

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 4/6/94 meeting.

CALENDAR ITEM

C50

A 57, 58
S 29

04/06/94
W 17107
Landry

APPROVE THE SECOND AMENDMENT OF THE 1993-1994 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 1993-1994 Annual Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1993 through June 30, 1994, providing updated economic projections and major planning assumptions. This report provides the actual performance for the fourth quarter of 1993 and revised projections for the remainder of the fiscal year. There were no changes in the latest approved budget of \$168,700,000 or to the distribution of the five budget categories. The revised economic projection is illustrated in Exhibit A. The projected produced and injected fluids for the remaining quarters of this plan have changed and (with the exception of gas) have been revised upward.

The average oil and gas rates for the fourth quarter of 1993 were reported to be 44,832 bbls/day of oil (632 bbls/day more than originally estimated) and 8,888 mcf/day of gas (212 mcf/day less than forecast). The cumulative recoveries and injection through December 1993 are as follows:

Oil Production	775,667,638 Barrels
Gas Production	208,384,912 MCF
Water Production	3,342,728,185 Barrels
Water Injection	4,843,841,857 Barrels

Cumulative Injection - Gross Production Ratio is 1.176 Bbls/Bbl.

The economic values reflect lower oil prices than initially were forecast. 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. Forecast oil and gas prices, expenditures, and net profits for Fiscal Year 1994 have been revised and are shown below. The net decrease in oil and gas prices of \$2.48/bbl results in a decrease in projected revenue of approximately \$40,469,000. Prices are anticipated to remain below the original

projection for the	366
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final half of the fiscal year. The First Amendment reported a reduction in active drilling rigs from three to one, which will remain unchanged for the remainder of the fiscal year.

MILLION DOLLARS					
	Actual Third Quarter 1993	Actual Fourth Quarter 1993	Estimated First Quarter 1994	Estimated Second Quarter 1994	Total Fiscal Year 93-94
Oil Revenue	49.7	44.9	42.2	45.0	181.8
Gas Revenue	2.0	2.2	2.0	2.1	8.3
Expenditures	(38.2)	(46.1)	(36.4)	(35.7)	(156.4)
Net Profit	13.5	1.0	7.8	11.4	33.8
Previous	16.5	14.6	15.9	15.0	61.9
Change	(3.0)	(13.6)	(8.1)	(3.6)	(28.1)
Oil Price/BBL	\$12.16	\$10.86	\$10.50	\$11.00	\$11.13
Gas Price/MCF	\$ 2.49	\$ 2.70	\$ 2.50	\$ 2.50	\$ 2.53

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

AB 884:
N/A

OTHER PERTINENT INFORMATION:

- 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:

- Fiscal Year 1993-94 Financial Projections
- Fourth Quarter 1993 Financial Performance
- Letter Requesting Approval of Second Amendment of the Annual Plan of Development and Operations and Budget

CALENDAR ITEM NO. C50 (CONT'D)

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 SECOND AMENDMENT OF THE ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1993 THROUGH JUNE 30, 1994.

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Long Beach Unit

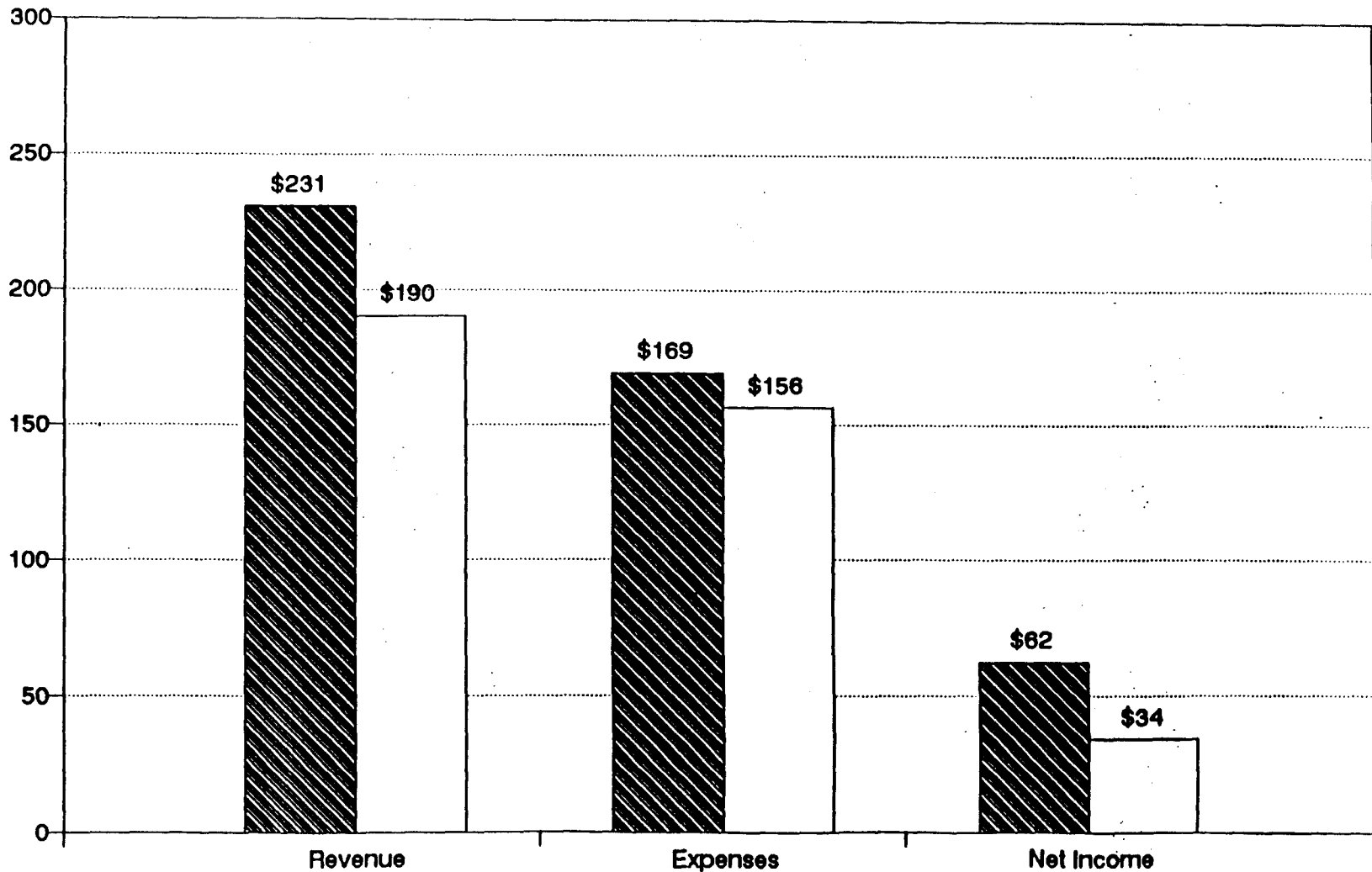
FISCAL YEAR 1993-94 ANNUAL PLAN

Exhibit A

Revised Mar-94

DOLLARS

(Millions)



Original Plan Revised Plan

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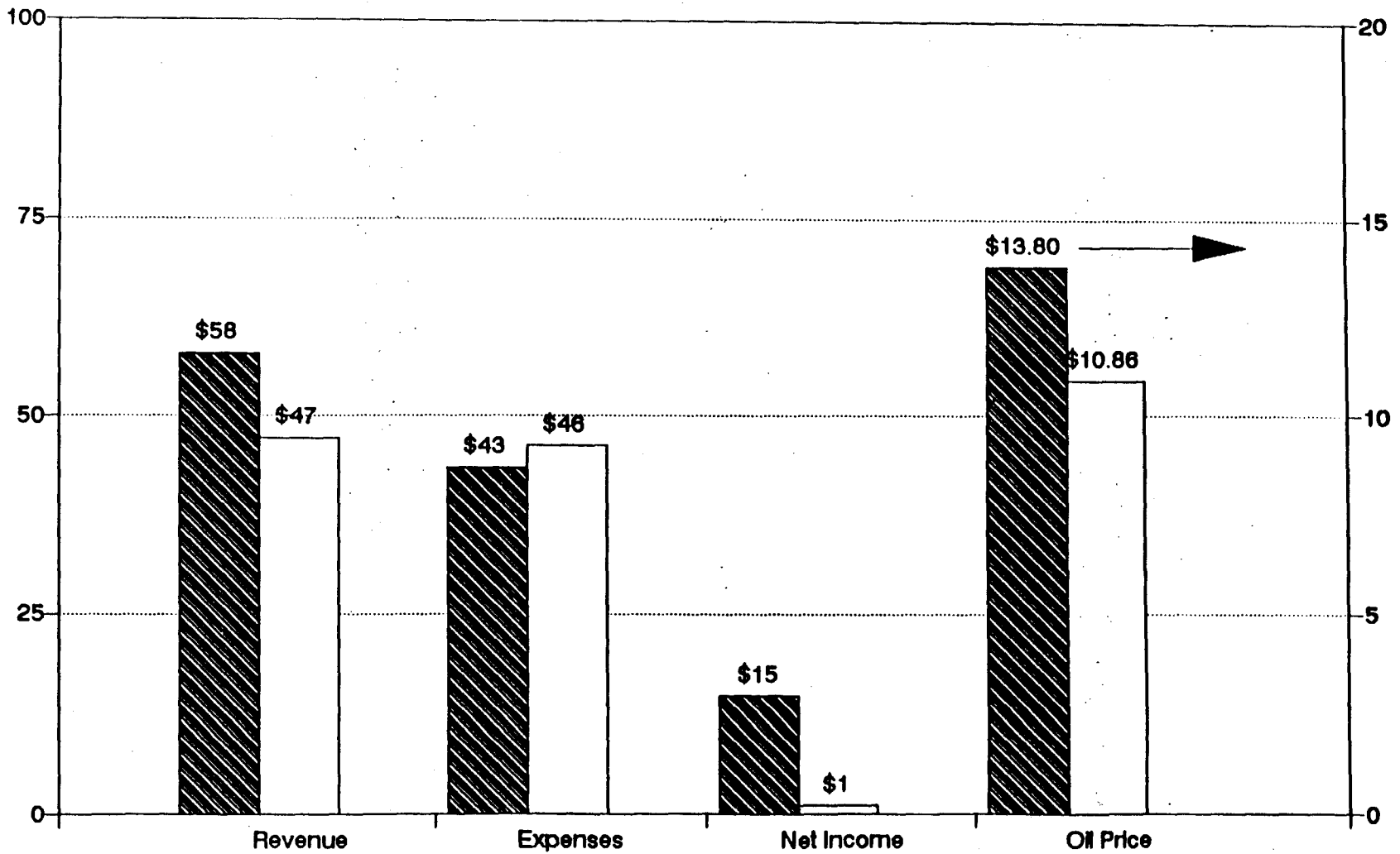
Long Beach Unit

FOURTH QUARTER 1993

Exhibit B

DOLLARS

(Millions)

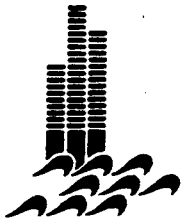


DOLLARS Per BBL

Original Plan Actual

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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 570-392

February 28, 1994

Mr. Paul 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, 1993 THROUGH JUNE
30, 1994)

Dear Mr. Mount:

In accordance with the provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval the Second Amendment of the Annual Plan covering the period July 1, 1993 through June 30, 1994.

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, as revised by the First Modification of the Annual Plan, is presented below.

DEVELOPMENT DRILLING

Operations Review

Three drilling rigs were in operations through the first week of December 1993. Because of falling oil prices one of the rigs was idled. During the second quarter nine new producers and four new injectors were completed. Producers were completed in the following zones: six Ranger, two UP Ford, and one Upper Terminal. Injectors were completed in the following zones: two Upper Terminal, one Terminal, and one Ranger.

On December 31, 1993, the total number of wells was 1,287, of which 893 are producers and 394 are injectors. Excluded from these totals are 26 abandoned wells, 8 abandoned producers, and 18 abandoned injectors.

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Budget to Actual Variance

The Development Drilling category has a budget of \$42,700,000, of which \$20,162,867, or 47.2 percent, was expended.

Expenditures were as anticipated in the second quarter. The rig idled in early December had little effect on second quarter expenditures due to our cash basis billing cycle. Also, first quarter deferred well completions were finished, and a higher cost UPF zone well was completed causing heavier second quarter expenditures.

OPERATING EXPENSE

Operations Review

The Unit's oil production rate averaged 44,832 bbls/day, which is 349 bbls/day greater than the first quarters average, and 632 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Gas production averaged 8,888 mcf/day, which is 212 mcf/day less than originally estimated. Oil shipments during the period averaged 44,956 bbls/day, while gas shipments averaged 8,788 mcf/day.

Water injection averaged 624,518 bbls/day, which is 46,518 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Higher than planned injection 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 \$45,900,000, of which \$23,446,193, or 51.1 percent, in expended.

Expenditures were as anticipated for second quarter well work operations. Electricity expense is a major component of this category. It represents nearly half of the category's planned expenditures. Since cost for electricity is greater in summer months, and this report reflects those higher costs, we are expecting a corresponding drop in expenditures for the balance of the fiscal period.

OTHER PLANT

Budget to Actual Variance

The Other Plant category has a budget \$27,900,000, of which \$13,579,888, or 48.7 percent, was expended.

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

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- Removal of flotation cells at the J-2 site
- Purchase variable speed drives
- Replacement of water injection totalizers
- Installation of Automatic Well Tester on Island Chaffee
- Scheduled maintenance of produced water handling vessels
- Upgrade of load centers at the J-4 site

UNIT FIELD LABOR AND ADMINISTRATIVE

Budget to Actual Variance

The Unit Field Labor and Administrative category has a budget of \$35,700,000 of which \$17,612,185, or 49.3 percent, was expended.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category has a budget of \$16,500,000 of which \$9,470,093, or 57.4 percent was expended.

Funds in this category have been expended faster than anticipated as the Mining Rights Tax assessment was greater than planned. The higher assessment is being protested with taxing authorities.


SUMMARY

Total expenditures for the period were \$46,111,000. A breakdown by Category are shown in the attachments.

Total unit income for the period was lower than anticipated. Net income was \$1,004,000 (compared to an estimate of \$14,559,000).

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

FIN 312.003

Attachments

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**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	ESTIMATED FIRST QUARTER 1994	ESTIMATED SECOND QUARTER 1994	TOTAL
ESTIMATED REVENUE					
Oil Revenue	\$49,665	\$44,932	\$42,147	\$45,056	\$181,800
Gas Revenue	2,020	2,183	2,048	2,093	\$8,342
TOTAL REVENUE	\$51,684	\$47,115	\$44,195	\$47,149	\$190,142
ESTIMATED EXPENDITURES					
Development Drilling	\$8,513	\$11,649	\$6,100	\$4,500	\$30,763
Operating Expense	11,631	11,815	11,200	11,200	45,846
Other Plant	5,984	7,596	7,200	7,100	27,880
Unit Field Labor & Administrative	8,753	8,859	8,900	8,900	35,412
Taxes, Permits & Administrative Overhead	3,279	6,191	3,000	4,000	16,470
TOTAL EXPENDITURES	\$38,160	\$46,111	\$36,400	\$35,700	\$156,371
NET PROFIT	\$13,524	\$1,004	\$7,795	\$11,449	\$33,771

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

Revised Major Planning Assumptions

	ACTUAL THIRD QUARTER 1993	ACTUAL FOURTH QUARTER 1993	ESTIMATED FIRST QUARTER 1994	ESTIMATED SECOND QUARTER 1994	TOTAL
Oil Production (1,000 BBL) (B/D)	4,092 44,483	4,125 44,832	4,014 44,600	4,096 45,006	16,327
Gas Production (1,000 MCF/D) (MCF/D)	818 8,895	818 8,888	819 9,100	837 9,200	3,292
Water Production (1,000 BBL) (B/D)	45,792 497,740	46,589 506,397	44,550 495,000	45,419 499,000	182,350
Water Injection (1,000 BBL) (B/D)	55,870 607,287	57,456 624,518	52,470 583,000	53,338 586,000	219,134
Oil Price (\$/BBL)	\$12.16	\$10.86	\$10.50	\$11.00	
Gas Price (\$/MCF)	\$2.49	\$2.70	\$2.50	\$2.50	

NUMBER OF WELLS
AS OF DECEMBER 31, 1993

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	185	87	272
White	152	85	237
Chaffee	208	96	304
Freeman	239	68	307
Pier J (Inc. THX)	<u>109</u>	<u>58</u>	<u>167</u>
TOTAL	893	394	1,287
Tar V	10	1	11
Ranger (All Areas)	683	310	993
Upper & Lower Terminal VI,VII	64	32	96
Terminal (Blocks VIII, 90)	57	27	84
Union Pacific-Ford (All Areas)	75	24	99
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
TOTAL	893	394	1,287

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

OIL PRODUCTION

	<u>Average B/D</u> <u>10/1/93 - 12/31/93</u>	<u>Cumulative</u> <u>Bbls. 12/31/93</u>
Grissom	10,343	136,474,647
White	8,553	131,649,293
Chaffee	10,430	163,386,668
Freeman	11,721	217,499,038
Pier J (Inc. THX)	3,785	126,657,992
TOTAL	44,832	775,667,638
Tar V	37	1,189,566
Ranger (All Areas)	31,880	589,760,080
Upper Terminal & Lower Terminal VI,VII	4,842	62,033,124
Terminal (Blocks VIII, 90)	4,376	39,883,581
Union Pacific-Ford (All Areas)	3,697	78,942,676
237 (All Areas)	0	3,858,611
TOTAL	44,832	775,667,638

GAS PRODUCTION

	<u>Average Mcf</u> <u>10/1/93 - 12/31/93</u>	<u>Cumulative</u> <u>Mcf 12/31/93</u>
Grissom	898	19,862,545
White	2,049	32,479,484
Chaffee	1,419	55,684,095
Freeman	3,183	78,207,408
Pier J (Inc. THX)	1,339	22,151,380
TOTAL	8,888	208,384,912
Tar V	45	476,804
Ranger (All Areas)	5,885	131,681,911
Upper Terminal & Lower Terminal VI,VII	1,039	7,846,562
Terminal (Blocks VIII, 90)	1,034	12,007,926
Union Pacific-Ford (All Areas)	885	52,106,440
237 (All Areas)	0	4,265,269
TOTAL	8,888	208,384,912

WATER PRODUCTION

	<u>Average B/D</u> <u>10/1/93 - 12/31/93</u>	<u>Cumulative</u> <u>Bbls. 12/31/93</u>
Grissom	114,179	789,329,040
White	101,394	624,806,671
Chaffee	86,558	482,470,213
Freeman	130,569	779,056,387
Pier J (Inc. THX)	73,697	667,065,874
TOTAL	506,397	3,342,728,185
Tar V	198	5,161,041
Ranger (All Areas)	440,707	2,909,606,253
Upper Terminal & Lower Terminal VI, VII	35,738	244,907,804
Terminal (Blocks VIII, 90)	16,112	60,381,232
Union Pacific-Ford (All Areas)	13,642	119,483,965
237 (All Areas)	0	3,187,890
TOTAL	506,397	3,342,728,185

INJECTION WATER

	<u>Average B/D</u> <u>10/1/93 - 12/31/93</u>	<u>Cumulative</u> <u>Bbls. 12/31/93/93</u>
Grissom	154,005	1,126,832,465
White	141,042	958,606,991
Chaffee	114,397	1,015,270,013
Freeman	128,320	865,331,409
Pier J (Inc. THX)	86,754	877,800,979
TOTAL	624,518	4,843,841,857
Tar V	419	12,505,838
Ranger (All Areas)	518,043	4,185,515,863
Upper Terminal & Lower Terminal VI, VII	50,156	311,074,115
Terminal (Blocks VIII, 90)	35,003	143,108,447
Union Pacific-Ford (All Areas)	20,897	191,637,594
237 (All Areas)	0	0
TOTAL	624,518	4,843,841,857

THAMS LONG BEACH UNIT
 Budget Statement
 Current Period: DEC-94

Date: 15-FEB-1994 07:57:28

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	3,398,640	20,182,867	47.2	22,537,133	21,350,000	-5.8
OPERATING EXPENSE	64,400,000	45,900,000	3,591,251	23,446,183	61.1	22,453,807	22,950,000	2.2
OTHER PLANT	24,500,000	27,900,000	2,512,614	13,579,888	48.7	14,320,112	13,950,000	-2.7
UNIT FIELD LABOR & ADMINISTRATIVE	21,800,000	35,700,000	2,348,939	17,612,185	49.3	18,087,815	17,850,000	-1.3
TAXES, PERMITS, & ADMIN. OVERHEAD	10,500,000	18,500,000	4,776,251	9,470,093	57.4	7,029,907	8,250,000	14.8
Unit Totals	168,700,000	168,700,000	16,627,695	84,271,225	50.0	84,428,776	84,350,000	-0.1

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