

MINUTE ITEM

This Calendar Item No. C84 was approved as Minute Item No. 84 by the California State Lands Commission by a vote of 3 to 0 at its 08/21/96 meeting.

CALENDAR ITEM

C84

A 57, 58

08/21/96

S 29

W 17112

B. Landry

CONSIDER APPROVAL OF THE THIRD AMENDMENT OF THE 1995-96 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 1995-96 Plan of Development and Operations and Budget, Long Beach Unit, covering the period July 1, 1995 through June 30, 1996, providing updated economic projections and major planning assumptions. This report provides the actual performance for the third quarter of Fiscal Year 1995-96 and revised projections for the final quarter of the Fiscal Year. There were no changes in the latest approved budget of \$164,938,000 or to the distribution to the five (5) budget categories. However, a continued reduction in planned expenditures is contained in the revised planning assumptions. The revised economic projections are shown in Exhibits "A" and "B". Revisions to oil production projections are shown in Exhibit "C".

The average oil and gas rates for the third quarter of the 1995-1996 Fiscal Year were reported to be 42,823 bbls/day of oil (4,988 bbls/day less than originally estimated) and 9,052 MCF/day of gas (988 MCF/day less than forecast). The lower than planned oil and gas rates are primarily due to premature declines in production in the Cut Recovery Block 1 Waterflood and in several new horizontally completed wells. Lower than anticipated volumes are expected for the remainder of the Plan period. The cumulative recoveries and injection through March, 1996 are as follows:

Oil Production	813,023,333 Barrels
Gas Production	216,005,982 MCF
Water Production	3,794,287,233 Barrels
Water Injection	5,384,710,615 Barrels

Cumulative Injection - Gross Production Ratio is 1.169 Bbls/Bbl.

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CALENDAR ITEM NO. C84 (CONT'D)

The revised economic projections reflect the combined effects of lower produced fluid volumes, lower costs, and higher oil prices. The overall effect of these variations resulted in an increase in quarterly Net Profit of \$9.1 Million. Original major planning assumptions were based on an average oil price of \$12.75/bbl and an average gas price of \$2.00/MCF. Revised oil and gas prices, expenditures, and net profits for Fiscal Year 1996 are shown in the table below. Since higher oil prices were experienced for the first three quarters of the fiscal year, the originally projected oil price of \$12.75/bbl is being revised upward to \$15.00/bbl for the final quarter. The original planning assumption of one active drilling rig will remain unchanged for the fiscal year.

MILLION DOLLARS					
TOTAL	ACTUAL FIRST QUARTER FY 95-96	ACTUAL SECOND QUARTER FY 95-96	ACTUAL THIRD QUARTER FY 95-96	ESTIMATED FOURTH QUARTER FY 95-96	FISCAL YEAR 95-96
Oil Revenue	58.9	54.8	60.8	58.8	233.3
Gas Revenue	1.1	1.3	1.3	1.3	5.0
Expenditures	(44.5)	(35.4)	(36.1)	(40.0)	(156.0)
Net Profit	15.5	20.7	26.0	20.1	82.3
Original	17.1	15.3	16.9	15.7	65.0
Change	(1.6)	+5.4	+9.1	+4.4	+17.3
Oil Price/BBL	\$14.14	\$13.60	\$15.64	\$15.00	\$14.58
Gas Price/MCF	\$1.39	\$1.63	\$1.64	\$1.75	\$1.59

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.

CALENDAR ITEM NO. C84 (CONT'D)

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 CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: Public Resources Code Section 21065 and 14 Cal. Code Regs. 15378.

EXHIBITS:

- A. Fiscal Year 1995-96 Financial Projections
- B. First Quarter 1996 Financial Performance
- C. Fiscal Year 1995-96 Oil Rate Projections
- D. Letter Requesting Approval of Third Amendment to Plan of Development and Operations and Budget

IT IS RECOMMENDED THAT THE COMMISSION:

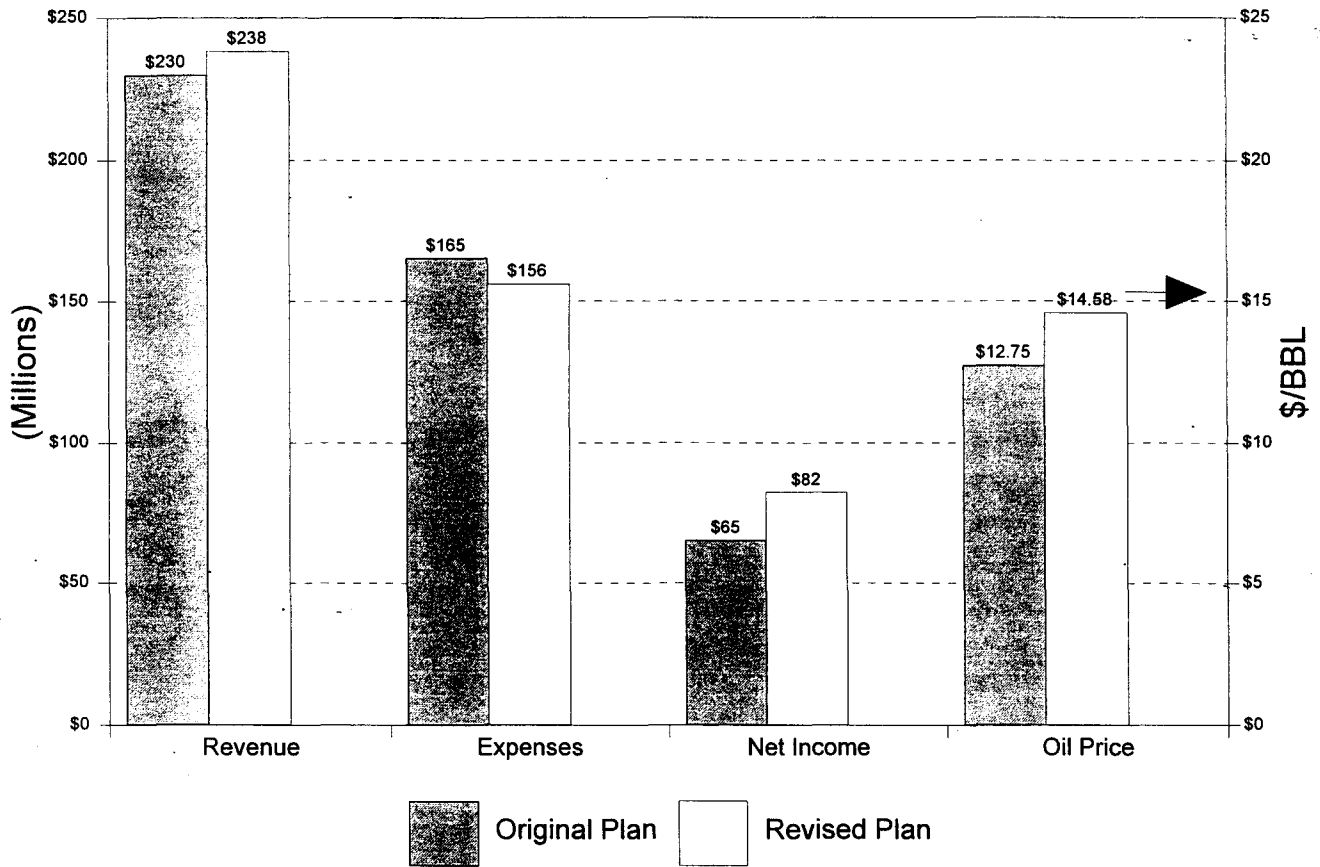
1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. CONSIDER APPROVAL OF THE THIRD AMENDMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, REVISING ECONOMIC PROJECTIONS AND MAJOR PLANNING ASSUMPTIONS, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1995 THROUGH JUNE 30, 1996.

Long Beach Unit

FISCAL YEAR 1995-96 ANNUAL PLAN

March 1996

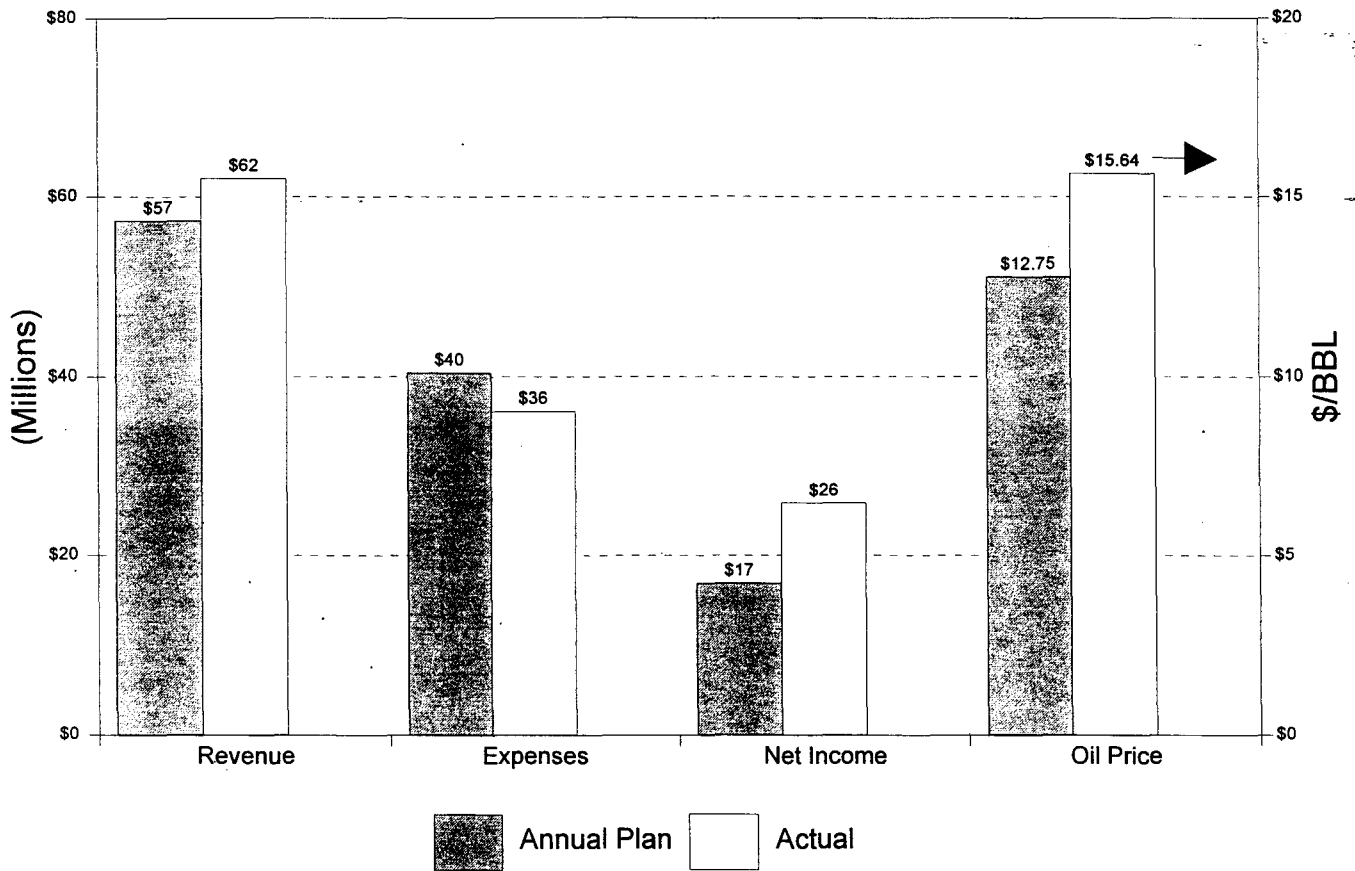
Exhibit A



Long Beach Unit

FIRST QUARTER 1996

Exhibit B

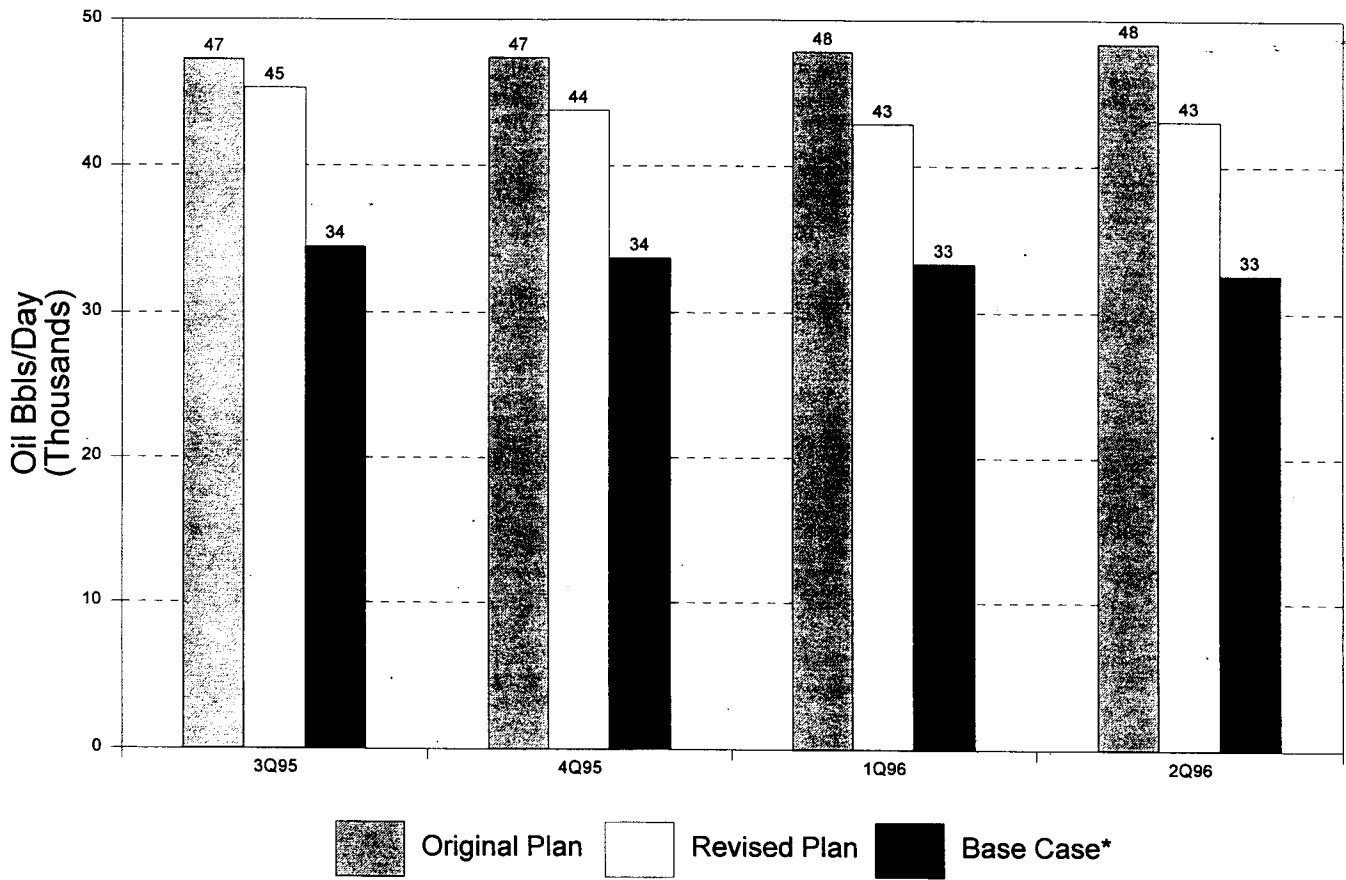


Long Beach Unit

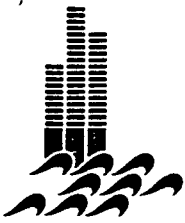
FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit C

Revised Mar-96



*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

June 5, 1996

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, 1995 THROUGH JUNE 30, 1996)**

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, 1995 through June 30, 1996.

This report reviews third 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, 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 in the third quarter. During the quarter ten wells were completed; three new producers, four redrilled producers, two new injectors, and one redrilled injector. All wells were completed in the Ranger Zone.

A second quarter attempt at completing a dual lateral well was not successful. The well was abandoned in the third quarter, but may be redrilled in the future.

On December 31, 1995, the total number of wells was 1,320, of which 883 were producers and 437 were injectors. Excluded from these totals are 29 abandoned wells, 9 abandoned producers, and 20 injectors.

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Budget to Actual Variance

The Development Drilling category has a budget of \$27,972,000, of which \$16,174,102, or 57.8 percent, is expended. The Plan provides funds for approximately 51 new and redrilled wells.

The current estimate for fiscal year expenditures is \$22.5 million, and 35 well completions. This new projection is based on operating one rig through the period, with occasional assistance from a workover rig and a coiled tubing unit.

OPERATING EXPENSE

Operations Review

Production and injection volumes in the third quarter were lower than estimated in the Annual Plan, and below expected ranges in the Program Plan. Actual decline rates for horizontally completed wells and production in the Cut-Recovery Block I area of the waterflood were greater than originally anticipated in the Plan. Lower than anticipated volumes are expected to continue throughout the Plan period.

During the third quarter, the Unit's oil production rate averaged 42,823 bbls/day, which is 4,988 bbls/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan, and 2,477 bbls/day less than the low end of the Program Plan's expected range. Oil shipments during the period averaged 42,720 bbls/day. The latest estimate for total oil production through the end of the fiscal period is 16.0 million barrels.

Gas production averaged 9,052 mcf/day, which is 988 mcf/day less than originally estimated in the Annual Plan, and 248 mcf/day less than the low end of the Program Plan's expected range. Gas shipments, which are reported one month in arrears, averaged 8,699 mcf/day. The latest estimate for total gas production through the end of the fiscal period is 3.2 billion cubic feet.

Water injection averaged 672,896 bbls/day, which is 31,296 bbls/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Water production averaged 563,548 bbls/day, which is 69,606 bbls/day less than originally estimated. The latest estimate for total water injection and production through the end of the fiscal period is 245.3 million barrels and 205.8 million barrels, respectively.

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Budget to Actual Variance

The Operating Expense category has a budget of \$50,207,000, of which \$37,439,579, or 74.6 percent, is expended. The latest estimate for expenditures in this category through the end of the fiscal period is \$50.7 million.

Costs in the category are higher than planned due to a higher than anticipated rate increase for electricity 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 \$35,779,000, of which \$24,989,476, or 69.8 percent, is expended. Expenditures in this category through the end of the fiscal period are estimated at \$32.1 million.

Other Plant category projects with significant expenditures in the third quarter include:

- Installation of a Unit gas compression facility;
- Installation of an H2S gas treating facility;
- Relocation of product pipelines to accommodate the Long Beach Harbor Department's port expansion;
- Facility design for cogeneration;
- Subsea pipeline survey;
- Recovered oil system modifications at the J-2 site;
- Skim basin vapor recovery;
- Repair and routine maintenance of oil treating vessels;
- Repair and routine maintenance to water injection pumps and motors;
- Reclaimed water pilot test;
- Purchase variable speed drives; and
- Replace piping on Island White.

UNIT FIELD LABOR AND ADMINISTRATIVE

Budget to Actual Variance

The Unit Field Labor and Administrative category has a budget of \$33,764,000, of which \$25,496,608, or 75.5 percent, is expended. It is anticipated that expenditures in this category will exceed budget. The latest estimate for expenditures is \$34.5 million.

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Mr. Paul B. Mount II
June 5, 1996
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The Unit Field Labor and Administrative category had significant project expenditures in the third quarter for the 3D Seismic Survey, computer equipment, and headquarters relocation.

TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD

Budget to Actual Variance

The Taxes, Permits, and Administrative Overhead category has a budget of \$17,216,000, of which \$11,951,351, or 69.4 percent, is expended. A settlement of \$1,281,855.06 for the 1993 tax year was received in the quarter which offsets the greater than anticipated cost for current fiscal period mining rights taxes. Expenditures in this category through the end of the fiscal period are estimated at \$16.3 million.

SUMMARY

The Unit has a budget of \$164,938,000, of which \$116,051,116, or 70.4 percent, was expended through March 31, 1995. The latest estimate of expenditures for the Plan period through June 30, 1996 is \$156.0 million.

Third quarter profit of \$26.0 million is \$9.1 million more than originally estimated. Greater than anticipated third quarter profit is attributed to higher oil prices and lower than planned expenditures.

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 312.002

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A. Economic Projections

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY95/96	BUDGET FIRST QUARTER FY95/96	ACTUAL SECOND QUARTER FY95/96	BUDGET SECOND QUARTER FY95/96	ACTUAL THIRD QUARTER FY95/96	BUDGET THIRD QUARTER FY95/96	LATEST EST. FOURTH QUARTER FY95/96	BUDGET FOURTH QUARTER FY95/96	LATEST EST. TOTALS FISCAL YEAR FY95/96	ORIGINAL TOTAL BUDGET	BUDGET VARIANCE
ESTIMATED REVENUE											
Oil Revenue	\$58,865	\$55,414	\$54,833	\$55,579	\$60,801	\$55,473	\$58,763	\$56,111	\$233,263	\$222,576	\$10,687
Gas Revenue	1,158	1,825	\$1,272	1,831	\$1,298	1,827	\$1,338	1,848	\$5,067	7,332	(\$2,265)
TOTAL REVENUE	\$60,024	\$57,239	\$56,105	\$57,410	\$62,099	\$57,300	\$60,102	\$57,959	\$238,329	\$229,908	\$8,421
ESTIMATED EXPENDITURES											
Development Drilling	\$7,346	\$4,670	\$3,306	\$7,869	\$5,523	\$6,971	\$6,333	\$8,462	\$22,507	\$27,972	\$5,465
Operating Expense	14,679	13,507	11,846	12,518	10,914	11,681	13,286	12,501	\$50,725	50,207	(\$518)
Other Plant	9,345	9,290	8,199	8,931	7,445	9,018	7,074	8,540	\$32,063	35,779	\$3,716
Unit Field Labor & Administrative	8,056	8,434	8,211	8,434	9,230	8,448	8,955	8,448	\$34,452	33,764	(\$688)
Taxes, Permits & Admin Overhead	5,114	4,258	3,809	4,333	3,029	4,285	4,304	4,340	\$16,255	17,216	\$961
TOTAL EXPENDITURES	\$44,539	\$40,159	\$35,371	\$42,085	\$36,141	\$40,403	\$39,951	\$42,291	\$156,002	\$164,938	\$8,936
NET PROFIT	\$15,484	\$17,080	\$20,734	\$15,325	\$25,958	\$16,897	\$20,150	\$15,668	\$82,327	\$64,970	\$17,357

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B. Major Planning Assumptions

(Data in Thousands of Dollars)

	ACTUAL FIRST QUARTER FY95/96	BUDGET FIRST QUARTER FY95/96	ACTUAL SECOND QUARTER FY95/96	BUDGET SECOND QUARTER FY95/96	ACTUAL THIRD QUARTER FY95/96	BUDGET THIRD QUARTER FY95/96	LATEST EST. FOURTH QUARTER FY95/96	BUDGET FOURTH QUARTER FY95/96	LATEST EST. TOTALS FISCAL YEAR FY95/96	ORIGINAL TOTAL BUDGET	BUDGET VARIANCE
OIL SHIPPED (1,000 BBL)	4,164		4,031		3,887						
PRODUCED (1,000 BBL)	4,164	4,346	4,026	4,359	3,897	4,351	3,918	4,401	16,004	17,457	(1,453)
PRODUCED (B/D)	45,256	47,241	43,766	47,382	42,823	47,811	43,050	48,361	43,848	47,827	(3,980)
GAS SHIPPED (1,000 MCF)	832		779		792						
PRODUCED (1,000 MCF)	825	913	766	915	824	914	765	924	3,179	3,666	(487)
PRODUCED (MCF/D)	8,962	9,921	8,323	9,950	9,052	10,040	8,404	10,156	8,709	10,044	(1,335)
WATER PRODUCTION (1,000 BBL)	51,648	57,752	50,952	57,962	51,283	57,617	51,889	58,037	205,772	231,368	(25,596)
(B/D)	561,390	627,743	553,828	630,017	563,548	633,154	570,208	637,765	563,758	633,884	(70,125)
WATER INJECTION (1,000 BBL)	61,428	64,575	60,800	64,690	61,234	64,081	61,863	64,426	245,324	257,773	(12,449)
(B/D)	667,697	701,904	660,870	703,152	672,896	704,192	679,808	707,980	672,121	706,227	(34,106)
OIL PRICE (\$/BBL)	\$14.14	\$12.75	\$13.60	\$12.75	\$15.64	\$12.75	\$15.00	\$12.75	\$ 14.58	\$12.75	
GAS PRICE (\$/MCF)	\$1.39	\$2.00	\$1.63	\$2.00	\$1.64	\$2.00	\$1.75	\$2.00	\$ 1.59	\$2.00	

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**NUMBER OF WELLS
AS OF MARCH 31, 1995**

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	184	91	275
White	149	92	241
Chaffee	213	110	323
Freeman	230	85	315
Pier J (Inc. THX)	107	59	166
TOTAL	883	437	1,320
Tar V	11	2	13
Ranger (All Areas)	672	338	1,010
Upper & Lower Terminal VI,VII	68	35	103
Terminal (Blocks VIII, 90)	57	32	89
Union Pacific-Ford (All Areas)	71	30	101
237 (All Areas)	4	0	4
TOTAL	883	437	1,320

(Figures exclude 9 abandoned producers and 20 abandoned injectors.)

OIL PRODUCTION

	<u>Average B/D</u> <u>1/1/96-3/31/96</u>	<u>Cumulative</u> <u>BBLs. 3/31/96</u>
Grissom	9,587	145,613,209
White	8,071	138,224,151
Chaffee	10,458	172,584,026
Freeman	10,556	226,664,613
Pier J (Inc. THX)	4,151	129,917,334
TOTAL	42,823	813,023,333
Tar V	146	1,301,538
Ranger (All Areas)	29,454	615,806,528
Upper Terminal & Lower Terminal VI,VII	5,026	66,290,105
Terminal (Blocks VIII, 90)	4,466	43,513,822
Union Pacific-Ford (All Areas)	3,731	82,252,729
237 (All Areas)	0	3,858,611
TOTAL	42,823	813,023,333

GAS PRODUCTION

	<u>Average Mcf</u> <u>1/1/96 - 3/31/96</u>	<u>Cumulative</u> <u>Mcf 3/31/96</u>
Grissom	846	20,774,797
White	1,964	33,943,457
Chaffee	2,058	57,557,403
Freeman	3,115	80,377,668
Pier J (Inc. THX)	1,069	23,352,657
TOTAL	9,052	216,005,982
Tar V	64	543,469
Ranger (All Areas)	5,877	136,889,346
Upper Terminal & Lower Terminal VI,VII	1,153	8,700,254
Terminal (Blocks VIII, 90)	799	12,605,481
Union Pacific-Ford (All Areas)	1,159	53,002,163
237 (All Areas)	0	4,265,269
TOTAL	9,052	216,005,982

WATER PRODUCTION

	<u>Average B/D</u> <u>1/1/96 - 3/31/96</u>	<u>Cumulative</u> <u>Bbls. 3/31/96</u>
Grissom	135,891	900,680,603
White	112,922	710,469,434
Chaffee	106,785	566,843,631
Freeman	128,486	884,259,306
Pier J (Inc. THX)	79,464	732,034,259
TOTAL	563,548	3,794,287,233
Tar V	662	5,603,001
Ranger (All Areas)	468,616	3,291,964,008
Upper Terminal & Lower Terminal VI, VII	52,770	284,364,551
Terminal (Blocks VIII, 90)	23,172	76,695,633
Union Pacific-Ford (All Areas)	18,328	132,472,150
237 (All Areas)	0	3,187,890
TOTAL	563,548	3,794,287,233

INJECTION WATER

	<u>Average B/D</u> <u>1/1/96 - 3/31/96</u>	<u>Cumulative</u> <u>Bbls. 3/31/96</u>
Grissom	173,927	1,271,329,418
White	135,129	1,064,015,852
Chaffee	133,909	1,123,404,475
Freeman	147,101	973,317,171
Pier J (Inc. THX)	82,830	952,643,699
TOTAL	672,896	5,384,710,615
Tar V	1,419	13,659,048
Ranger (All Areas)	546,588	4,632,461,707
Upper Terminal & Lower Terminal VI, VII	61,739	358,392,866
Terminal (Blocks VIII, 90)	33,230	168,152,334
Union Pacific-Ford (All Areas)	29,920	212,044,660
237 (All Areas)	0	0
TOTAL	672,896	5,384,710,615

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