

MINUTE ITEM

This Calendar Item No. C48
was approved as Minute Item
No. 48 by the State Lands
Commission by a vote of 3
to 0 at its 3/1/95
meeting.

CALENDAR ITEM

C48

A 57, 58

03/01/95

S 29

W 17108

Landry

APPROVE THE FIRST AMENDMENT OF THE 1994-1995
ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
REVISING ECONOMIC PROJECTIONS AND MAJOR PLANNING ASSUMPTIONS,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

BACKGROUND:

The City of Long Beach has submitted to the Commission the First Amendment of the 1994-1995 Annual Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1994 through June 30, 1995, providing updated economic projections and major planning assumptions. This report provides the actual performance for the third quarter of 1994 and revised projections for the remainder of the fiscal year. There were no changes in the latest approved budget of \$143,103,000 or to the distribution to the five budget categories. The revised economic projections are illustrated in Exhibits A and B. Revisions to produced and injected fluid projections are illustrated in Exhibit C.

The average oil and gas rates for the third quarter of 1994 were reported to be 47,362 bbls/day of oil (2,982 bbls/day more than originally estimated) and 10,169 mcf/day of gas (999 mcf/day less than forecast). The higher than planned oil and gas rates are primarily due to implementation of new well drilling technology and fieldwide increased displacement of total fluid. The cumulative recoveries and injection through September 1994 are as follows:

Oil Production	788,331,367 Barrels
Gas Production	211,014,219 MCF
Water Production	3,484,972,696 Barrels
Water Injection	5,016,081,554 Barrels

Cumulative Injection - Gross Production Ratio is 1.174
Bbls/Bbl.

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The economic values reflect higher oil production rates and prices than initially were forecast. The original major planning assumptions were based on an average oil price of \$11.50 per barrel and an average gas price of \$2.50 per mcf. Forecast oil and gas prices, expenditures, and net profits for Fiscal Year 1995 have been revised and are shown below. The net increase in the projected oil rate of 3,331 bbls/day has resulted in an increase in projected revenue of approximately \$31,394,000. Although oil prices have been higher than anticipated for the first two quarters of the fiscal year, the originally projected oil price of \$11.50/bbl. will remain the same for the final two quarters. The original planning assumption of one active drilling rig will remain unchanged for the fiscal year.

MILLION DOLLARS					
	Actual Third Quarter 1994	Estimated Fourth Quarter 1994	Estimated First Quarter 1995	Estimated Second Quarter 1995	Total Fiscal Year 94-95
Oil Revenue	60.2	57.5	49.1	49.8	216.6
Gas Revenue	2.0	1.8	2.1	2.1	8.1
Expenditures	(37.3)	(34.2)	(36.0)	(35.6)	(143.1)
Net Profit	24.8	25.2	15.2	16.4	81.6
Previous	14.4	13.0	12.1	10.6	50.1
Change	+10.4	+12.2	+3.1	+5.8	+31.5
Oil Price/BBL	\$13.80	\$13.25	\$11.50	\$11.50	\$12.52
Gas Price/MCF	\$ 2.15	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.32

The Commission's staff has reviewed the First Amendment, including the estimated production, injection, expenditures, and revenue and has prepared the attached Exhibits "A", "B" and "C" to represent the changes covered in this Amendment.

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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.

EXHIBITS:

- A. Fiscal Year 1994-95 Financial Projections
- B. Third Quarter 1994 Financial Performance
- C. Fiscal Year 1994-95 Oil Rate Projections
- D. Letter Requesting Approval of First Amendment of the Annual Plan of Development and Operations and Budget

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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 FIRST AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, FOR THE PERIOD JULY 1, 1994 THROUGH JUNE 30, 1995.

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Long Beach Unit

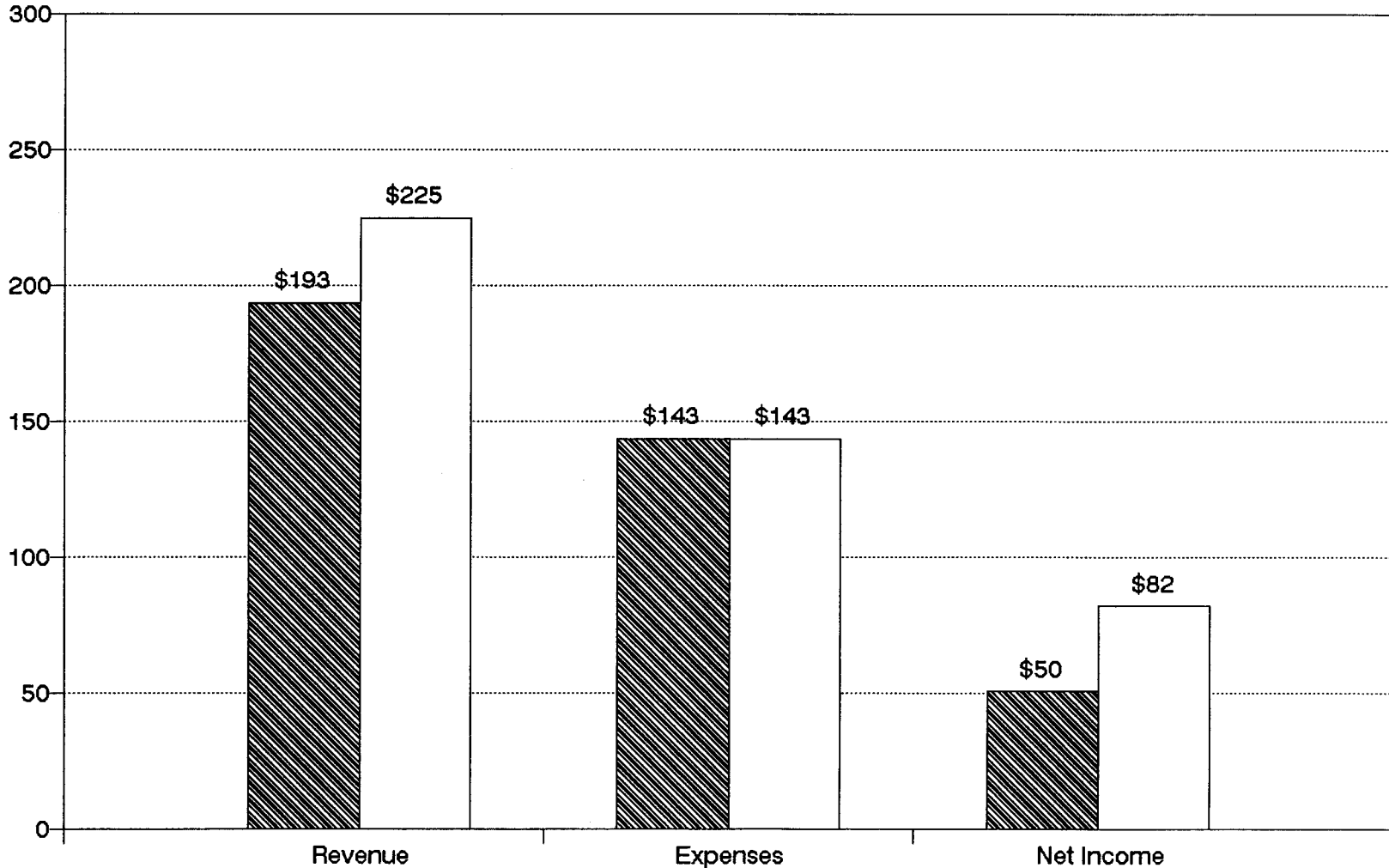
FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit A

Revised Sep-94

DOLLARS

(Millions)



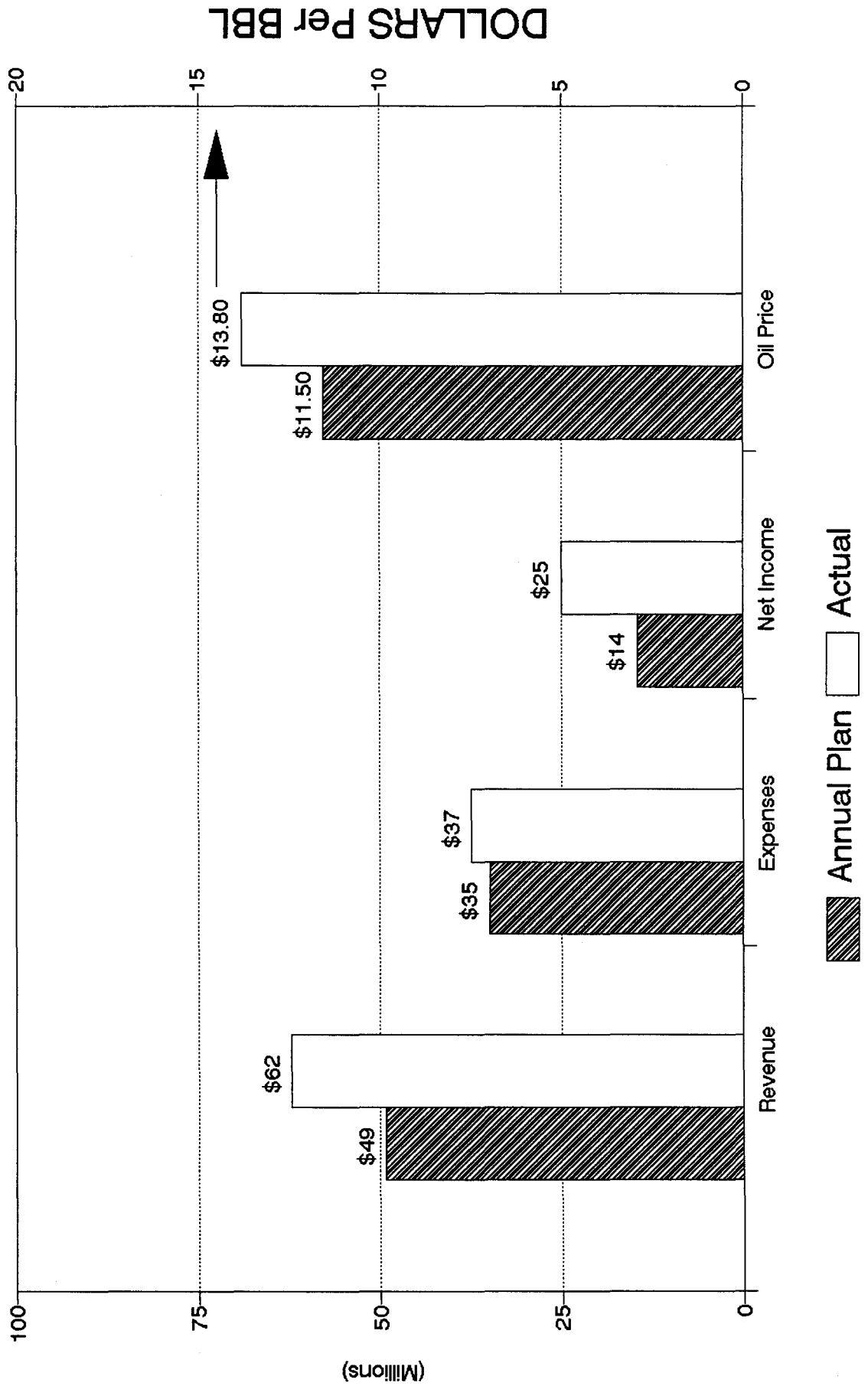
Original Plan Revised Plan

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Long Beach Unit

THIRD QUARTER 1994

Exhibit B



DOLLARS

(Millions)

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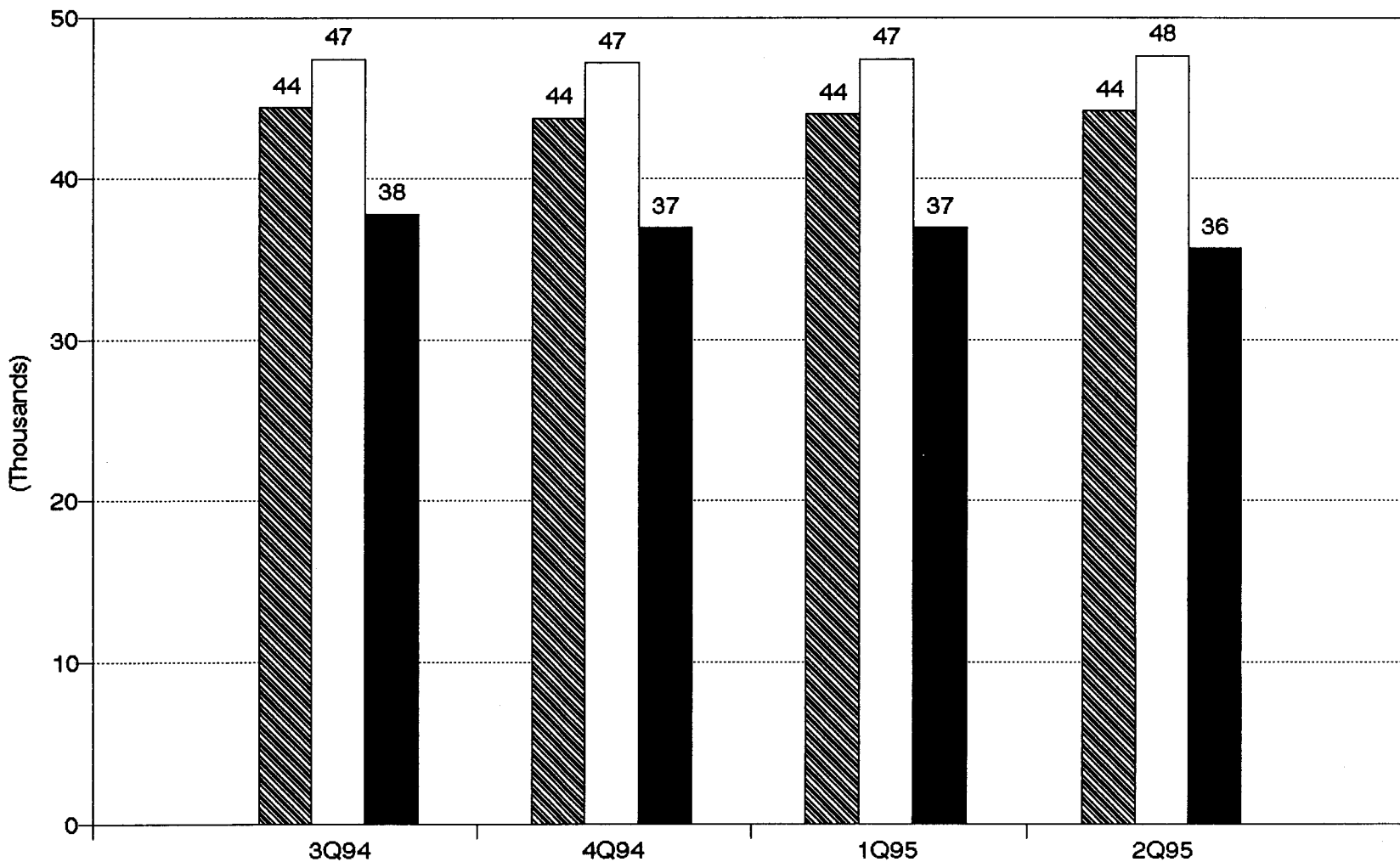
Long Beach Unit

FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit C

Revised Sep-94

Bbls/Day



Original Plan Revised Plan Base Case*

*Prediction if Optimized Waterflood Not Implemented

**CITY OF LONG BEACH**

DEPARTMENT OF OIL PROPERTIES

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

November 29, 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 FIRST AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1994 THROUGH JUNE 30, 1995)**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval this First Amendment of the Annual Plan covering the period July 1, 1994 through June 30, 1995.

This report reviews the first quarter operations and has attached revised Economic Projections and Major Planning Assumptions tables. Later revisions of the tables may be required to reflect changing conditions. Also attached is statistical data for wells, and production and injection volumes.

An analysis of Unit activities and the status of funds in each of the five budget categories is presented below.

DEVELOPMENT DRILLING**Operations Review**

One drilling rig was in operation during the first quarter, completing four new producers and re-drilling two producers. One new well was completed in the Terminal Zone, one in the Upper Terminal Zone, one in the Tar Zone, and one in the Ranger Zone.

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Highlights for the Drilling Operations during the quarter include:

- Three of the completed wells have shown early success using a high rate, water-gravel packing completion technique (911 bpd vs. 420 bpd expected for the three wells).
- Three horizontal wells were completed, two redrills and one new well. One of the horizontal redrills used coiled tubing technology for drilling in the final completion zone.
- One Tar Zone well was completed with special equipment in preparation for possible steam-flood operations.

On September 30, 1994, the total number of wells was 1,304, of which 896 were producers and 408 were injectors. Excluded from these totals are 26 abandoned wells, 8 abandoned producers and 18 abandoned injectors.

Budget to Actual Variance

The Development Drilling category has a budget of \$25,833,000, of which \$4,024,812, or 15.6 percent, is expended.

The budget provides funds anticipating a one to two drilling rig operation, with additional funding provided for purchasing major drilling rig equipment and planned projects. Expenditures are as expected for single rig operation where no major purchases or projects took place.

OPERATING EXPENSE

Operations Review

The Unit's oil production rate averaged 47,362 bbls/day, which is 2,982 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 47,383 bbls/day. The significant increase in production is attributed to better completions on new wells, increased pump displacements, good results from stimulations on cased hole completions, and good production

response from improved pattern floods.

Gas production averaged 10,169 mcf/day, which is 999 mcf/day more than originally estimated. Gas shipments averaged 10,124 mcf/day.

Water injection averaged 652,269 bbls/day, which is 37,609 bbls/day more 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 and development drilling required balancing voidage at higher than anticipated gross production rates.

Budget to Actual Variance

The Operating Expense category has a budget of \$37,472,000, of which \$14,205,578, or 37.9 percent is expended. It is anticipated that expenditures for this category will exceed budget by approximately 14 percent, based on current planning assumptions.

This first quarter's higher oil prices resulted in favorable economics on well work which had been deferred in the last half of fiscal year 1994. As a result, production rig activity was increased which led to well repair expenditures greater than planned.

Electricity cost is higher than normal due to a combination of higher summer electric rates and increased kwh consumption due to higher gross production.

There were no significant non-well project expenditures in this category for the quarter.

OTHER PLANT

Budget to Actual Variance

The Other Plant category has a budget of \$28,135,000 of which \$6,398,945, or 22.7 percent, is expended.

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Other Plant category projects with significant non-routine expenditures in the first quarter included:

- Replacement of water injection totalizer systems;
- Purchase of a 2.5 ton forklift;
- Installation of a water injection pressure monitoring system on Island Grissom;
- Installation of water injection pressure wiring on Islands Chaffee and Freeman;
- Relocation of product pipelines to accommodate the Port of Long Beach Harbor expansion;
- Installation of an Automatic Well Test operator interface system;
- Permitting for a cogeneration plant;
- Fund installation of an oxidizer and odor control system at the Lomita Gas Plant;
- Provide secondary containment for the Pier G fuel dock;
- Removing underground fuel tanks at Pier G; and
- Modification of the skim basin covers at the J-2 site.

UNIT FIELD LABOR AND ADMINISTRATIVE

Budget to Actual Variance

The Unit Field Labor and Administrative category has a budget of \$36,389,000 of which \$8,324,467, or 22.9 percent, is expended.

The Unit Field Labor and Administrative category had significant project expenditures in the first quarter for purchase of computer equipment.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category has a budget of \$15,274,000 of which \$4,377,815, or 28.7 percent is expended. It is anticipated that expenditures in this category will exceed budget by approximately 2 percent, based on current planning assumptions.

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A new accounting procedure became effective in the first quarter where taxes are accrued to better reflect monthly activity. First quarter accruals were based on budgeted amounts and will be adjusted downward to reflect actuals in the second quarter. The cost for Mining Rights and Property Tax remains under dispute with the taxing authorities and the final outcome, including a possible refund for the 1993-1994 tax year, is unknown.

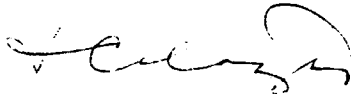
SUMMARY

Total expenditures for the Plan period were \$37,332,000. A breakdown by category is shown in the attachments.

Total unit income for the Plan period was higher than anticipated. Net income was \$27,840,000 (compared to an estimate of \$14,412,000).

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

XCC:slg

Attachments

FIN 312.003

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A. Economic Projections

(Data in Thousands of Dollars)

	ACTUAL THIRD QUARTER 1994	ESTIMATED FOURTH QUARTER 1994	ESTIMATED FIRST QUARTER 1995	ESTIMATED SECOND QUARTER 1995	TOTAL
ESTIMATED REVENUE					
Oil Revenue	\$60,167	\$57,533	\$49,045	\$49,819	\$216,564
Gas Revenue	2,004	1,839	2,100	2,133	8,077
TOTAL REVENUE	\$62,172	\$59,372	\$51,145	\$51,952	\$224,641
ESTIMATED EXPENDITURES					
Development Drilling	\$4,025	\$4,300	\$6,800	\$6,600	\$21,725
Operating Expense	14,206	11,100	8,697	8,657	42,660
Other Plant	6,399	6,000	7,700	7,600	27,699
Unit Field Labor & Administrative	8,324	8,900	8,900	8,800	34,924
Taxes, Permits & Admin Overhead	4,378	3,877	3,858	3,933	16,046
TOTAL EXPENDITURES	\$37,332	\$34,177	\$35,955	\$35,590	\$143,054
NET PROFIT	\$24,840	\$25,195	\$15,190	\$16,362	\$81,588

B. Major Planning Assumptions

(Data in Thousands of Dollars)

	ACTUAL THIRD QUARTER 1994	ESTIMATED FOURTH QUARTER 1994	ESTIMATED FIRST QUARTER 1995	ESTIMATED SECOND QUARTER 1995	TOTAL
OIL PRODUCTION					
(1,000 BBL)	4,357	4,342	4,265	4,332	17,296
(B/D)	47,362	47,197	47,386	47,605	
GAS PRODUCTION					
(1,000 MCF)	936	855	840	853	3,484
(MCF/D)	10,169	9,298	9,335	9,378	
WATER PRODUCTION					
(1,000 BBL)	50,354	48,637	47,341	48,079	194,411
(B/D)	547,328	528,658	526,016	528,345	
WATER INJECTION					
(1,000 BBL)	60,009	59,086	58,019	58,712	235,826
(B/D)	652,269	616,190	616,880	617,590	
OIL PRICE (\$/BBL)	\$13.80	\$13.25	\$11.50	\$11.50	
GAS PRICE (\$/MCF)	\$2.15	\$2.50	\$2.50	\$2.50	

NUMBER OF WELLS
AS OF SEPTEMBER 30, 1994

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	186	89	275
White	151	86	237
Chaffee	214	103	317
Freeman	238	70	308
Pier J (Inc. THX)	107	60	167
TOTAL	896	408	1304
Tar V	11	1	12
Ranger (All Areas)	682	322	1004
Upper & Lower Terminal VI, VII	66	33	99
Terminal (Blocks VIII, 90)	59	27	86
Union Pacific-Ford (All Areas)	74	25	99
237 (All Areas)	4	0	4
TOTAL	896	408	1304

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

OIL PRODUCTION

	<u>Average B/D</u> <u>7/1/94 - 9/30/94</u>	<u>Cumulative</u> <u>Bbls. 9/30/94</u>
Grissom	12,275	139,680,303
White	7,793	133,821,192
Chaffee	12,038	166,451,944
Freeman	11,600	220,700,185
Pier J (Inc. THX)	3,656	127,677,743
TOTAL	47,362	788,331,367
Tar V	93	1,207,182
Ranger (All Areas)	33,073	598,677,344
Upper Terminal & Lower Terminal VI,VII	5,196	63,399,761
Terminal (Blocks VIII, 90)	4,732	41,136,513
Union Pacific-Ford (All Areas)	4,268	80,051,956
237 (All Areas)	0	3,858,611
TOTAL	47,362	788,331,367

GAS PRODUCTION

	<u>Average Mcf</u> <u>7/1/94 - 9/30/94</u>	<u>Cumulative</u> <u>Mcf 9/30/94</u>
Grissom	1,291	20,184,772
White	1,400	32,956,951
Chaffee	3,256	56,336,604
Freeman	2,237	78,949,044
Pier J (Inc. THX)	1,985	22,586,848
TOTAL	10,169	211,014,219
Tar V	71	492,715
Ranger (All Areas)	7,036	133,497,338
Upper Terminal & Lower Terminal VI,VII	1,073	8,112,231
Terminal (Blocks VIII, 90)	685	12,223,854
Union Pacific-Ford (All Areas)	1,304	52,422,812
237 (All Areas)	0	4,265,269
TOTAL	10,169	211,014,219

WATER PRODUCTION

	<u>Average B/D</u> <u>7/1/94 - 9/30/94</u>	<u>Cumulative</u> <u>Bbls. 9/30/94</u>
Grissom	136,446	824,260,363
White	100,336	651,753,522
Chaffee	102,368	507,832,326
Freeman	126,648	812,776,087
Pier J (Inc. THX)	81,530	688,350,398
TOTAL	547,328	3,484,972,696
Tar V	347	5,234,103
Ranger (All Areas)	468,987	3,031,892,069
Upper Terminal & Lower Terminal VI, VII	46,522	256,251,358
Terminal (Blocks VIII, 90)	18,097	65,188,935
Union Pacific-Ford (All Areas)	13,375	123,218,341
237 (All Areas)	0	3,187,890
TOTAL	547,328	3,484,972,696

INJECTION WATER

	<u>Average B/D</u> <u>7/1/94 - 9/30/94</u>	<u>Cumulative</u> <u>Bbls. 9/30/94</u>
Grissom	184,132	1,173,469,039
White	121,706	993,363,510
Chaffee	131,360	1,049,329,540
	120,538	896,899,449
Pier J (Inc. THX)	94,533	903,020,016
TOTAL	652,269	5,016,081,554
Tar V	629	12,691,652
Ranger (All Areas)	547,126	4,329,490,873
Upper Terminal & Lower Terminal VI, VII	58,501	325,430,479
Terminal (Blocks VIII, 90)	26,960	151,021,959
Union Pacific-Ford (All Areas)	19,053	197,446,591
237 (All Areas)	0	0
TOTAL	652,269	5,016,081,554