

MINUTE ITEM

This Calendar Item No. C120 was approved as Minute Item No. 120 by the State Lands Commission by a vote of 3 to 0 at its 11/15/94 meeting.

CALENDAR ITEM

C120

A 57, 58

S 29

11/15/94

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Landry

APPROVE THE FOURTH AMENDMENT OF THE 1993-1994 ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, FINAL REPORT AND CLOSING STATEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

BACKGROUND:

The City of Long Beach has submitted to the Commission the Final Report and Closing Statement as the Fourth Amendment of the 1993-1994 Annual Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1993 through June 30, 1994, providing the updated economics with revised oil and gas prices. There were no changes in the latest approved budget of \$168,700,000.

The average oil and gas rates were reported to be 45,269 bbls/day of oil and 9,123 mcf/day of gas. The cumulative recoveries and injection through June 1994 are as follows:

| | |
|------------------|-----------------------|
| Oil Production | 783,974,052 Barrels |
| Gas Production | 210,078,637 MCF |
| Water Production | 3,463,309,504 Barrels |
| Water Injection | 4,956,072,724 Barrels |

Cumulative Injection - Gross Production Ratio is 1.167 Bbls/Bbl.

The economic values reflect the actual prices of the oil and gas sales. The original major planning assumptions were based on an average oil price of \$13.80 per barrel and an average gas price of \$2.10 per mcf. The average actual values reported were \$11.37 per barrel of oil and \$2.47 per mcf of gas. The reported total revenue was \$196,071,000 with \$151,227,000 of total expenditures for a net profit of \$44,844,000. In response to the dramatic drop in oil price, the number of active drilling rigs was reduced from three to one during this plan period.

The Commission's staff has reviewed the Fourth Amendment, including the production, injection, expenditures, and revenue shown in the attached exhibit.

AB 884:
N/A

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Code Regs. 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21065 and 14 Cal. Code Regs. 15378.

EXHIBIT:

- A. Letter Requesting Approval of Fourth Amendment of the Annual Plan of Development and Operations and Budget

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE THE FINAL REPORT AND CLOSING STATEMENT AS THE FOURTH AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1993 THROUGH JUNE 30, 1994.

EXHIBIT A

CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES



211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (310) 570-3900 • FAX 570-3922

September 13, 1994

Mr. P. B. Mount II, Chief
 Mineral Resources Management Division
 State Lands Commission
 200 Oceangate, 12th Floor
 Long Beach, California 90802

Subject: **REQUEST FOR APPROVAL OF THE FOURTH AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1993 THROUGH JUNE 30, 1994) FINAL REPORT AND CLOSING STATEMENT**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval this final report and closing statement as the Fourth Amendment to the Annual Plan covering the period July 1, 1993 through June 30, 1994. This report contains a reconciliation of Unit activities by category, as revised by the First Modification of the Annual Plan, of accomplishments and significant events for the period. These results occurred in a price environment much lower than originally anticipated. (Economics for the original Plan were based on oil at \$13.80/bbl; the actual oil price for the period averaged \$11.37/bbl.)

DEVELOPMENT DRILLING CATEGORY

Operations Review - The Plan for this category was developed anticipating that three drilling rigs would be required for completion of 60-70 new and redrilled wells (20-23 wells/rig/year). During the Plan period a significant drop in oil price led to reducing drilling activity from three rigs to one rig. Improved drilling techniques and more efficient operations resulted in completion of 48 new and redrilled wells with an average of 1.9 rigs (25 wells/rig/year).

Budget to Actual Variance - The Development Drilling Category had a budget of \$42,700,000, of which \$30,693,841, or 71 percent, was expended. The under expenditure of this category was a result of drilling fewer wells than anticipated; having fewer rigs to maintain; using alternate casing design; reduced average drilling time per well; and improved contracts and bids with vendors.

CALENDAR PAGE

605

MINUTE PAGE

4300

Following is a listing of new well completions and redrills by zone for the Plan period:

| Zone | New Completions | | | Redrills | | |
|----------------------|-----------------|-----------|-----------|----------|----------|-----------|
| | Prod. | Inj. | Total | Prod. | Inj. | Total |
| Tar | 0 | 0 | 0 | 0 | 0 | 0 |
| Ranger | 10 | 6 | 16 | 6 | 4 | 10 |
| Terminal | 2 | 3 | 5 | 1 | 2 | 3 |
| Upper/Lower Terminal | 4 | 3 | 7 | 0 | 1 | 1 |
| UP-Ford | 2 | 2 | 4 | 2 | 0 | 2 |
| 237 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTALS | 18 | 14 | 32 | 9 | 7 | 16 |

OPERATING EXPENSE CATEGORY

Operations Review - The Unit oil production rate averaged 45,269 bbls/day, which was 869 bbls/day more than originally estimated, and gas production averaged 9,123 mcf/day, which was 24 mcf/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan.

Oil shipments during the period averaged 45,276 bbls/day, which was 1,557 bbls/day more than the 1992-93 fiscal period average. Gas shipments averaged 8,999 mcf/day, which was 223 mcf/day more than the 1992-93 fiscal period average.

Water injection averaged 617,964 bbls/day, which was 37,964 bbls/day greater than originally estimated in the Major Planning Assumptions section of the Annual Plan. Higher than planned rates were necessary for additional injection into depleted reservoir layers. Also, greater reservoir throughput due to increased pump displacements, idled wells being reactivated, and development drilling required balancing voidage at higher than anticipated gross production rates.

Budget to Actual Variance - The Operating Expense Category had a budget of \$45,900,000, of which \$42,302,234, or 92.2 percent, was expended. Wellwork expenditures of \$21,445,556 and electricity cost of \$20,856,678 were both lower than planned due to reduced activity in response to low oil prices, and more efficient operating practices brought about by the Unit's new Profit Center Team organization.

OTHER PLANT CATEGORY

Operations Review - Significant project expenditures in the category for the fiscal period include:

- Upgrade of a vapor recovery system at the J-6 site;
- Replacement of water injection totalizers on Island Grissom;
- Installation of an automatic well tester make-up gas compressor on Island Chaffee;
- Fabrication and installation of a hydrogen sulfide scrubber system at the J-4 site;
- Design of a gas compression facility;
- Upgrade of an electrical system at the J-4 site;
- Installation of networking equipment at Islands and Pier J facilities;
- Relocation of product pipelines to accommodate the Port of Long Beach Harbor expansion;
- Installation of a water injection pressure monitoring system on Island Grissom;
- Installation of water injection signal wiring on Islands Chaffee and Freeman;
- Design and evaluation of a cogeneration facility;
- Declassification of hazardous locations on Island Chaffee;
- Purchase of variable speed drives;
- Fund installation of an oxidizer and odor control system at the Lomita Gas Plant;
- Provide secondary containment for diesel fuel at the Pier G fuel dock;
- Replace a section of the GJ-5 and GJ-6 pipeline;
- Repair and routine maintenance of oil treating vessels;
- Replace mud plant and drilling storage tanks;
- Repair subsea gas and oil pipelines;
- Annual maintenance of tanks and pressure vessels;
- Annual injection pump and motor repairs; and
- Successful full-boom deployment oil spill drill in the Long Beach Harbor.

Budget to Actual Variance - The Other Plant Category had a budget of \$27,900,000 of which \$25,905,351, or 92.9 percent, was expended.

UNIT FIELD LABOR AND ADMINISTRATIVE CATEGORY

Budget to Actual Variance - The Unit Field Labor and Administrative Category had a budget of \$35,700,000 of which \$34,729,710, or 97.3 percent, was expended.

Significant expenditures in this category include:

- Final costs for Phase III of the Unit's Financial Information System;
- Settlement cost paid on an arbitrated contract dispute;
- Computer equipment purchases; and
- Reservoir description products purchase.

TAXES, PERMITS AND ADMINISTRATIVE OVERHEAD CATEGORY

Budget to Actual Variance - The Taxes, Permits and Administrative Overhead Category had a budget of \$16,500,000 of which \$17,595,453, or 106.6 percent, was expended. The overage in this category was a result of the Mining Rights Tax assessment being more than planned. The Mining Rights tax assessment is being protested with taxing authorities.

SUMMARY

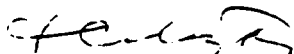
Total expenditures for the Plan period were \$151,227,000. A breakdown by Category is shown in the attachments. Total unit income for the Plan period was lower than anticipated. Net income was \$44,844,000 (compared to an estimate of \$61,911,000), due to lower than anticipated oil prices.

BUDGET RECONCILIATION

Attached is the June 30, 1994 Budget Statement, Fiscal Year Projects Report, revised Annual Plan Economic Projections and Major Planning Assumptions, and an end of period report of wells, oil production, gas production, water production, and water injection by location and zone.

The City of Long Beach, as Unit Operator of the Long Beach Unit, approves this proposed Amendment. In accordance with Section 5 of Chapter 138, 1964 First Extraordinary Session, your approval of this proposed Amendment is requested.

Very truly yours,



Xenophon C. Colazas
Director
Department of Oil Properties

XCC:slg

FIN 312.003
Attachments

| | |
|---------------|------|
| CALENDAR PAGE | 608 |
| MINUTE PAGE | 4303 |

**Long Beach Unit
Annual Plan
July 1, 1993 through June 30, 1994**

**Revised Economic Projections
(Data in Thousand Dollars)**

| | ACTUAL THIRD QUARTER 1993 | ACTUAL FOURTH QUARTER 1993 | ACTUAL FIRST QUARTER 1994 | ACTUAL SECOND QUARTER 1994 | TOTAL |
|---------------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------|
| ESTIMATED REVENUE | | | | | |
| Oil Revenue | \$49,665 | \$44,932 | \$39,799 | \$53,456 | \$187,852 |
| Gas Revenue | 2,020 | 2,183 | 2,008 | 2,008 | \$8,218 |
| TOTAL REVENUE | \$51,684 | \$47,115 | \$41,808 | \$55,464 | \$196,071 |
| ESTIMATED EXPENDITURES | | | | | |
| Development Drilling | \$8,513 | \$11,649 | \$6,317 | \$4,214 | \$30,694 |
| Operating Expense | 11,631 | 11,815 | 9,279 | 9,577 | 42,302 |
| Other Plant | 5,984 | 7,596 | 6,054 | 6,271 | 25,905 |
| Unit Field Labor & Administrative | 8,753 | 8,859 | 8,493 | 8,624 | 34,730 |
| Taxes, Permits & Administrative Overhead | 3,279 | 6,191 | 2,607 | 5,518 | 17,595 |
| TOTAL EXPENDITURES | \$38,160 | \$46,111 | \$32,751 | \$34,204 | \$151,227 |
| NET PROFIT | \$13,524 | \$1,004 | \$9,057 | \$21,259 | \$44,844 |

**Long Beach Unit
Annual Plan
July 1, 1993 through June 30, 1994**

Revised Major Planning Assumptions

| | ACTUAL THIRD QUARTER 1993 | ACTUAL FOURTH QUARTER 1993 | ACTUAL FIRST QUARTER 1994 | ACTUAL SECOND QUARTER 1994 | TOTAL |
|---------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|---------|
| Oil Production | | | | | |
| (1,000 BBL) | 4,092 | 4,125 | 4,068 | 4,239 | 16,523 |
| (B/D) | 44,483 | 44,832 | 45,197 | 46,578 | |
| Gas Production | | | | | |
| (1,000 MCF/D) | 818 | 818 | 793 | 901 | 3,330 |
| (MCF/D) | 8,895 | 8,888 | 8,806 | 9,903 | |
| Water Production | | | | | |
| (1,000 BBL) | 45,792 | 46,589 | 44,940 | 46,950 | 184,271 |
| (B/D) | 497,740 | 506,397 | 499,335 | 515,936 | |
| Water Injection | | | | | |
| (1,000 BBL) | 55,870 | 57,456 | 55,791 | 56,440 | 225,557 |
| (B/D) | 607,287 | 624,518 | 619,901 | 620,217 | |
| Oil Price (\$/BBL) | \$12.16 | \$10.86 | \$9.78 | \$12.61 | |
| Gas Price (\$/MCF) | \$2.49 | \$2.70 | \$2.51 | \$2.32 | |

**NUMBER OF WELLS
AS OF JUNE 30, 1994**

| | <u>Producers</u> | <u>Injectors</u> | <u>Total</u> |
|-------------------|------------------|------------------|--------------|
| Grissom | 184 | 88 | 272 |
| White | 151 | 86 | 237 |
| Chaffee | 213 | 103 | 316 |
| Freeman | 238 | 70 | 308 |
| Pier J (Inc. THX) | <u>109</u> | <u>58</u> | <u>167</u> |
| TOTAL | 895 | 405 | 1300 |

| | | | |
|--------------------------------|------------|------------|--------------|
| Tar V | 10 | 1 | 11 |
| Ranger (All Areas) | 684 | 319 | 1,003 |
| Upper & Lower Terminal VI,VII | 64 | 33 | 97 |
| Terminal (Blocks VIII, 90) | 58 | 27 | 85 |
| Union Pacific-Ford (All Areas) | 75 | 25 | 100 |
| 237 (All Areas) | <u>4</u> | <u>0</u> | <u>4</u> |
| TOTAL | 895 | 405 | 1,300 |

(Figures exclude 8 abandoned producers and 18 abandoned injectors.)

| | |
|---------------|-------------|
| CALENDAR PAGE | 611 |
| MINUTE PAGE | 4306 |

OIL PRODUCTION

| | <u>Average B/D</u> <u>7/1/93 - 6/30/94</u> | <u>Cumulative</u> <u>Bbls. 6/30/94</u> |
|-------------------------------------------|-----------------------------------------------|-------------------------------------------|
| Grissom | 10,925 | 138,551,033 |
| White | 8,386 | 133,104,252 |
| Chaffee | 10,681 | 165,344,406 |
| Freeman | 11,528 | 219,632,979 |
| Pier J (Inc. THX) | 3,749 | 127,341,382 |
| TOTAL | 45,269 | 783,974,052 |
| | | |
| Tar V | 47 | 1,198,620 |
| Ranger (All Areas) | 32,103 | 595,634,665 |
| Upper Terminal & Lower Terminal VI,VII | 4,935 | 62,921,692 |
| Terminal (Blocks VIII, 90) | 4,388 | 40,701,182 |
| Union Pacific-Ford (All Areas) | 3,796 | 79,659,282 |
| 237 (All Areas) | 0 | 3,858,611 |
| TOTAL | 45,269 | 783,974,052 |

GAS PRODUCTION

| | <u>Average Mcf</u> <u>7/1/93 - 6/30/94</u> | <u>Cumulative</u> <u>Mcf 6/30/94</u> |
|-------------------------------------------|-----------------------------------------------|-----------------------------------------|
| Grissom | 995 | 20,066,002 |
| White | 1,996 | 32,828,117 |
| Chaffee | 1,721 | 56,037,029 |
| Freeman | 3,054 | 78,743,217 |
| Pier J (Inc. THX) | 1,357 | 22,404,272 |
| TOTAL | 9,123 | 210,078,637 |
| | | |
| Tar V | 48 | 486,168 |
| Ranger (All Areas) | 6,130 | 132,850,016 |
| Upper Terminal & Lower Terminal VI,VII | 1,003 | 8,013,502 |
| Terminal (Blocks VIII, 90) | 949 | 12,160,872 |
| Union Pacific-Ford (All Areas) | 993 | 52,302,810 |
| 237 (All Areas) | 0 | 4,265,269 |
| TOTAL | 9,123 | 210,078,637 |

WATER PRODUCTION

| | <u>Average B/D</u> <u>7/1/93 - 6/30/94</u> | <u>Cumulative</u> <u>Bbls. 6/30/94</u> |
|--------------------------------------------|-----------------------------------------------|-------------------------------------------|
| Grissom | 119,194 | 811,707,314 |
| White | 98,489 | 642,522,607 |
| Chaffee | 87,256 | 498,414,494 |
| Freeman | 125,841 | 801,124,448 |
| Pier J (Inc. THX) | 74,072 | 680,849,641 |
| TOTAL | 504,852 | 3,434,618,504 |
| | | |
| Tar V | 218 | 5,202,173 |
| Ranger (All Areas) | 437,052 | 2,988,745,284 |
| Upper Terminal & Lower Terminal VI, VII | 37,456 | 251,971,363 |
| Terminal (Blocks VIII, 90) | 16,646 | 63,524,005 |
| Union Pacific-Ford (All Areas) | 13,480 | 121,987,789 |
| 237 (All Areas) | 0 | 31,878,890 |
| TOTAL | 504,852 | 3,463,309,504 |

INJECTION WATER

| | <u>Average B/D</u> <u>7/1/93 - 6/30/94</u> | <u>Cumulative</u> <u>Bbls. 6/30/94</u> |
|--------------------------------------------|-----------------------------------------------|-------------------------------------------|
| Grissom | 158,243 | 1,156,528,919 |
| White | 132,461 | 982,166,602 |
| Chaffee | 119,538 | 1,037,244,351 |
| | 120,064 | 885,809,933 |
| Pier J (Inc. THX) | 87,658 | 894,322,919 |
| TOTAL | 617,964 | 4,956,072,724 |
| | | |
| Tar V | 568 | 12,633,758 |
| Ranger (All Areas) | 516,173 | 4,279,155,322 |
| Upper Terminal & Lower Terminal VI, VII | 48,326 | 320,048,410 |
| Terminal (Blocks VIII, 90) | 31,229 | 148,541,596 |
| Union Pacific-Ford (All Areas) | 21,668 | 195,693,638 |
| 237 (All Areas) | 0 | 0 |
| TOTAL | 617,964 | 4,956,072,724 |

THOMS LONG BEACH UNIT
 Budget Statement
 Current Period: JUN-94

Date: 13-JUL-1994 15:30:54
 Page: 1

Currency: USD
 No specific Company requested

| Budget Category | Original Budget | Revised Budget | Current Month | FYTD Expenditure | Percent Expended | Unexpended Balance | FYTD Budget | (Over/Under) FYTD Budget |
|-----------------------------------|-----------------|----------------|---------------|------------------|------------------|--------------------|-------------|--------------------------|
| DEVELOPMENT DRILLING | 47,500,000 | 42,700,000 | 1,350,568 | 30,693,841 | 71.9 | 12,006,159 | 42,700,000 | -28.1 |
| OPERATING EXPENSE | 64,400,000 | 45,900,000 | 3,521,801 | 42,302,234 | 92.2 | 3,597,766 | 45,900,000 | -7.8 |
| OTHER PLANT | 24,500,000 | 27,900,000 | 1,924,448 | 25,905,351 | 92.9 | 1,994,649 | 27,900,000 | -7.1 |
| UNIT FIELD LABOR & ADMINISTRATIVE | 21,800,000 | 35,700,000 | 2,754,805 | 34,729,710 | 97.3 | 970,290 | 35,700,000 | -2.7 |
| TAXES, PERMITS, & ADMIN. OVERHEAD | 10,500,000 | 18,500,000 | 1,128,868 | 17,595,453 | 106.8 | -1,095,453 | 18,500,000 | 8.8 |
| Unit Totals | 168,700,000 | 168,700,000 | 10,878,288 | 151,228,590 | 89.8 | 17,473,410 | 168,700,000 | -10.4 |

CALENDAR PAGE 614
 MINUTE PAGE 4309