

MINUTE ITEM

This Calendar Item No. C50
was approved as Minute Item
No. 50 by the State Lands
Commission by a vote of 3
to 0 at its May 3, 1995
meeting 5/03/95

CALENDAR ITEM
C50

A 57, 58

S 29

W 17108
Landry

APPROVE THE SECOND 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 Second Amendment of the 1994-1995 Annual Plan of Development and Operations and Budget, Long Beach Unit, providing updated economic projections and major planning assumptions. This report pertains to the information for the period July 1, 1994 through June 30, 1995. Changes in the latest approved budget of \$143,103,000 and in the distribution to the five budget categories have been proposed in a "First Modification" submitted separately. The revised economic projections are illustrated in Exhibit "A". Projected produced and injected fluids for the remaining two quarters of this Plan have been revised upward because of favorable economics for increased production opportunities.

The average oil and gas rates for the fourth quarter of 1994 were higher than originally projected and reported to be 47,290 bbls/day of oil and 10,199 mcf/day of gas. The cumulative recoveries and injection through December 1994 are as follows:

Oil Production	792,682,096 Barrels
Gas Production	211,952,553 MCF
Water Production	3,537,267,636 Barrels
Water Injection	5,078,187,184 Barrels

Cumulative Injection - Gross Production Ratio is 1.173 Bbls/Bbl.

The values in the table reflect higher oil prices than were initially forecast. The original major planning assumptions were based on an average oil price of \$11.50/bbl and an average gas price of \$2.50 per mcf. Revised forecast oil and gas prices, expenditures, and net profits for Fiscal Year 1995 have been revised and are shown in the table. The projected net increase in oil price of \$1.88/bbl and increase in oil production have resulted in an increase in projected revenue of approximately \$36,588,000. Prices are anticipated to remain above the original projection (at \$13.00 - \$13.25/bbl) for the final half of the fiscal year. In response to higher than expected oil prices, the number of active drilling rigs will be increased from one to two for the second half of the fiscal year.

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MILLION DOLLARS					
	Actual Third Quarter 1994	Actual Fourth Quarter 1994	Estimated First Quarter 1995	Estimated Second Quarter 1995	Total Fiscal Year 94-95
Oil Revenue	60.2	58.5	55.7	55.1	229.5
Gas Revenue	2.0	1.6	1.8	1.8	7.3
Expenditures	(37.3)	(33.9)	(38.5)	(40.3)	(150.1)
Net Profit	24.8	26.3	19.0	16.6	86.7
Previous	14.4	13.0	12.1	10.6	50.1
Change	+10.4	+13.3	+6.9	+6.0	+36.6
Oil Price/BBL	\$13.80	\$13.46	\$13.25	\$13.00	\$13.38
Gas Price/MCF	\$ 2.15	\$ 1.76	\$ 2.00	\$ 2.00	\$ 1.97

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

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. Fourth Quarter 1994 Financial Performance
- C. Fiscal Year 1994-95 Oil Rate Projections
- D. Letter Requesting Approval of Second 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

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14 CAL. CODE REGS. 15378.

2. APPROVE THE SECOND AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, REVISING ECONOMIC PROJECTIONS AND MAJOR PLANNING ASSUMPTIONS, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY, FOR THE PERIOD JULY 1, 1994 THROUGH JUNE 30, 1995.

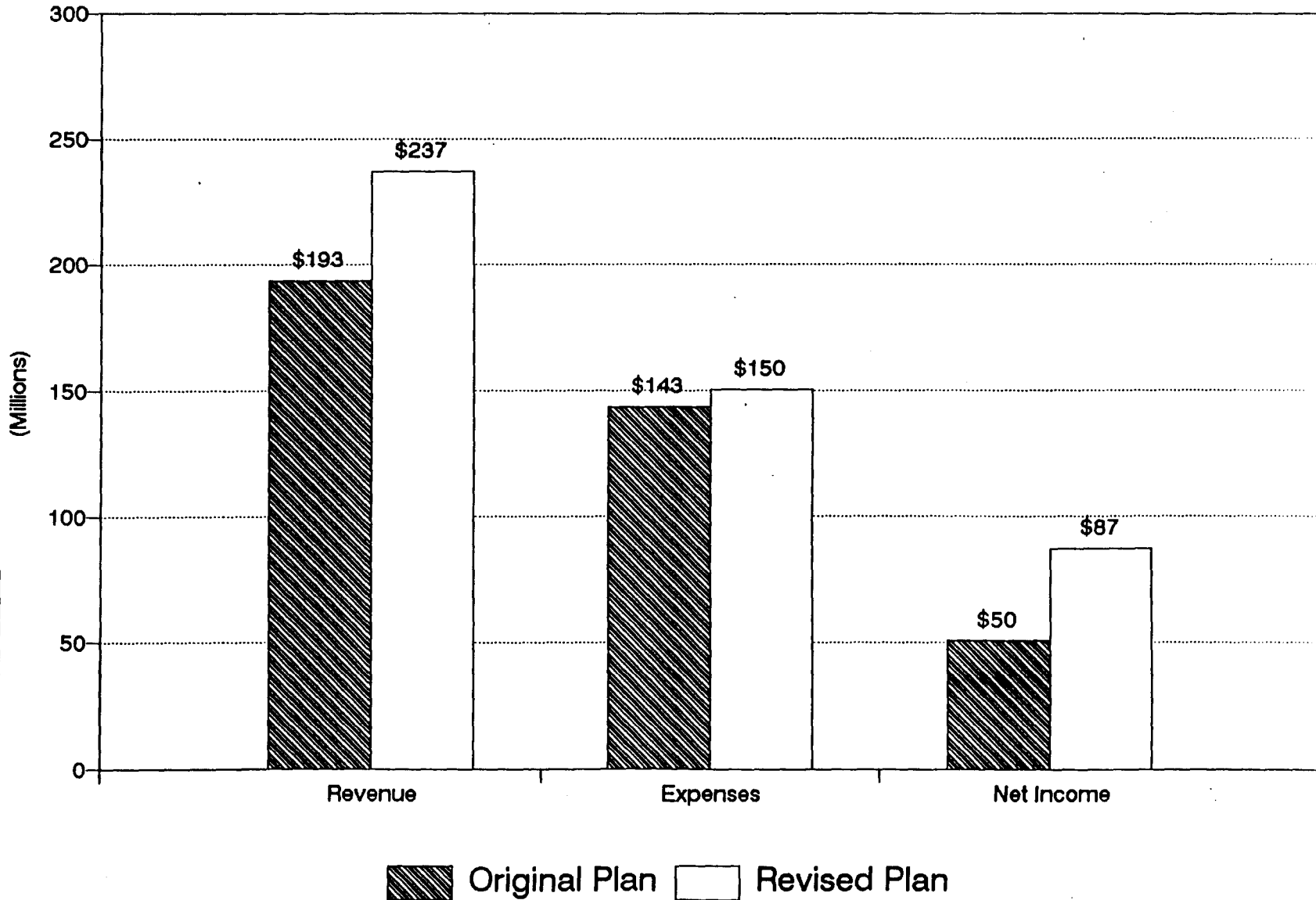
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Long Beach Unit

FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit A

Revised Jan-95



DOLLARS

(Millions)

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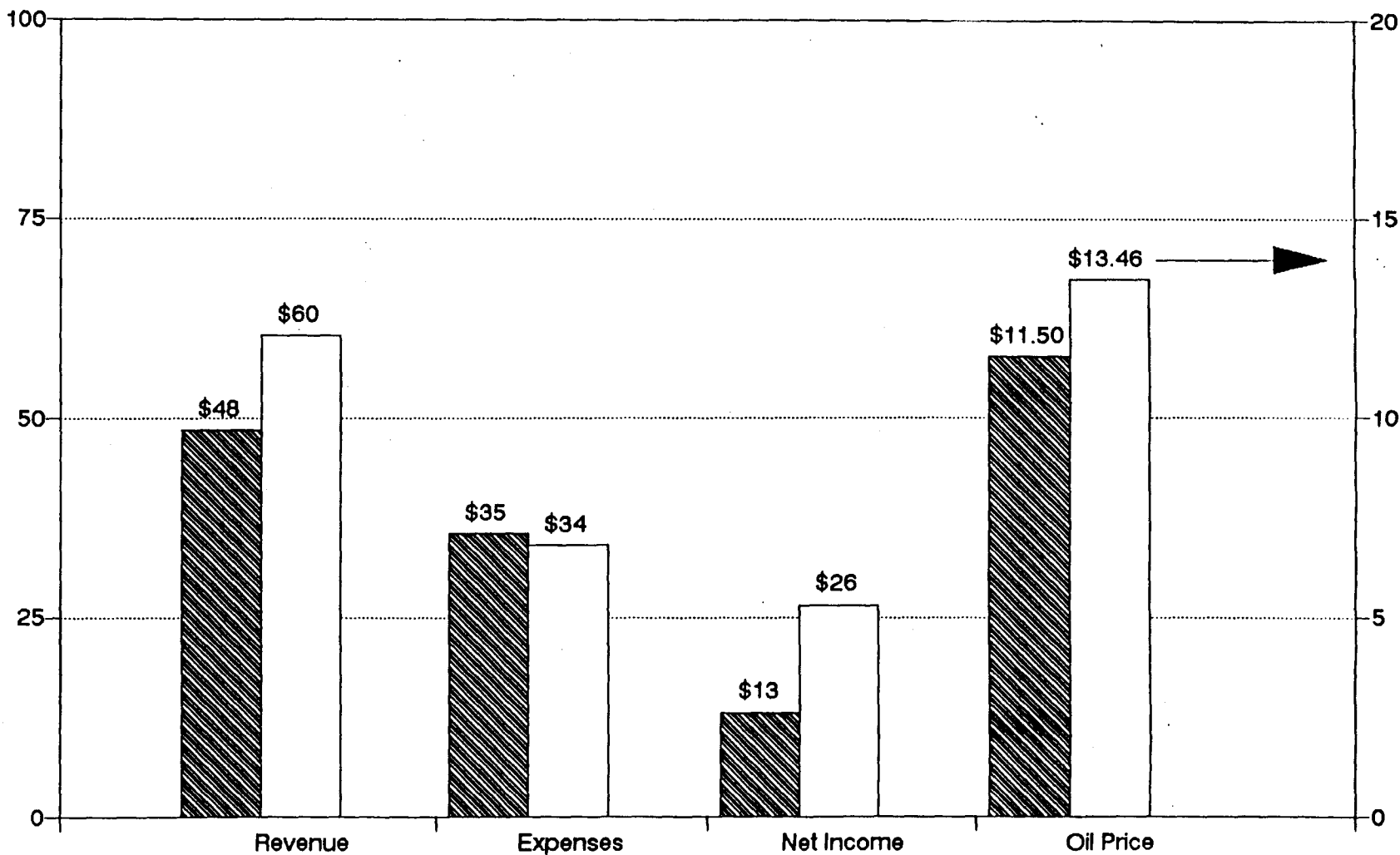
Long Beach Unit

FOURTH QUARTER 1994

Exhibit B

DOLLARS

(Millions)



DOLLARS PER BBL

Annual Plan
 Actual

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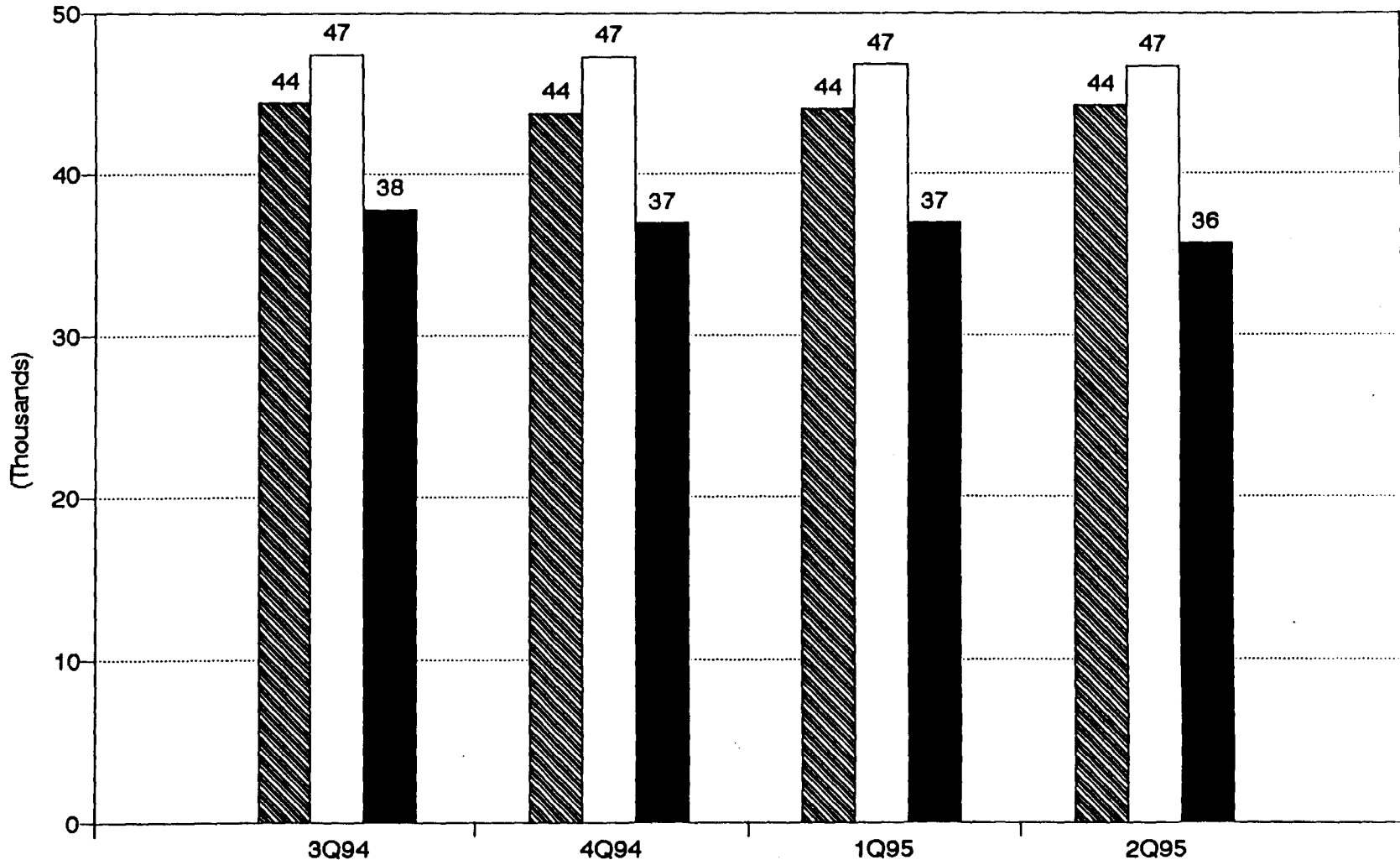
Long Beach Unit

FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit C

Revised Jan-95

Bbls/Day



Original Plan
 Revised Plan
 Base Case*

*Prediction If Optimized Waterflood Not Implementer!

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CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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

March 1, 1995

REVISED 3/14/95

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

Dear Mr. Mount:

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

This report reviews the second 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 two new producers and one new injector, and re-drilling two producers and one injector. The new producers were both completed in the Upper Terminal zone, and the new injector was completed in the Union Pacific-Ford zone.

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Highlights for drilling operations during the quarter include:

- Drilling a second well with the coiled tubing unit.
- Drilling a seventh horizontal well.

On December 31, 1994, the total number of wells was 1,307, of which 895 were producers and 412 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 \$8,268,361, or 32.0 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$20.7 million.

The Plan provides funds for a one to two drilling rig operation, with additional funding provided for purchasing major drilling rig equipment and other projects. Expenditures are as expected for a single rig operation where no major purchases or projects took place. A second drilling rig will begin operation in the last half of the fiscal period, which will result in increased expenditures.

OPERATING EXPENSE

Operations Review

The Unit's oil production rate averaged 47,290 bbls/day, which is 3,560 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 47,268 bbls/day.

The significant increase in production is attributed to better completions on new wells, increased displacement pump changes, good results from stimulations on cased hole completions, and good production response from improved pattern floods. The benefits from these practices began showing signs of weakening in December 1994. The high levels of production achieved in the first half are expected to drop throughout the second half of the fiscal period.

Gas production averaged 10,199 mcf/day, which is 1,109 mcf/day more than originally estimated. Gas shipments averaged 10,155 mcf/day.

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Water injection averaged 675,061 bbls/day, which is 58,871 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 displacement pump changes 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 \$25,913,916, or 69.2 percent, is expended. It is anticipated that expenditures in this category will exceed 120 percent of budget; therefore, a Plan modification requesting approval to overexpend will be submitted. Expenditures in this category through the end of the fiscal period are estimated at \$49.5 million.

Actual expenditures were higher than planned due to the following:

- The first two quarters' higher oil prices resulted in favorable economics on well work, some of which had been deferred in the last half of fiscal year 1994. consequently, 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 \$13,822,917, or 49.1 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$28.1 million.

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

- Replacement of water injection totalizer systems;
- Installation of a Unit gas compression facility;
- Installation of a fresh water oxygen scrubber system at Pier J;
- Installation of a 3,000 bbl surge tank at the J-2 site;

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- Electrical upgrades at the J-5 site;
- Modification of the skim basin covers at the J-2 site;
- Removal of underground fuel tanks at Pier G;
- Replacement of Automatic Well Test controllers and connection to VAX;
- Oil spill training exercise;
- Permitting for a cogeneration plant;
- Relocation of product pipelines to accommodate the Long Beach Harbor Department's port expansion;
- Fund installation of an oxidizer and odor control system at the Lomita Gas Plant;
- Repair and routine maintenance of oil treating vessels; and
- Repair and routine maintenance to water injection pumps and motors.

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 \$15,784,151, or 43.4 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$36.4 million.

It is expected that expenditures in this category will increase throughout the fiscal period because of additional funding to the Unit's Pension Plan, purchases of computer hardware, 3-D seismic survey costs, and costs associated with possible office space changes.

The Unit Field Labor and Administrative category had no significant project expenditures in the second quarter.

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 \$7,430,414, of 48.6 percent is expended. Expenditures in the category through the end of the fiscal period are estimated at \$15.3 million.

SUMMARY

The Unit has a budget of \$143,103,000, of which \$71,219,768, or 49.8 percent, was expended through December 31, 1994. The latest estimate of expenditures for the Plan period through June 30, 1995 is \$150.1 million. Approval to modify the budget will be requested early in the second half of the Plan period. The modification will transfer funds

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between Plan categories and increase overall funding for Unit operations to the latest estimate of \$150.1 million.

Total Unit income of \$51.1 million through the second quarter of the Plan period was \$23.7 million higher than originally estimated. The increase is attributed to higher than planned oil prices, and greater than planned oil and gas production volumes.

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

FIN 312.003

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A. Economic Projections

(Data in Thousands of Dollars)

	ACTUAL THIRD QUARTER 1994	BUDGET THIRD QUARTER 1994	ACTUAL FOURTH QUARTER 1994	BUDGET FOURTH QUARTER 1994	ESTIMATED FIRST QUARTER 1995 *	BUDGET FIRST QUARTER 1995	ESTIMATED SECOND QUARTER 1995 *	BUDGET SECOND QUARTER 1995	TOTAL ESTIMATED EXPENDITURES	TOTAL BUDGETED
ESTIMATED REVENUE										
Oil Revenue	\$60,167	\$46,954	\$58,533	\$46,266	\$55,690	\$45,478	\$55,128	\$46,224	\$229,518	\$184,922
Gas Revenue	2,004	2,109	1,647	2,091	1,807	2,050	1,823	2,075	\$7,282	8,324
TOTAL REVENUE	\$62,172	\$49,063	\$60,181	\$48,357	\$57,497	\$47,528	\$56,951	\$48,299	\$236,801	\$193,247
ESTIMATED EXPENDITURES										
Development Drilling	\$4,025	\$4,747	\$4,244	\$4,961	\$5,258	\$7,826	\$7,206	\$8,299	\$20,732	\$25,833
Operating Expense	14,206	10,783	11,708	9,335	11,812	8,697	11,812	8,657	\$49,538	37,472
Other Plant	6,399	7,013	7,424	7,259	7,200	7,019	7,112	6,844	\$28,135	28,135
Unit Field Labor & Administrative	8,324	9,074	7,460	9,074	10,303	9,120	10,302	9,121	\$36,389	36,389
Taxes, Permits & Admin Overhead	4,378	3,034	3,053	4,706	3,921	2,736	3,923	4,798	\$15,274	15,274
TOTAL EXPENDITURES	\$37,332	\$34,651	\$33,888	\$35,335	\$38,494	\$35,398	\$40,355	\$37,719	\$150,069	\$143,103
NET PROFIT	\$24,840	\$14,412	\$26,292	\$13,022	\$19,003	\$12,130	\$16,596	\$10,580	\$86,732	\$50,144

Estimates Revised 1-31-95

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B. Major Planning Assumptions

(Data in Thousands of Dollars)

	ACTUAL THIRD QUARTER 1994	BUDGET THIRD QUARTER 1994	ACTUAL FOURTH QUARTER 1994	BUDGET FOURTH QUARTER 1994	ESTIMATED FIRST QUARTER 1995 *	BUDGET FIRST QUARTER 1995 *	ESTIMATED SECOND QUARTER 1995 *	BUDGET SECOND QUARTER 1995 *	TOTAL ESTIMATED VOLUMES	TOTAL BUDGET
OIL PRODUCTION										
(1,000 BBL)	4,357	4,083	4,351	4,023	4,203	3,955	4,241	4,019	17,152	16,080
(B/D)	47,362	44,380	47,290	43,730	46,700	43,940	46,600	44,170		
GAS PRODUCTION										
(1,000 MCF)	936	844	938	836	904	820	912	830	3,689	3,330
(MCF/D)	10,169	9,170	10,199	9,090	10,041	9,110	10,019	9,120		
WATER PRODUCTION										
(1,000 BBL)	50,354	46,062	52,295	46,168	51,417	45,188	52,088	45,715	206,154	183,133
(B/D)	547,328	500,670	568,423	501,830	571,300	502,090	572,400	502,360		
WATER INJECTION										
(1,000 BBL)	60,009	56,549	62,106	56,689	62,370	55,519	63,154	56,201	247,638	224,958
(B/D)	652,269	614,660	675,061	616,190	693,000	616,880	694,000	617,590		
OIL PRICE (\$/BBL)	\$13.80	\$11.50	\$13.46	\$11.50	\$13.25	\$11.50	\$13.00	\$11.50		
GAS PRICE (\$/MCF)	\$2.15	\$2.50	\$1.76	\$2.50	\$2.00	\$2.50	\$2.00	\$2.50		

* Estimates Revised 1-31-95

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SALINITY PAGE

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NUMBER OF WELLS
AS OF DECEMBER 31, 1994

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	187	89	276
White	151	86	237
Chaffee	214	104	318
Freeman	236	73	309
Pier J (Inc. THX)	107	60	167
TOTAL	895	412	1,307
Tar V	11	2	13
Ranger (All Areas)	679	323	1,002
Upper & Lower Terminal VI, VII	68	34	102
Terminal (Blocks VIII, 90)	59	27	86
Union Pacific-Ford (All Areas)	74	26	100
237 (All Areas)	4	0	4
TOTAL	895	412	1,307

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

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OIL PRODUCTION

	<u>Average B/D</u> <u>10/1/94 - 12/31/94</u>	<u>Cumulative</u> <u>Bbls. 12/31/94</u>
Grissom	12,825	140,860,210
White	8,067	134,563,312
Chaffee	11,959	167,552,189
Freeman	10,807	221,694,462
Pier J (Inc. THX)	3,632	128,011,923
TOTAL	47,290	792,682,096
Tar V	158	1,221,747
Ranger (All Areas)	33,015	601,714,684
Upper Terminal & Lower Terminal VI, VII	5,581	63,913,209
Terminal (Blocks VIII, 90)	4,465	41,547,356
Union Pacific-Ford (All Areas)	4,071	80,426,489
237 (All Areas)	0	3,858,611
TOTAL	47,290	792,682,096

GAS PRODUCTION

	<u>Average Mcf</u> <u>10/1/94 - 12/31/94</u>	<u>Cumulative</u> <u>Mcf 12/31/94</u>
Grissom	1,459	20,318,970
White	1,714	33,114,595
Chaffee	2,235	56,542,299
Freeman	2,515	79,180,435
Pier J (Inc. THX)	2,276	22,796,254
TOTAL	10,199	211,952,553
Tar V	127	504,426
Ranger (All Areas)	7,090	134,149,594
Upper Terminal & Lower Terminal VI, VII	1,185	8,221,237
Terminal (Blocks VIII, 90)	684	12,286,813
Union Pacific-Ford (All Areas)	1,113	52,525,214
237 (All Areas)	0	4,265,269
TOTAL	10,199	211,952,553

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WATER PRODUCTION

	<u>Average B/D</u> <u>10/1/94 - 12/31/94</u>	<u>Cumulative</u> <u>Bbls. 12/31/94</u>
Grissom	141,927	837,317,608
White	106,674	661,567,516
Chaffee	107,644	517,735,528
Freeman	131,485	824,872,770
Pier J (Inc. THX)	80,693	695,774,214
TOTAL	568,423	3,537,267,636
Tar V	400	5,270,902
Ranger (All Areas)	485,044	3,076,516,099
Upper Terminal & Lower Terminal VI, VII	50,020	260,853,182
Terminal (Blocks VIII, 90)	19,348	66,968,946
Union Pacific-Ford (All Areas)	13,611	124,470,617
237 (All Areas)	0	3,187,890
TOTAL	568,423	3,537,267,636

INJECTION WATER

	<u>Average B/D</u> <u>10/1/94 - 12/31/94</u>	<u>Cumulative</u> <u>Bbls. 12/31/94</u>
Grissom	184,350	1,190,429,212
White	126,999	1,005,047,409
Chaffee	135,687	1,061,812,816
	131,135	908,963,862
Pier J (Inc. THX)	96,890	911,933,885
TOTAL	675,061	5,078,187,184
Tar V	1,729	12,850,697
Ranger (All Areas)	566,458	4,381,605,023
Upper Terminal & Lower Terminal VI, VII	58,063	330,772,311
Terminal (Blocks VIII, 90)	27,543	153,555,869
Union Pacific-Ford (All Areas)	21,268	199,403,284
237 (All Areas)	0	0
TOTAL	675,061	5,078,187,184