

CALENDAR ITEM
C77

MINUTE ITEM
This Calendar Item No. C77
was approved as Minute Item
No. 77 by the State Land
Commission by a vote of 3
to 0 at its 7/6/95
meeting.

07/06/95
W 17108
Landry

A 57, 58
S 29

APPROVE THE THIRD AMENDMENT OF THE 1994-95
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 Third Amendment of the 1994-95 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. This report provides the actual performance for the first quarter of 1995 and revised projections for the second quarter 1995. There were no changes in the latest approved budget of \$150,069,000 or to the distribution to the five budget categories. The revised economic projection is illustrated in Exhibit "A". Projected produced and injected fluids for the final quarter of the fiscal year have been revised upward.

The average production rates for the first quarter of 1995 were reported to be 45,913 bbls/day of oil and 9,153 mcf/day of gas. The cumulative recoveries and injection through March 1995 are as follows:

Oil Production	796,814,254 Barrels
Gas Production	212,776,349 MCF
Water Production	3,587,774,481 Barrels
Water Injection	5,138,683,386 Barrels

Cumulative Injection - Gross Production Ratio is 1.172
Bbls/Bbl.

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Economic figures reflect higher oil prices than were initially forecast. Original major planning assumption 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 projected net increase in oil price of \$2.00/bbl results in an increase in projected revenue of approximately \$38,292,000. Prices are anticipated to remain above the original projection for the final quarter of the fiscal year.

MILLION DOLLARS					
	ACTUAL THIRD QUARTER 1994	ACTUAL FOURTH QUARTER 1994	ACTUAL FIRST QUARTER 1995	ESTIMATED SECOND QUARTER 1995	TOTAL FISCAL YEAR 94-95
OIL PRICE/BBL	\$13.80	\$13.46	\$13.76	\$13.00	\$13.50
GAS PRICE/MCF	\$2.15	\$1.76	\$1.61	\$2.00	\$1.90
OIL REVENUES	60.2	58.5	56.8	55.1	230.7
GAS REVENUE	2.0	1.6	1.4	1.8	6.9
EXPENDITURES	(37.3)	(33.9)	(37.3)	(40.5)	(149.1)
NET PROFIT	24.8	26.3	20.9	16.4	88.4
ORIGINAL	14.4	13.0	12.1	10.6	50.1
CHANGE	+10.4	+13.3	+8.8	+5.8	+38.3

The Commission's staff has reviewed the Third 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.

STATUTORY AND OTHER REFERENCES:

- A. P.R.C.: Div. 6, Parts 1 and 2; Div. 13.
- B. Cal. Code Regs.: Title 3, Div. 3; Title 14, Div. 6.

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. First Quarter 1995 Financial Performance
- C. Fiscal Year 1994-95 Oil Rate Projections
- D. Letter requesting Approval of Third Amendment to 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 THIRD AMENDMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1994 THROUGH JUNE 30, 1995.

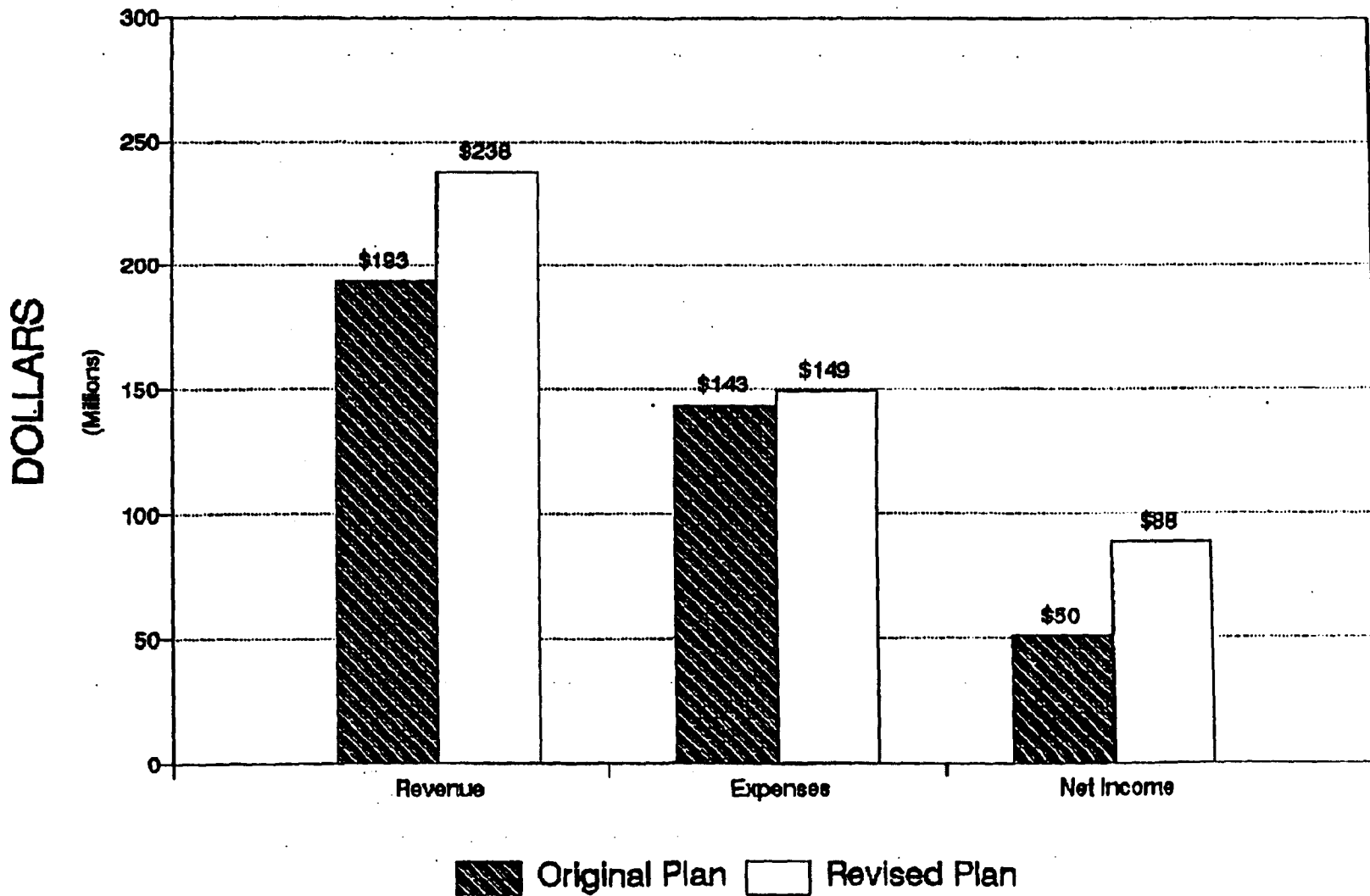
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Long Beach Unit

FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit A

Revised Apr-95

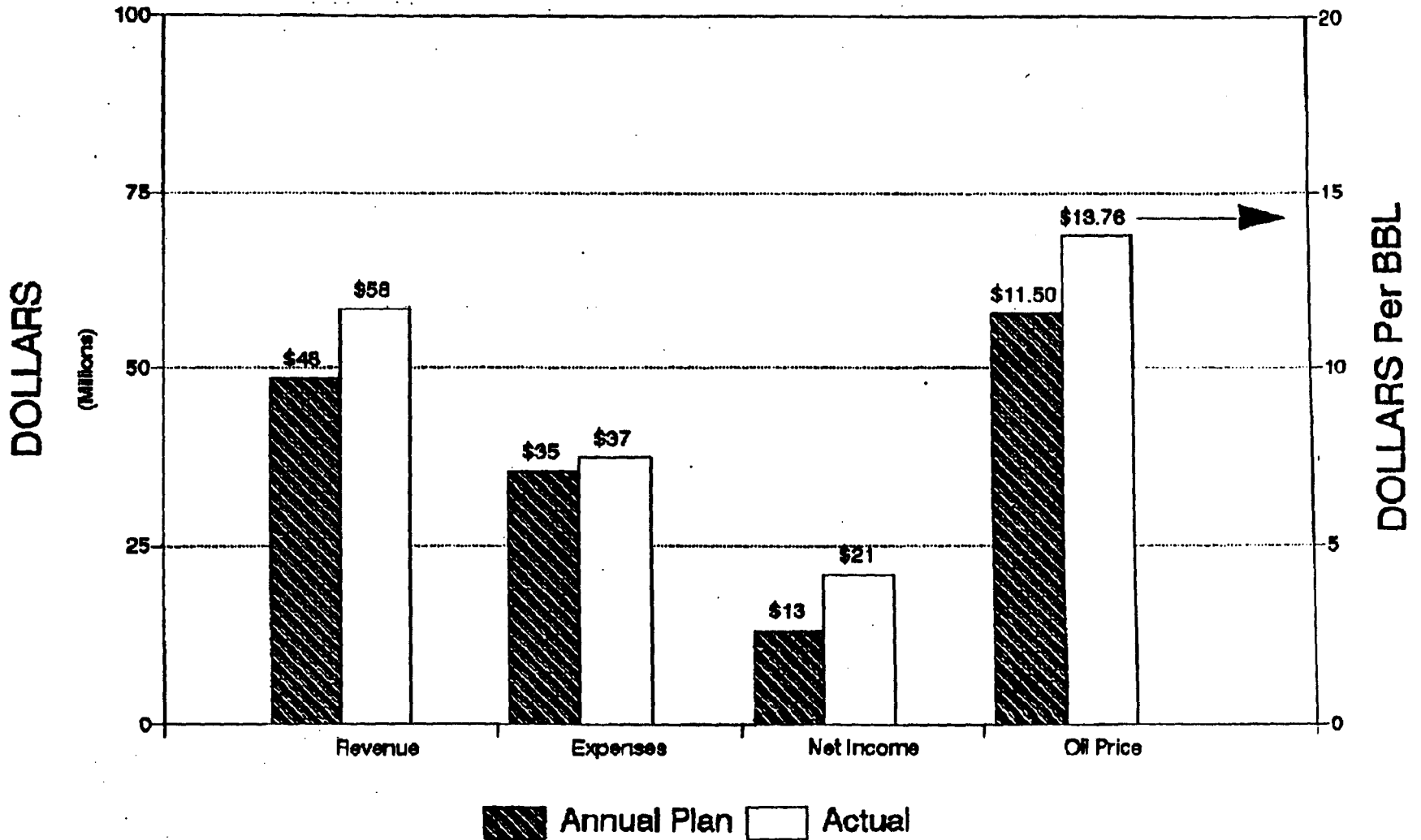


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FIRST QUARTER 1995

Exhibit B



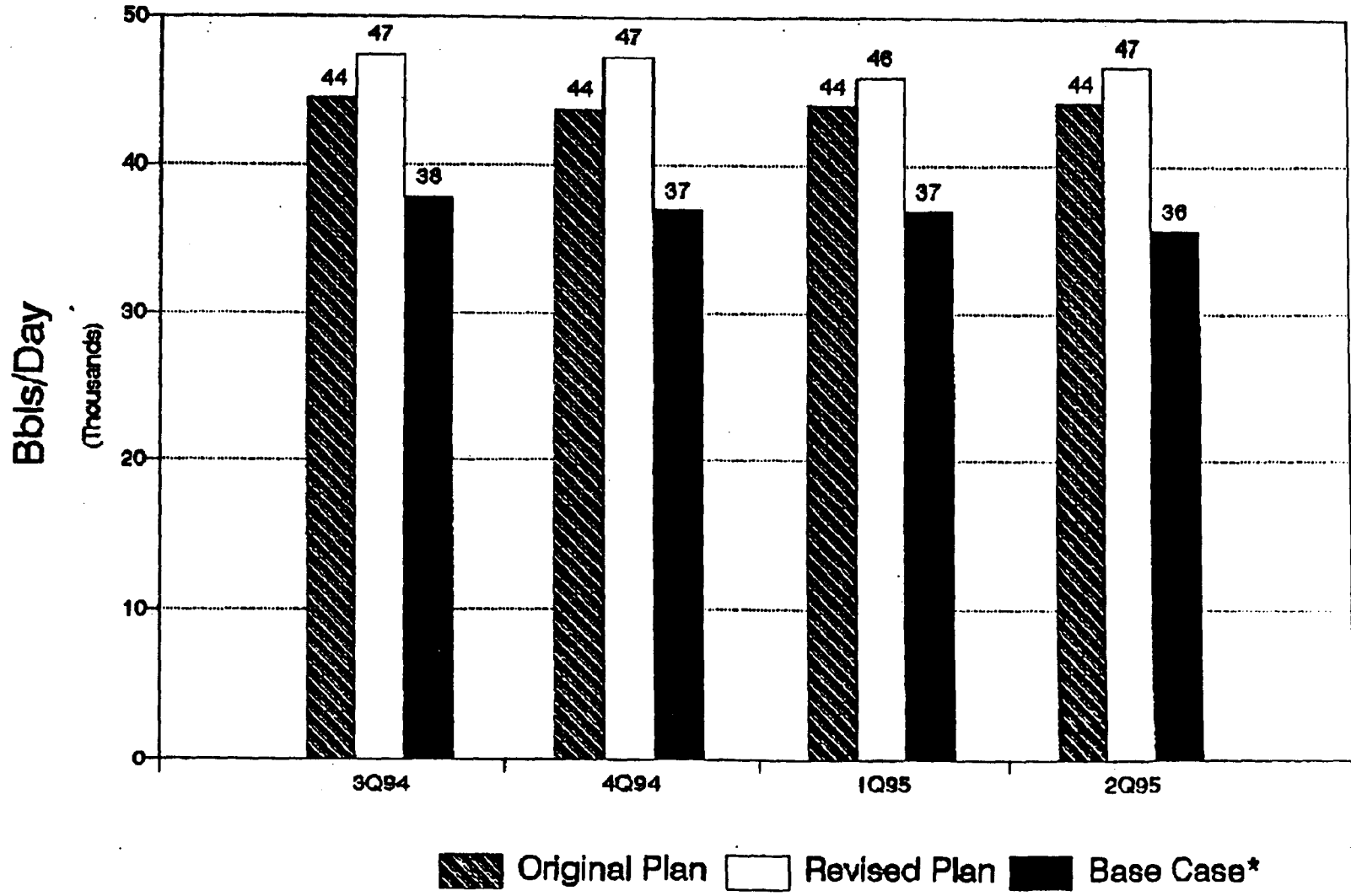
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FISCAL YEAR 1994-95 ANNUAL PLAN

Exhibit C

Revised Apr-94



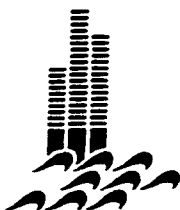
*Prediction if Optimized Waterflood Not Implemented

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Exhibit D

CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES



211 EAST OCEAN BOULEVARD, SUITE 500 • LONG BEACH, CALIFORNIA 90802 • TEL: 570-3900 • FAX: 570-3922

June 6, 1995

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 THIRD 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 Third Amendment of the Annual Plan covering the period July 1, 1994 through June 30, 1995.

This report reviews third 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

During the third quarter, one drilling rig was in operation and one new producer and two new injectors were completed. The new producer was completed in the Ranger zone, and the new injectors were completed in the Terminal and Union Pacific-Ford zones.

Highlights for drilling operations during the quarter include:

- Drilling horizontal wells continued in the period. One of the redrilled horizontal wells completed was put on production at a rate of 634 BOPD/198 BWPD.

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- Seventeen in-zone abandonments were completed at an average cost of \$12,000 each, which is \$8,000 less than the projected cost of \$20,000 each.
- The economic performance of the slurry injection has improved resulting in third quarter cost savings of approximately \$125,000.

On March 31, 1995, the total number of wells was 1,308, of which 885 were producers and 423 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 \$12,964,724, or 50.2 percent, is expended. A Plan modification was approved which reduces the Development Drilling budget to \$20,733,000. 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 and a coiled tubing drilling unit scheduled for operation will result in increased expenditures in the fourth quarter.

OPERATING EXPENSE

Operations Review

During the third quarter, the Unit's oil production rate averaged 45,913 bbls/day, which is 1,973 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 45,891 bbls/day.

Gas production averaged 9,153 mcf/day, which is 43 mcf/day more than originally estimated. Gas shipments, which are reported one month in arrears, averaged 9,561 mcf/day.

Water injection averaged 672,180 bbls/day, which is 55,300 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan.

Greater than planned oil, gross and injection volumes throughout the Plan period are a result of increased wellwork activity and well utilization made possible by higher than

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anticipated oil prices. Production volumes from the increased wellwork activity peaked in the second quarter of the Plan period and began stabilizing in the third quarter. The changes in water injection volumes were necessary for balancing voidage at the increased rates.

Budget to Actual Variance

The Operating Expense category has a budget of \$37,472,000, of which \$37,091,273, or 99.0 percent, is expended. It is anticipated that expenditures in this category will exceed 120 percent of budget. A Plan modification was approved which increases the Operating Expense budget to \$49,538,000. The latest estimate for expenditures in the category through the end of the fiscal period is \$48.6 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 increased kwh consumption from higher gross production, and from increased rates which became effective January 1, 1995.

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 \$20,984,065, or 74.6 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 third quarter included:

- Work on a Unit gas compression facility;
- Installation of a 3,000 bbl surge tank at the J-2 site;
- Installation of a fresh water oxygen scrubber system at Pier J;
- Electrical upgrades at the J-5 site;
- Modification of the skim basin covers at the J-2 site;

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- 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;
- Repair and routine maintenance of oil treating vessels;
- Repair and routine maintenance to water injection pumps and motors;
- Installation of a barge basin fender system at Island Grissom;
- Purchase of variable speed drives;
- Pilot test reclaimed water use on Island White;
- Repair Island sculpture form on Island White.

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 \$26,536,306, or 72.9 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$36.4 million.

The Unit Field Labor and Administrative category had significant project expenditures in the third quarter for 3-D seismic survey costs.

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 \$10,955,661, or 71.7 percent, is expended. Expenditures in this 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 \$108,532,029, or 75.8 percent, was expended through March 31, 1995. The latest estimate of expenditures for the Plan period through June 30, 1995 is \$149.1 million. A budget modification was approved on May 3, 1995. The modification will transfer funds between Plan categories and increase overall funding for Unit operations to \$150,069,000.

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Paul B. Mount II
June 6, 1995
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Total expenditures for the Plan period were \$37,312,000. A breakdown by Category are shown in the attachments. Total Unit income for the Plan period was higher than anticipated. Net income was \$20,896,000 (compared to an estimate of \$12,130,000).

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	BUDGET THIRD QUARTER 1994	ACTUAL FOURTH QUARTER 1994	BUDGET FOURTH QUARTER 1994	ACTUAL FIRST QUARTER 1995	BUDGET FIRST QUARTER 1995	ESTIMATED SECOND QUARTER 1995 *	BUDGET SECOND QUARTER 1995	LATEST ESTIMATED FISCAL YEAR TOTALS	ORIGINAL TOTAL BUDGET	MODIFIED TOTAL BUDGET**
ESTIMATED REVENUE											
(Oil) Revenue	\$60,167	\$46,954	\$50,533	\$46,266	\$56,024	\$45,478	\$55,128	\$46,224	\$230,653	\$184,922	\$229,518
Gas Revenue	2,004	2,109	1,647	2,091	1,384	2,050	1,823	2,075	\$6,859	8,724	\$7,282
TOTAL REVENUE	\$62,172	\$49,063	\$60,181	\$48,357	\$58,209	\$47,528	\$56,951	\$48,299	\$237,512	\$193,247	\$216,800
ESTIMATED EXPENDITURES											
Development Drilling	\$4,025	\$4,747	\$4,244	\$4,961	\$4,696	\$7,826	\$7,722	\$8,299	\$20,687	\$25,811	\$20,711
Operating Expense	14,206	10,783	11,708	9,335	11,177	8,697	11,500	8,657	\$48,591	37,472	\$19,518
Other Plant	6,399	7,013	7,424	7,259	7,161	7,019	7,151	6,844	\$28,135	28,135	\$28,115
Unit Field Labor & Administrative	8,324	9,074	7,460	9,074	10,752	9,120	9,853	9,121	\$36,389	36,389	\$36,189
Permits & Admin Overhead	4,378	3,034	3,053	4,716	3,525	2,736	4,318	4,798	\$15,274	15,274	\$15,274
TOTAL EXPENDITURES	\$37,332	\$34,651	\$33,888	\$35,335	\$37,312	\$35,398	\$40,544	\$37,719	\$149,076	\$143,103	\$150,069
NET PROFIT	\$24,840	\$14,412	\$26,292	\$13,022	\$20,896	\$12,130	\$16,407	\$10,580	\$88,436	\$50,144	\$66,731

Estimates Revised 4-19-95

A Budget Modification is pending State Lands Commission approval

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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	ACTUAL 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	4,132	3,955	4,241	4,019	17,081	16,081
(B/D)	47,362	44,380	47,290	43,730	45,913	43,940	46,640	44,170		
GAS PRODUCTION										
(1,000 MCF)	936	844	938	836	824	820	912	830	3,619	3,330
(MCF/D)	10,169	9,170	10,199	9,090	9,153	9,110	10,019	9,120		
WATER PRODUCTION										
(1,000 BBL.)	50,354	46,062	52,295	46,168	50,507	45,188	52,816	45,715	205,972	181,131
(B/D)	547,328	500,670	568,423	501,830	561,187	502,090	580,400	502,360		
WATER INJECTION										
(1,000 BBL.)	60,009	56,549	62,106	56,689	60,496	55,519	63,973	56,201	246,584	224,958
(B/D)	652,269	614,660	675,061	616,190	672,180	616,880	703,100	617,590		
OIL PRICE (\$/BBL.)	\$13.80	\$11.50	\$13.46	\$11.50	\$13.76	\$11.50	\$13.00	\$11.50		
GAS PRICE (\$/MCF)	\$2.15	\$2.50	\$1.76	\$2.50	\$1.61	\$2.50	\$2.00	\$2.50		

Estimates Revised 4-19-95

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NUMBER OF WELLS
AS OF MARCH 31, 1995

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	185	90	275
White	149	88	237
Chaffee	212	106	318
Freeman	232	79	311
Pier J (Inc. THX)	107	60	167
TOTAL	885	423	1,308
Tar V	11	2	13
Ranger (All Areas)	672	329	1,001
Upper & Lower Terminal VI, VII	68	34	102
Terminal (Blocks VIII, 90)	59	29	88
Union Pacific-Ford (All Areas)	71	29	100
237 (All Areas)	4	0	4
TOTAL	885	423	1,308

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

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OIL PRODUCTION

	<u>Average B/D</u> <u>1/1/95 - 3/31/95</u>	<u>Cumulative</u> <u>Bbls. 3/31/95</u>
Grissom	11,744	141,917,117
White	7,994	135,282,759
Chaffee	11,750	168,609,718
Freeman	10,683	222,655,910
Pier J (Inc. THX)	3,742	128,348,750
TOTAL	45,913	796,814,254
Tar V	136	1,233,991
Ranger (All Areas)	32,123	604,605,722
Upper Terminal & Lower Terminal VI, VII	5,517	64,409,824
Terminal (Blocks VIII, 90)	4,087	41,915,148
Union Pacific-Ford (All Areas)	4,050	80,790,958
237 (All Areas)	0	3,858,611
TOTAL	45,913	796,814,254

GAS PRODUCTION

	<u>Average Mcf</u> <u>1/1/95 - 3/31/95</u>	<u>Cumulative</u> <u>Mcf 3/31/95</u>
Grissom	1,091	20,417,170
White	1,357	33,236,683
Chaffee	2,616	56,777,769
Freeman	2,371	79,393,868
Pier J (Inc. THX)	1,718	22,950,859
TOTAL	9,153	212,776,349
Tar V	125	515,675
Ranger (All Areas)	6,172	134,704,941
Upper Terminal & Lower Terminal VI, VII	1,081	8,318,523
Terminal (Blocks VIII, 90)	740	12,353,430
Union Pacific-Ford (All Areas)	1,035	52,618,511
237 (All Areas)	0	4,265,269
TOTAL	9,153	212,776,349

WATER PRODUCTION

	<u>Average B/D</u> <u>1/1/95 - 3/31/95</u>	<u>Cumulative</u> <u>Bbls. 3/31/95</u>
Grissom	140,494	849,962,043
White	107,034	671,200,531
Chaffee	110,697	527,698,288
Freeman	126,851	836,289,403
Pier J (Inc. THX)	76,111	702,624,216
TOTAL	561,187	3,587,774,481
Tar V	599	5,324,781
Ranger (All Areas)	474,837	3,119,251,459
Upper Terminal & Lower Terminal VI, VII	50,660	265,412,701
Terminal (Blocks VIII, 90)	19,261	68,702,333
Union Pacific-Ford (All Areas)	15,830	125,895,317
237 (All Areas)	0	3,187,890
TOTAL	561,187	3,587,774,481

INJECTION WATER

	<u>Average B/D</u> <u>1/1/95 - 3/31/95</u>	<u>Cumulative</u> <u>Bbls. 3/31/95</u>
Grissom	170,102	1,205,738,304
White	132,555	1,016,977,384
Chaffee	137,736	1,074,209,100
	135,251	921,136,438
Pier J (Inc. THX)	96,536	920,622,160
TOTAL	672,180	5,138,683,386
Tar V	1,922	13,023,656
Ranger (All Areas)	557,721	4,431,799,885
Upper Terminal & Lower Terminal VI, VII	57,049	335,906,744
Terminal (Blocks VIII, 90)	29,482	156,209,269
Union Pacific-Ford (All Areas)	26,006	201,743,832
237 (All Areas)	0	0
TOTAL	672,180	5,138,683,386