. **C58** (CONT'D)

Commission staff has reviewed the Statement, 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 Statement does not have a potential for resulting in either a direct or a reasonably foreseeable indirect physical change in the environment, and is, therefore, 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. LBU Financial Performance, FY 2013-2014, Annual Plan vs. Actual
- B. LBU Oil Rate Performance, FY 2013-2014, Annual Plan vs. Actual
- C. Letter from the City of Long Beach requesting approval of the Final Report and Closing Statement to the Annual Plan

**RECOMMENDED ACTION:**

It is recommended that the Commission:

**CEQA FINDING:**

Find that the acceptance of the Final Report and Closing Statement to the Annual Plan 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.

**AUTHORIZATION:**

Accept for filing the Final Report and Closing Statement to the Annual Plan for the Long Beach Unit, Wilmington Oil Field, Los Angeles County, for the period July 1, 2013, through June 30, 2014.

Exhibit A  
LBU Financial Performance  
FISCAL YEAR 2013-2014 ANNUAL PLAN VS ACTUAL

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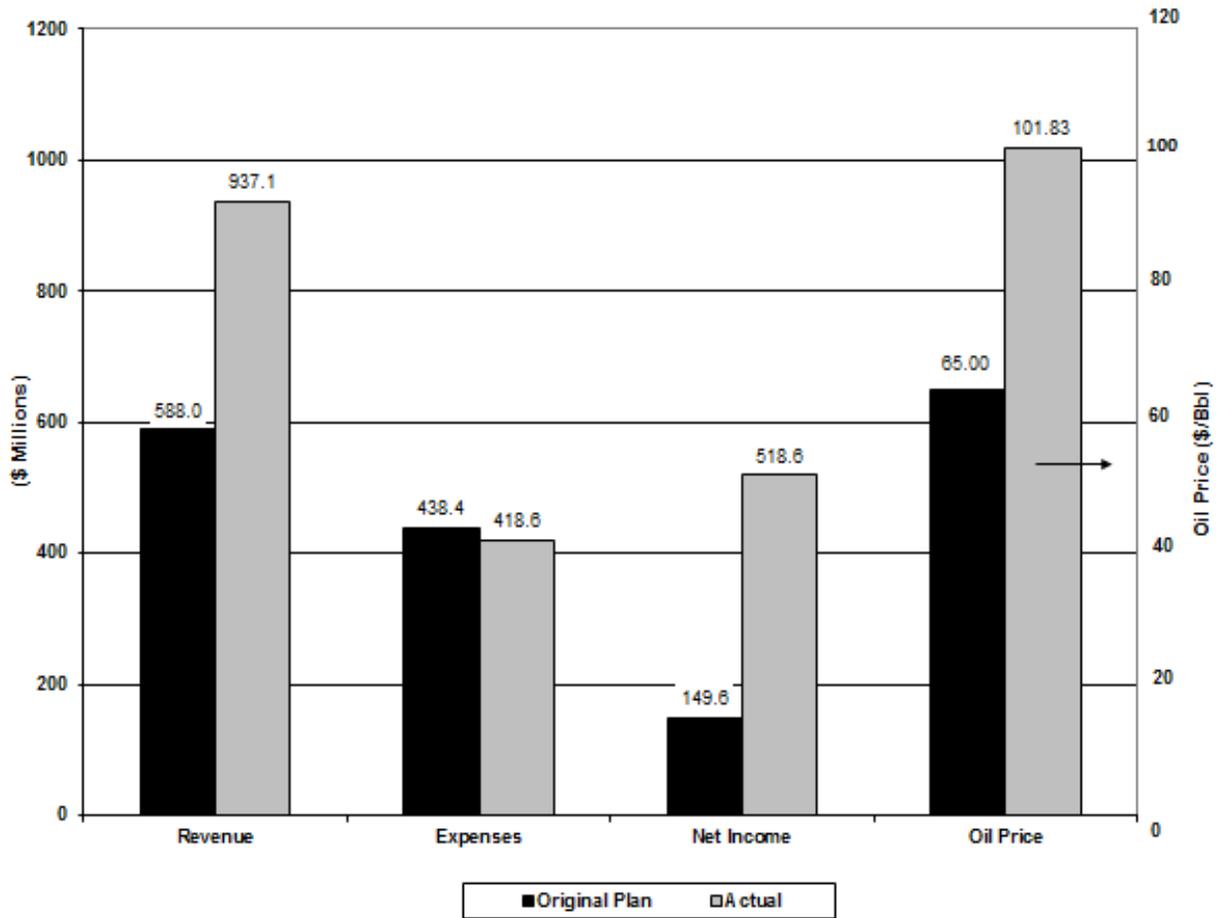
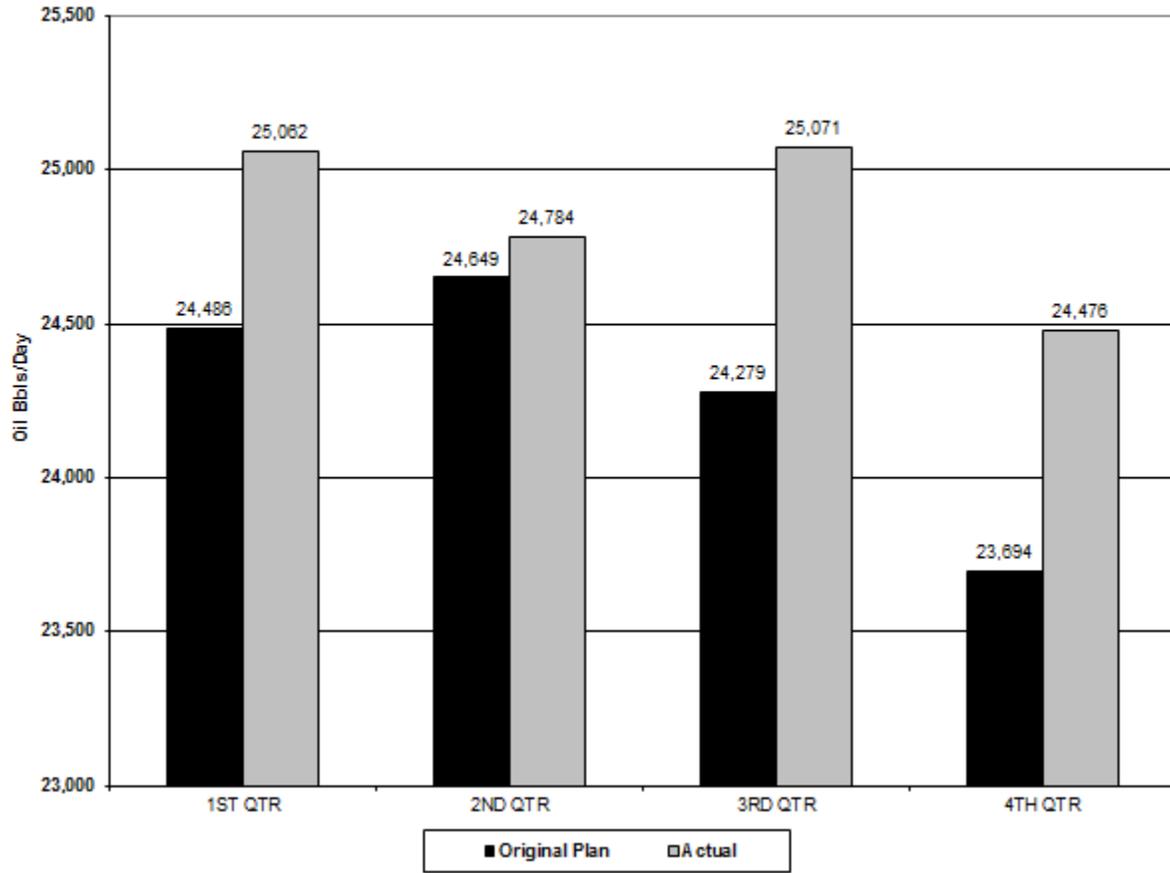


Exhibit B

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**LBU OIL RATE PERFORMANCE**  
**FISCAL YEAR 2013-2014 ANNUAL PLAN VS ACTUAL**



# Exhibit C

W 17166

CITY OF LONG BEACH



DEPARTMENT

CHRISTOPHER J. GARNER  
DIRECTOR

2400 EAST SPRING STREET · LONG BEACH, CA 90806  
(562) 570-2000 · FAX (562) 570-2050

[www.lbgo.org](http://www.lbgo.org)

September 29, 2014

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, 2013 THROUGH JUNE 30, 2014)**

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, 2013 through June 30, 2014. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2014 budget was \$438.4 million while the actual spent was \$418.6 million or 95 percent of budget. Higher realized oil prices than built into the Plan has resulted in fiscal year profit of \$518.6 million in comparison to \$149.6 million originally estimated in the Plan.

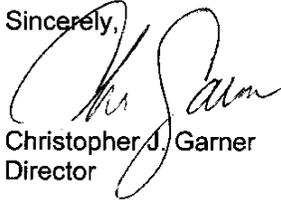
Funding Category	Budget	Actual	Variance
Development Drilling	147.1	133.3	Budgeted 78 wells drilled and completed with two and half full-time drilling rigs instead of three full-time drilling rigs
Operating Expense	100.5	100.5	At budget
Facilities, Maintenance, and Plant	87.8	75.9	Lower repair initiatives, better project prioritization and optimization, and timing of facility projects
Unit Field Labor and Administrative	59.8	61.9	Slightly higher spending due to higher pension payments
Taxes, Permits, and Administrative Overhead	43.1	46.9	Higher spending due to property tax credits not received in FY2014
<b>Total</b>	<b>438.4</b>	<b>418.6</b>	

Notes: Numbers in table are in millions of Dollars (rounded).

Ms. Marina Voskanian  
September 30, 2014  
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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: Final Report and Closing Statement – Annual Plan (July 1, 2013 - June 30, 2014)  
prepared by OXY Long Beach, Inc., August 19, 2014.

CONCURRENCE:

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MARINA VOSKANIAN  
Chief, Mineral Resources Management  
California State Lands Commission



P.O. Box 2900  
LONG BEACH, CA 90801  
111 WEST OCEAN BOULEVARD, SUITE 800  
LONG BEACH, CA 90802  
TELEPHONE (562) 624-3400  
FACSIMILE (562) 624-3295

August 19, 2014

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

Dear Mr. Garner:

Subject: 39-14 - Thums Request  
Final Report and Closing Statement  
Annual Plan (July 1, 2013 - June 30, 2014)

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, 2013 through June 30, 2014. 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

FY2014 reflects the successful implementation of the Unit's operation strategy that has attempted to take advantage of the oil price environment. During the FY2014 Plan period, operations activities increased to maximize return to the Unit while managing persistent commodity market risk. During the period, the Unit operated a two and half full-time rig program. A total of 78 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	17	2	19	26	21	47
Terminal	2	0	2	3	3	6
UP-Ford	0	0	0	4	0	4
237	0	0	0	0	0	0
Total	19	2	21	33	24	57

On June 30, 2014, the total number of wells in the Unit was 1,486, of which 741 were active producers, 476 were active injectors, and 269 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 78 new and redrilled wells that were to be drilled with three full-time drilling rigs. The actual number of wells drilled and completed was 78 using two and half full-time drilling rigs.

Total spending for Development Drilling was \$133.3 million, compared to \$147.1 million approved budget.

## **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 production during the Plan period averaged 24,848 bbls/day, which was 570 bbls/day higher than the Plan estimate. The higher oil rate was the result of a strong development program for the year.
- Gas production averaged 8,941 mcf/day, which was 686 mcf/day higher than the Plan estimate.
- Water injection averaged 1,151,265 bbls/day, which was 18,852 bbls/day lower than originally estimated in the Plan. Water production averaged 1,061,152 bbls/day, which was 18,454 bbls/day less than the Plan estimate.
- The average price for Unit crude was \$101.83/bbl during the Plan period. The Plan was based on \$65.00/bbl crude. The average price for Unit gas was \$4.17/mcf and the Plan was based on \$4.00/mcf.

### **Budget to Actual Variance**

The budget for the Operating Expense category was \$100.5 million, of which \$100.5 million, or 100%, was spent.

## **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
- Grissom Injection Pump
- Pier J Electrical Distribution upgrade
- Freeman Culvert Piping to Cellars 700-800
- Thums Regulated Pipeline Survey and Inspection
- Freeman Injection Pump
- Thums Marine Repairs
- Unit Pig Trap Manifold
- B&M NGL, Propane and Refrigerant Lines Piping

### **Budget to Actual Variance**

The Facilities, Maintenance and Plant Category had a budget of \$87.8 million, of which just \$75.9 million, or 86%, was spent. The lower spending level was primarily related to opex repair initiatives, project prioritization, 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.

### **Budget to Actual Variance**

The Unit Field Labor and Administrative category had a budget of \$59.8 million, while actual spend was 3% higher at \$61.9 million. The increase in spending was partly due to higher pension payments than anticipated.

## 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 \$43.1 million, while actual spend was 9% higher at \$46.9 million. The higher spending was related to the timing of property tax credits, which was not received in FY2014.

## SUMMARY

The Long Beach Unit FY2014 budget was \$438.4 million, of which \$418.6 million, or 95%, was spent. Higher realized oil prices than built into the Plan resulted in fiscal year profit of \$518.6 million in comparison to \$149.6 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

APPROVED:

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Christopher J. Garner

Date

PR/RK  
Attachments  
cc: Management Team

### Economic Projections

Data in Thousands of \$	ACTUAL FIRST QUARTER FY14	ACTUAL SECOND QUARTER FY14	ACTUAL THIRD QUARTER FY14	ACTUAL FOURTH QUARTER FY14	ACTUAL TOTAL FISCAL YEAR FY14	BUDGET TOTAL FISCAL YEAR FY14	% ACTUAL OVER/UNDER (-) BUDGET FY14
<b>ESTIMATED REVENUE</b>							
Oil Revenue	\$ 243,417	\$ 223,603	\$ 226,707	\$ 229,780	\$ 923,506	\$ 575,993	60.3%
Gas Revenue	\$ 2,934	\$ 3,084	\$ 4,175	\$ 3,437	\$ 13,630	\$ 12,052	13.1%
<b>TOTAL REVENUE</b>	<b>\$ 246,351</b>	<b>\$ 226,687</b>	<b>\$ 230,882</b>	<b>\$ 233,216</b>	<b>\$ 937,136</b>	<b>\$ 588,044</b>	<b>59.4%</b>
<b>ESTIMATED EXPENDITURES</b>							
Development Drilling	\$ 33,769	\$ 31,881	\$ 35,393	\$ 32,240	\$ 133,283	\$ 147,092	-9.4%
Operating Expense	\$ 27,117	\$ 25,317	\$ 22,717	\$ 25,383	\$ 100,533	\$ 100,536	0.0%
Facilities & Maintenance	\$ 14,940	\$ 24,834	\$ 21,307	\$ 14,856	\$ 75,938	\$ 87,840	-13.5%
Unit Field Labor & Admin	\$ 12,435	\$ 22,648	\$ 15,404	\$ 11,421	\$ 61,908	\$ 59,828	3.5%
Taxes, Permits & Admin Overhead	\$ 11,973	\$ 10,640	\$ 12,415	\$ 11,869	\$ 46,897	\$ 43,123	8.8%
<b>TOTAL EXPENDITURES</b>	<b>\$ 100,234</b>	<b>\$ 115,320</b>	<b>\$ 107,236</b>	<b>\$ 95,770</b>	<b>\$ 418,560</b>	<b>\$ 438,419</b>	<b>-4.5%</b>
<b>NET PROFIT</b>	<b>\$ 146,117</b>	<b>\$ 111,367</b>	<b>\$ 123,646</b>	<b>\$ 137,446</b>	<b>\$ 518,576</b>	<b>\$ 149,625</b>	<b>246.6%</b>

### Major Planning Assumptions

	ACTUAL FIRST QUARTER FY14	ACTUAL SECOND QUARTER FY14	ACTUAL THIRD QUARTER FY14	ACTUAL FOURTH QUARTER FY14	ACTUAL TOTAL FISCAL YEAR FY14	BUDGET TOTAL FISCAL YEAR FY14	% ACTUAL OVER/UNDER (-) BUDGET FY14
<b>OIL PRODUCTION :</b>							
QUARTERLY (1,000 BBL)	2,306	2,280	2,256	2,227	9,069	8,861	
AVERAGE B/D	25,062	24,784	25,071	24,476	24,848	24,278	2.3%
<b>GAS PRODUCTION :</b>							
QUARTERLY (MMCF)	816	796	843	807	3,263	3,013	
AVERAGE MCF/D	8,866	8,657	9,370	8,871	8,941	8,255	8.3%
<b>WATER PRODUCTION :</b>							
QUARTERLY (1,000 BBL)	94,884	99,165	95,582	97,675	387,307	394,056	
AVERAGE B/D	1,031,350	1,077,880	1,062,025	1,073,355	1,061,152	1,079,606	-1.7%
<b>WATER INJECTION :</b>							
QUARTERLY (1,000 BBL)	103,060	107,532	103,709	105,897	420,197	427,093	
AVERAGE B/D	1,120,214	1,168,823	1,152,322	1,163,701	1,151,265	1,170,117	-1.6%
<b>AVG. OIL PRICE (\$/BBL)</b>	<b>105.58</b>	<b>98.01</b>	<b>100.55</b>	<b>103.19</b>	<b>101.83</b>	<b>65.00</b>	<b>56.7%</b>
<b>AVG GAS PRICE (\$/MCF)</b>	<b>3.60</b>	<b>3.87</b>	<b>4.96</b>	<b>4.26</b>	<b>4.17</b>	<b>4.00</b>	<b>4.3%</b>

Location	<u>Oil Production</u>		<u>Gas Production</u>	
	Average B/D 7/1/13 - 6/30/14	Cumulative Mbbls 6/30/2014	Average MCF/D 7/1/13 - 6/30/14	Cumulative MMCF 6/30/2014
Grissom	4,560	194,191	841	32,356
White	5,954	177,525	2,753	49,075
Chaffee	6,408	223,470	2,840	75,307
Freeman	4,882	281,726	1,609	95,730
Pier J	3,043	149,964	898	28,584
<b>Total</b>	<b>24,848</b>	<b>1,026,877</b>	<b>8,941</b>	<b>281,052</b>

<b>Reservoir</b>				
	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
SHALLOW GAS	0	0	8	5,477
TAR	76	1,977	35	826
RANGER	18,580	763,418	6,769	178,038
TERMINAL	3,555	150,585	1,018	31,036
UP-Ford	2,630	106,618	1,038	60,707
237	8	4,279	73	4,968
<b>Total</b>	<b>24,848</b>	<b>1,026,877</b>	<b>8,941</b>	<b>281,052</b>

Location	<u>Water Production</u>		<u>Water Injection</u>	
	Average B/D 7/1/13 - 6/30/14	Cumulative Mbbls 6/30/2014	Average B/D 7/1/13 - 6/30/14	Cumulative Mbbls 6/30/2014
Grissom	239,215	2,266,054	280,701	2,779,332
White	246,968	1,743,286	229,320	2,150,084
Chaffee	194,832	1,569,407	204,201	2,321,972
Freeman	238,007	2,190,904	281,876	2,362,087
Pier J	142,129	1,444,688	155,166	1,767,151
<b>Total</b>	<b>1,061,152</b>	<b>9,214,338</b>	<b>1,151,265</b>	<b>11,380,626</b>

<b>Reservoir</b>				
	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
SHALLOW GAS	0	0	0	0
TAR	982	10,678	1,312	24,859
RANGER	852,082	7,638,865	926,416	9,413,367
TERMINAL	146,886	1,134,732	162,102	1,394,053
UP-Ford	61,184	424,911	61,435	548,346
237	18	5,153	0	0
<b>Total</b>	<b>1,061,152</b>	<b>9,214,338</b>	<b>1,151,265</b>	<b>11,380,626</b>

Number of wells  
As of June 30, 2014

<b>By Location</b>	<b>Producer</b>	<b>Injectors</b>	<b>Total</b>
Grissom	208	101	309
White	202	125	327
Chaffee	213	135	348
Freeman	210	121	331
Pier J	104	67	171
<b>Total</b>	<b>937</b>	<b>549</b>	<b>1,486</b>

<b>By Reservoir</b>			
SHALLOW GAS	4	0	4
TAR	10	2	12
RANGER	669	391	1,060
TERMINAL	155	93	248
UP-Ford	95	63	158
237	4	0	4
<b>Total</b>	<b>937</b>	<b>549</b>	<b>1,486</b>