

**MINUTE ITEM**

This Calendar Item No. C86 was approved as Minute Item No. 86 by the California State Lands Commission by a vote of 5 to 0 at its 2/27/98 meeting.

**CALENDAR ITEM  
C86**

A 57, 58

02/27/98

S 29

W 17114

D. Yuen

**CONSIDER APPROVAL OF THE FIRST AMENDMENT OF THE FY 1997-98 ANNUAL PLAN, 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 FY 1997-98 Annual Plan, Long Beach Unit, covering the period July 1, 1997 through June 30, 1998, revising economic projections and major planning assumptions. This report provides the actual performance for the First Quarter of Fiscal Year 1997-98 and revised projections for the remaining quarters of the Fiscal Year. There were no changes to the latest approved budget of \$191,500,000 or to the distribution to the five budget categories. The revised economic projections are illustrated in Exhibits A and B, attached hereto. Revisions to oil production projections are illustrated in Exhibit C, attached hereto.

The average oil and gas rates for the First Quarter of the 1997-98 Fiscal Year were reported to be 43,598 bbls/day of oil (388 bbls/day less than originally estimated) and 9,276 mcf/day of gas (479 mcf/day more than forecast). The slightly lower than planned oil rate is primarily due to delays in drilling and completing new wells. The cumulative recoveries and injection through September 1997 are as follows:

Oil Production	836,307,182	Barrels
Gas Production	220,834,738	Mcf
Water Production	4,092,005,620	Barrels
Water Injection	5,739,598,663	Barrels

Cumulative Injection - Gross Production Ratio is 1.165 Bbls/Bbl.

The revised economic projections reflect the net combined effects of higher oil prices and higher levels of investment. These factors nearly offset each other, leaving net

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**CALENDAR ITEM NO. C86 (CONT'D)**

profit levels essentially unchanged. Original major planning assumptions were based on an average oil price of \$13.00/bbl and an average gas price of \$1.75/mcf, but actual prices for the First Quarter were \$14.99/bbl and \$2.25/mcf. The additional revenues generated by these higher prices were reinvested into the field. First Quarter net profits were \$11.0 Million, which is \$1.5 Million less than originally forecasted. Revised oil and gas prices, expenditures, and net profits for Fiscal Year 1997-98 are shown in the table below. Two drilling rigs are expected to remain active for the entire fiscal year.

MILLION DOLLARS					
TOTAL	ACTUAL FIRST QUARTER FY 97-98	ESTIMATED SECOND QUARTER FY 97-98	ESTIMATED THIRD QUARTER FY 97-98	ESTIMATED FOURTH QUARTER FY 97-98	FISCAL YEAR 97-98
Oil Revenue	60.1	60.2	60.3	61.3	241.9
Gas Revenue	1.9	1.7	1.8	1.8	7.2
Expenditures	51.0	48.3	47.1	45.1	191.5
Net Profit	11.0	13.7	14.9	18.0	57.6
Original	12.5	15.0	14.8	15.4	57.8
Change	-1.5	-1.3	+0.1	+2.6	-0.2
Oil Price/BBL	\$14.99	\$15.50	\$15.50	\$15.50	\$15.37
Gas Price/MCF	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25

Commission 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 graphically the changes covered in this amendment.

**OTHER PERTINENT INFORMATION**

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

**CALENDAR ITEM NO. C86 (CONT'D)**

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

**EXHIBITS:**

- A. Fiscal Year 1997-98 Financial Projections
- B. First Quarter Fiscal Year 1997-98 Financial Performance
- C. Fiscal Year 1997-98 Oil Rate Projections
- D. Letter Requesting Approval of First Amendment of the Annual Plan, Long Beach Unit, (July 1, 1997 - June 30, 1998)

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**IT IS RECOMMENDED THAT THE COMMISSION:**

**CEQA FINDING:**

FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15378.

**AUTHORIZATION:**

APPROVE THE FIRST AMENDMENT OF THE LONG BEACH UNIT ANNUAL PLAN, REVISING ECONOMIC PROJECTIONS AND MAJOR PLANNING ASSUMPTIONS, FOR THE PERIOD JULY 1, 1997 THROUGH JUNE 30, 1998.

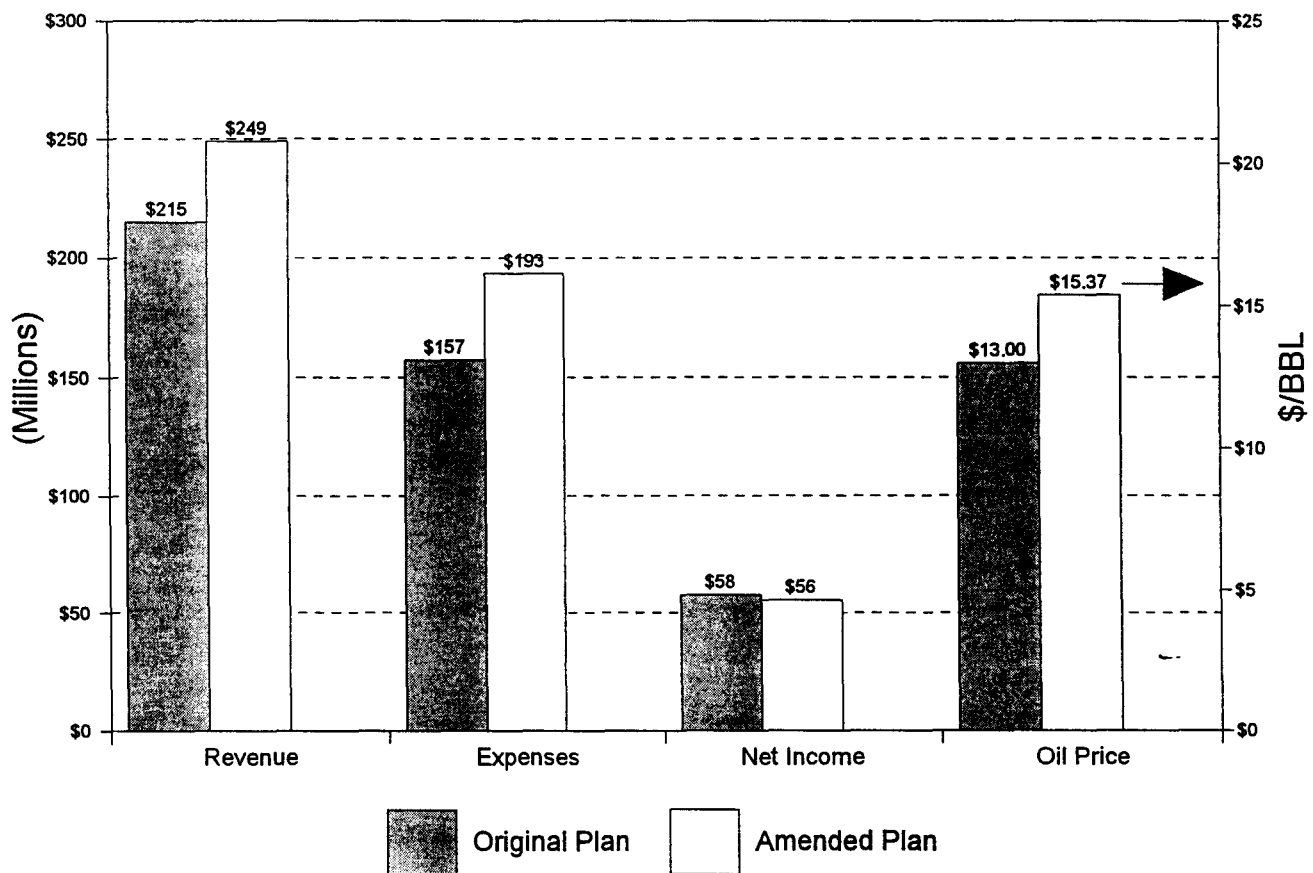
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# LBU FINANCIAL PERFORMANCE

## FISCAL YEAR 1997-98 ANNUAL PLAN

Exhibit A

Revised Dec-97

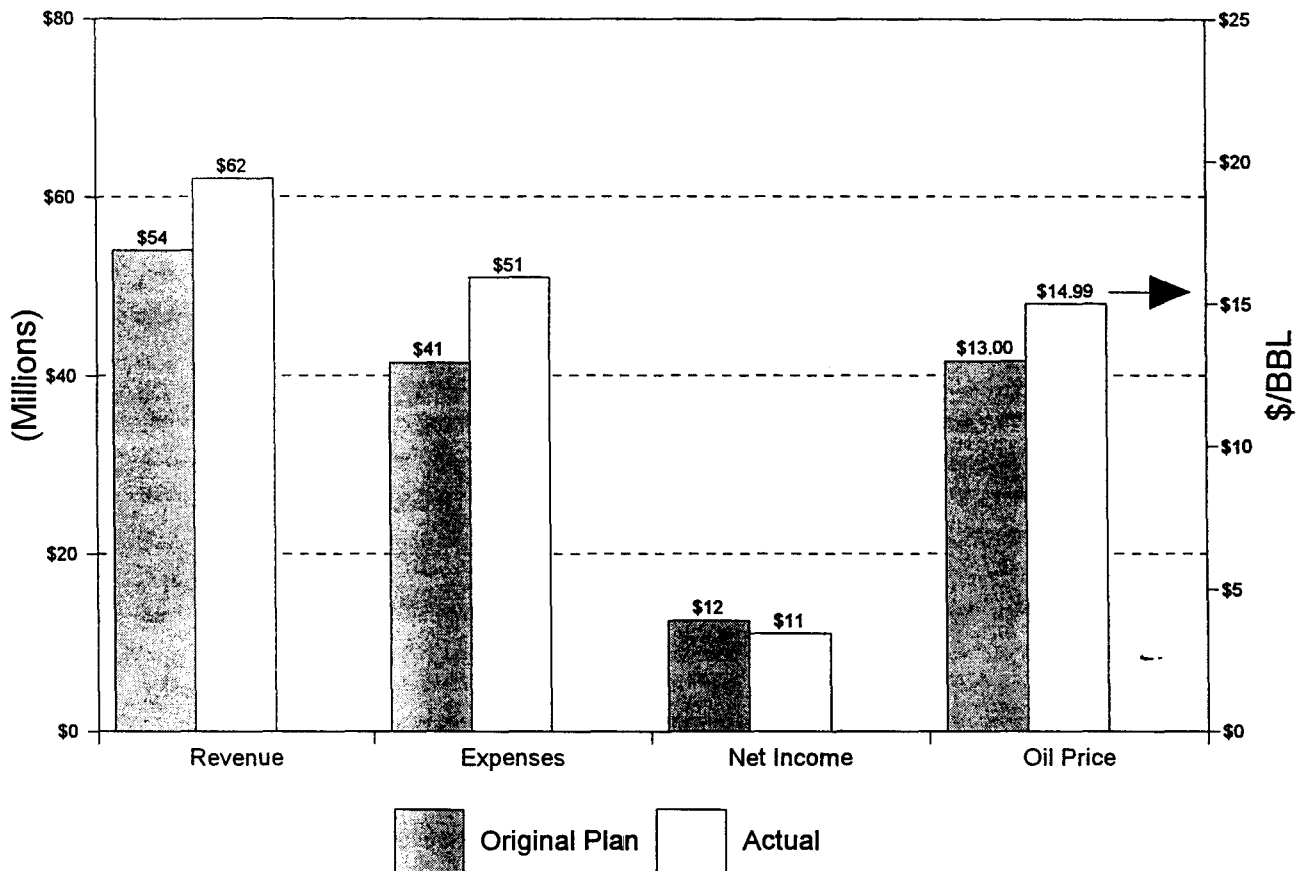


# LBU FINANCIAL PERFORMANCE

## FIRST QUARTER FY1997-98

Exhibit B

Revised Dec-97

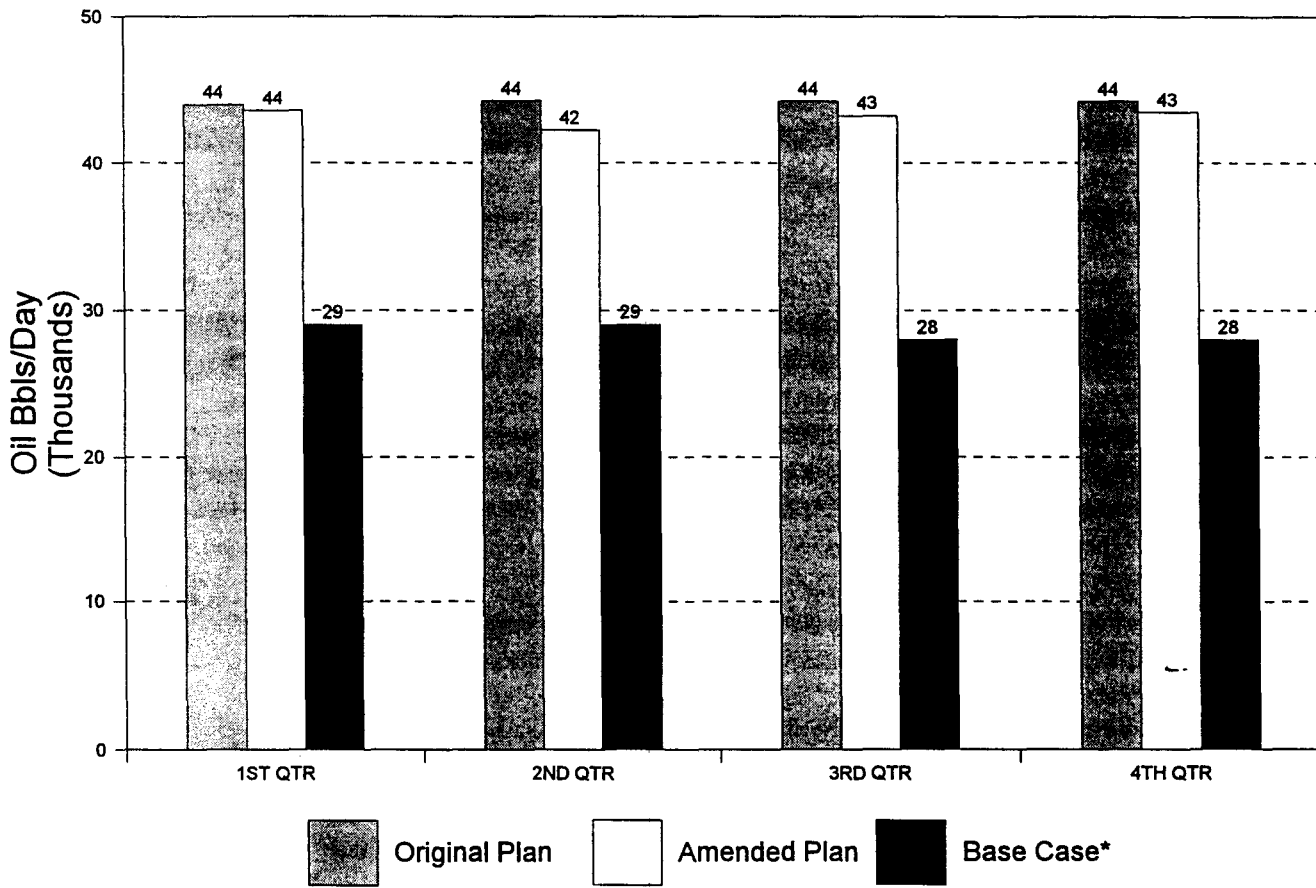


# LBU OIL RATE PERFORMANCE

## FISCAL YEAR 1997-98 ANNUAL PLAN

Exhibit C

Revised Dec-97



\*Prediction if Optimized Waterflood Not Implemented

**CITY OF LONG BEACH**

DEPARTMENT OF OIL PROPERTIES

211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • (562) 570-3900 • FAX 570-3922

November 13, 1997

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

Subject: **REQUEST FOR APPROVAL OF THE FIRST AMENDMENT OF THE  
ANNUAL PLAN, LONG BEACH UNIT  
(JULY 1, 1997 THROUGH JUNE 30, 1998)**

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, 1997 through June 30, 1998.

This report reviews first quarter operations and includes 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, as well as 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**

The Development Drilling category provides funding for all drilling and re-drilling activity, as well as maintenance and replacements for drilling equipment within the Unit.

**Operations Review**

Highlights for drilling operations during the quarter include:

- Two drilling rigs were operated throughout the quarter.
- Six wells were completed in the period. Three producers and one injector were completed in the Ranger zone; one producer was completed in the Terminal zone; and one producer was completed in the Union Pacific Ford zone.

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On September 30, 1997, the total number of wells was 1,331, of which 875 were producers and 456 were injectors. Excluded from these totals are 32 abandoned wells, 9 of which are producers and 23 are injectors.

### **Budget to Actual Variance**

The Development Drilling category had an original budget of \$23,100,000, of which \$9,260,000, or 40.1 percent, is expended. This Plan provided funds for approximately 35 new and redrilled wells.

The latest estimate for expenditures in this category through the end of the fiscal period is \$39.2 million. A Plan Modification requesting approval to spend at this level was submitted to and approved by the State Lands Commission on November 7, 1997 as required by Part IV, Section B of the Annual Plan. The increased spending level anticipates that 48 wells will be drilled. This will be accomplished by operating two rigs for the entire fiscal period.

## **OPERATING EXPENSE**

The Operating Expense category provided funding for the ongoing cost of day-to-day well production and injection operations necessary for producing, processing, and delivering crude oil and gas, and for all electric power costs.

### **Operations Review**

During the first quarter the Unit oil production rate averaged 43,598 bbls/day, which was 388 bbls/day less than originally projected; and gas production averaged 9,276 mcf/day, which was 479 mcf/day more than originally projected in the Major Planning Assumptions section of the Annual Plan.

Water injection averaged 680,998 bbls/day, which was 7,039 bbls/day less than originally projected in the Major Planning Assumptions section of the Annual Plan. Water production averaged 565,904 bbls/day, which is 19,299 bbls/day less than originally projected.

Production and injection volumes during the Plan period were lower than projected in the Annual Plan and below expected ranges in the Program Plan. These lower volumes are a result of: 1) the pace of new completions is lagging the forecast by about one month; and 2) actual wells drilled and completed were less than budgeted.



### **Budget to Actual Variance**

The Operating Expense category had an original budget of \$56,900,000, of which \$17,721,000, or 31.1 percent, is expended. The latest estimate for expenditures in this category through the end of the fiscal period is \$61.7 million. A Plan Modification requesting approval to spend at this level was submitted and approved November 7, 1997. The higher spending level is primarily related to an increase in investment type wellwork activity, e.g., fracturing, profile modifications, recompletions, and well type conversions.

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

### **OTHER PLANT**

The Other 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 quarter include the following:

- Skim basin vapor recovery upgrade
- Gas liquids removal facility
- Seismic upgrades

### **Budget to Actual Variance**

The Other Plant category had an original budget of \$29,000,000, of which \$8,250,000, or 28.5 percent, is expended. The latest estimate for expenditures in this category through the end of the fiscal period is \$34.8 million. A Plan Modification requesting approval to spend at this level was submitted and approved November 7, 1997. The higher spending level is a result of increased warehousing, marine transportation, and purchased injector water costs. These categories' higher spending level is being driven by increased drilling and wellwork activity. Additionally, the higher spending level is a result of increases in major surface projects and a subsea pipeline survey.

### **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, general office equipment and materials, Unit Operator billable costs, ARCO 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 an original budget of \$34,200,000, of which \$10,172,000, or 29.7 percent, is expended. It is anticipated that expenditures in this category will exceed this budget. The latest estimate for expenditures in this category through the end of the fiscal period is \$35.7 million. A Plan Modification requesting approval to spend at this level was submitted and approved November 7, 1997.

The Unit Field Labor and Administrative category had significant project expenditures during the quarter for 3-D seismic interpretation, personal computers, reservoir studies, and an oil spill drill.

### **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 an original budget of \$14,200,000, of which \$5,577,000, or 39.3 percent, is expended. Fiscal year expenditures for this category are now estimated at \$20.1 million. A Plan Modification requesting approval to spend at this level was submitted and approved on November 7, 1997. The increased spending level is a result of a significantly higher tax assessment by the Los Angeles County Tax Assessor for Mining Rights and Improvements and Personal Property Taxes, which has been appealed.

### **SUMMARY**

The Unit had an original budget of \$157,400,000, of which \$50,979,000, or 32.4 percent, was expended through September 30, 1997. The latest estimate for expenditures through June 30, 1998 is \$191.5 million. A Plan Modification was submitted and approved November 7, 1997 to spend at this higher level.

First quarter profit of \$11.0 million is \$1.5 million less than originally estimated. Less than anticipated first quarter profit is attributed to higher spending.

P. B. Mount II  
November 13, 1997  
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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

Attachments

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**B. Economic Projections**

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY97/98	MOD BDGT FIRST QUARTER FY97/98	MOD BDGT SECOND QUARTER FY97/98	MOD BDGT THIRD QUARTER FY97/98	MOD BDGT FOURTH QUARTER FY97/98	MODIFIED TOTAL BUDGET FY97/98	TREND TOTAL FISCAL YEAR FY97/98	% TREND Over/(Under) MODIFIED BUDGET
<b>ESTIMATED REVENUE</b>								
Oil Revenue	\$60,120	\$60,046	\$60,218	\$60,295	\$61,272	\$241,830	\$241,904	0.03%
Gas Revenue	1,886	1,743	1,748	1,751	1,779	7,021	7,164	2.03%
<b>TOTAL REVENUE</b>	<b>\$62,006</b>	<b>\$61,789</b>	<b>\$61,966</b>	<b>\$62,046</b>	<b>\$63,050</b>	<b>\$248,851</b>	<b>\$249,068</b>	<b>0.09%</b>
<b>ESTIMATED EXPENDITURES</b>								
Development Drilling	\$9,260	\$10,585	\$9,115	\$9,380	\$10,120	\$39,200	\$37,875	-3.38%
Operating Expense	17,721	15,998	16,182	14,538	14,982	61,700	63,423	2.79%
Other Plant	8,250	7,773	9,444	9,074	8,509	34,800	35,277	1.37%
Unit Field Labor & Administrative	10,172	9,260	8,850	8,890	8,700	35,700	36,612	2.55%
Taxes, Permits & Admin Overhead	5,577	5,445	4,720	5,215	4,720	20,100	20,232	0.66%
<b>TOTAL EXPENDITURES</b>	<b>\$50,979</b>	<b>\$49,061</b>	<b>\$48,311</b>	<b>\$47,097</b>	<b>\$47,031</b>	<b>\$191,500</b>	<b>\$193,418</b>	<b>1.00%</b>
<b>NET PROFIT</b>	<b>\$11,027</b>	<b>\$12,728</b>	<b>\$13,655</b>	<b>\$14,949</b>	<b>\$16,019</b>	<b>\$57,351</b>	<b>\$55,650</b>	<b>-2.97%</b>

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**C. Major Planning Assumptions**

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY97/98	MOD BDGT FIRST QUARTER FY97/98	MOD BDGT SECOND QUARTER FY97/98	MOD BDGT THIRD QUARTER FY97/98	MOD BDGT FOURTH QUARTER FY97/98	MODIFIED TOTAL BUDGET FY97/98	TREND TOTAL FISCAL YEAR FY97/98	% TREND Over/(Under) MODIFIED BUDGET
<b>OIL</b>								
ACTUAL SHIPPED (1,000 BBL)	4,012						4,012	
PRODUCED (1,000 BBL)	4,011	3,874	3,885	3,890	3,953	15,602	15,739	
(B/D)	43,598	42,109	42,228	43,222	43,440	42,745	43,121	0.88%
<b>GAS</b>								
ACTUAL SHIPPED (1,000 MCF)	839							
PRODUCED (1,000 MCF)	853	775	777	778	791	3,120	3,199	
(MCF/D)	9,276	8,422	8,446	8,644	8,688	8,548	8,763	2.52%
<b>WATER PRODUCTION</b>								
(1,000 BBL)	52,063	51,524	51,671	51,737	52,575	207,507	208,045	
(B/D)	565,904	560,046	561,636	574,856	577,746	568,511	569,987	0.26%
<b>WATER INJECTION</b>								
(1,000 BBL)	62,652	63,193	63,810	62,645	63,490	253,138	252,597	
(B/D)	680,998	686,880	693,587	696,056	697,692	693,529	692,047	-0.21%
<b>OIL PRICE (\$/BBL)</b>	\$14.99	\$15.50	\$15.50	\$15.50	\$15.50	\$15.50	\$15.37	-0.84%
<b>GAS PRICE (\$/MCF)</b>	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25	0.00%

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## NUMBER OF WELLS

As of September 30, 1997

Location	Producers	Injectors	Total
Grissom	188	93	281
White	149	91	240
Chaffee	213	115	328
Freeman	221	95	316
Pier J (Inc. THX)	104	62	166
<b>Total</b>	<b>875</b>	<b>456</b>	<b>1331</b>
Tar V	11	2	13
Ranger (All Areas)	660	357	1017
Upper & Lower Terminal VI, VII	66	34	100
Terminal (Blocks VIII, 90)	60	34	94
Union Pacific-Ford (All Areas)	75	29	104
237 (All Areas)	3	0	3
<b>Total</b>	<b>875</b>	<b>456</b>	<b>1331</b>

(Figures exclude 9 abandoned producers and 23 abandoned injectors)

## PRODUCTION - OIL

	Average B/D 7/1/97 - 9/30/97	Cumulative Bbls. 9/30/97
Grissom	10035	150797566.
White	8246	142579245.
Chaffee	10994	178429405.
Freeman	10734	232490827.
Pier J (Inc. THX)	3589	132010139.
TOTAL	43598	836307182.
Tar V	66	1365711.
Ranger (All Areas)	28442	631187660.
Upper Terminal & Lower Terminal VI,VII	5138	69037499.
Terminal (Blocks VIII,90)	3793	45789933.
Union Pacific-Ford (All Areas)	6159	85067768.
237 (All Areas)	0	3858611.
TOTAL	43598	836307182.

## PRODUCTION - GAS

	Average B/D 7/1/97 - 9/30/97	Cumulative Bbls. 9/30/97
Grissom	1390	21264948.
White	1428	35214484.
Chaffee	2561	58709142.
Freeman	2958	81709276.
Pier J (Inc. THX)	938	23936888.
TOTAL	9275	220834738.
Tar V	52	577153.
Ranger (All Areas)	5768	140114157.
Upper Terminal & Lower Terminal VI,VII	1028	9239445.
Terminal (Blocks VIII,90)	1065	13041616.
Union Pacific-Ford (All Areas)	1362	53597098.
237 (All Areas)	0	4265269.
TOTAL	9275	220834738.

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## PRODUCTION - WATER

	Average B/D 7/1/97 - 9/30/97	Cumulative Bbls. 9/30/97
Grissom	137250	971923370.
White	114128	771014594.
Chaffee	97675	619508021.
Freeman	134708	954772435.
Pier J (Inc. THX)	82144	774787200.
TOTAL	565905	4092005620.
Tar V	595	5934780.
Ranger (All Areas)	467576	3538954189.
Upper Terminal & Lower Terminal VI,VII	53590	311905487.
Terminal (Blocks VIII,90)	22591	89066652.
Union Pacific-Ford (All Areas)	21553	142956622.
237 (All Areas)	0	3187890.
TOTAL	565905	4092005620.

## INJECTION WATER

	Average B/D 7/1/97 - 9/30/97	Cumulative Bbls. 9/30/97
Grissom	164816	1360488231.
White	128015	1132878034.
Chaffee	138751	1191965030.
Freeman	154528	1054405082.
Pier J (Inc. THX)	94888	966198999.
TOTAL	680998	5705935376.
Tar V	1791	14495424.
Ranger (All Areas)	551207	4921017583.
Upper Terminal & Lower Terminal VI,VII	58559	389819719.
Terminal (Blocks VIII,90)	36064	186627982.
Union Pacific-Ford (All Areas)	33377	227637955.
237 (All Areas)	0	0.
TOTAL	680998	5739598663.

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