

MINUTE ITEM  
This Calendar Item No. C59  
was approved as Minute Item  
No. 59 by the State Lands  
Commission by a vote of 3  
to 0 at its 10/28/96  
meeting.

CALENDAR ITEM  
**C59**

A 57, 58  
S 29

10/28/96  
W 17112  
B. Landry

**APPROVE THE FOURTH AMENDMENT OF THE 1995-96  
ANNUAL PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,  
FINAL REPORT AND CLOSING STATEMENT,  
LONG BEACH UNIT, WILMINGTON OIL FIELD  
LOS ANGELES COUNTY**

**BACKGROUND:**

The City of Long Beach has submitted to the Commission the Fourth 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 the updated economics with revised oil and gas prices. There have been no changes in the latest approved budget of \$164,938,000.

The average oil and gas rates for the fiscal year were reported to be 43,714 bbls/day of oil and 8,681 mcf/day of gas. The cumulative recoveries and injection through June 1996 are as follows:

OIL PRODUCTION	816,935,787 Barrels
GAS PRODUCTION	216,769,316 MCF
WATER PRODUCTION	3,845,342,786 Barrels
WATER INJECTION	5,445,704,556 Barrels

Cumulative Injection - Gross Production Ratio is 1.168 Bbls/Bbl.

The economic values reflect the combined effect of higher oil prices and lower production rates than were originally forecast. The major original planning assumptions were based on an average oil price of \$12.75 per barrel and an average gas price of \$2.00 per mcf. The average actual prices reported were \$15.04 per barrel of oil and \$1.52 per mcf of gas. The reported total revenue was \$245,500,000 with \$153,470,000 of total expenditures for a net profit of \$92,030,000. During the plan period, 1-2 drilling rigs were active.

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**CALENDAR ITEM NO. C59 (CONT'D)**

The Commission's staff has reviewed the Fourth Amendment, including the production, injection, expenditures, and revenue shown in the attached exhibits.

**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 Performance
- B. Second Quarter 1996 Financial Performance
- C. Fiscal Year 1995-96 Oil Rate Performance
- D. Letter Requesting Approval of Fourth Amendment to Plan of Development and Operations and Budget.

**IT IS RECOMMENDED THAT THE COMMISSION:**

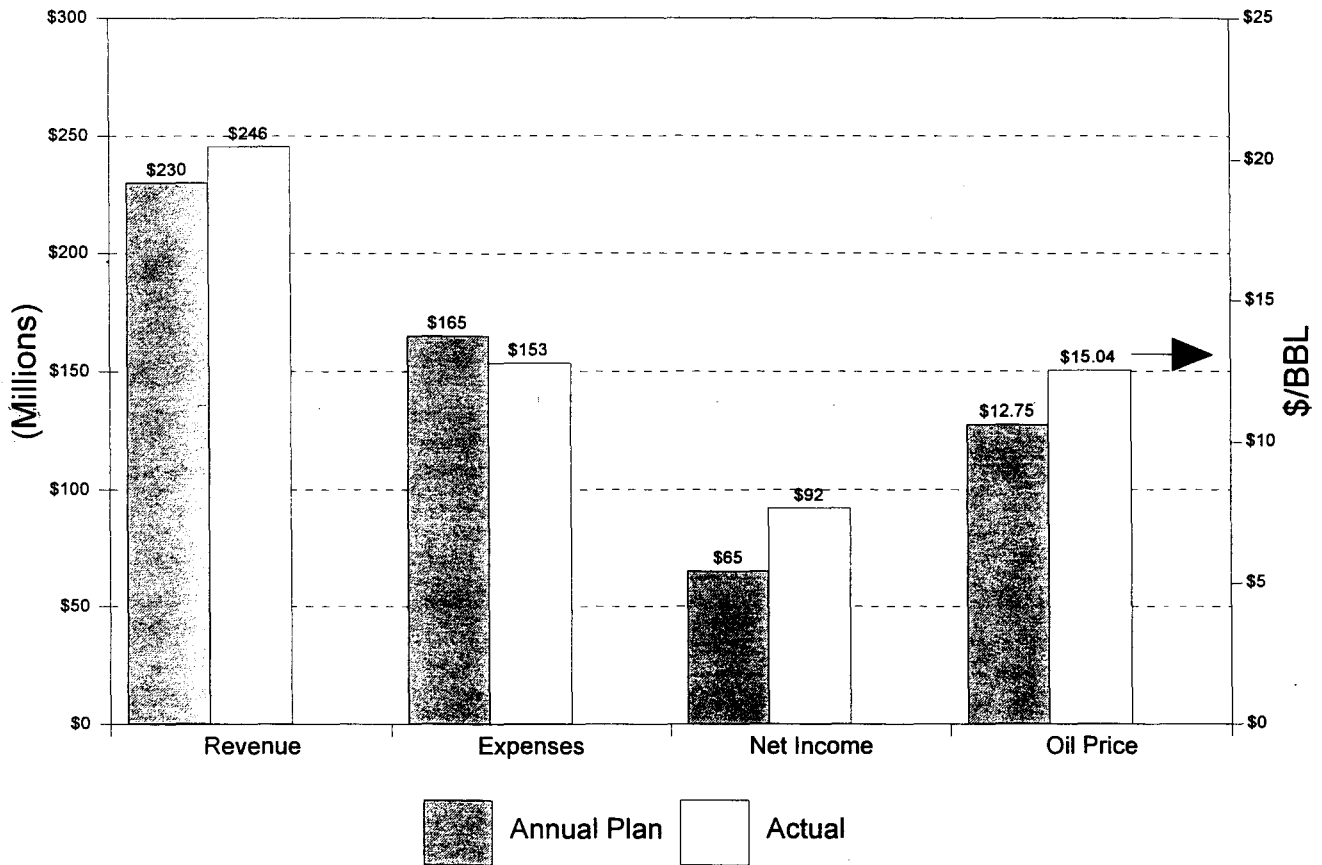
1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY PUBLIC RESOURCES CODE SECTION 21065 AND 14 CAL. CODE REGS. 15378.
2. APPROVE THE FOURTH AMENDMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, FINAL REPORT AND CLOSING STATEMENT, LONG BEACH UNIT, FOR THE PERIOD JULY 1, 1995 THROUGH JUNE 30, 1996.

# Long Beach Unit

## FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit A

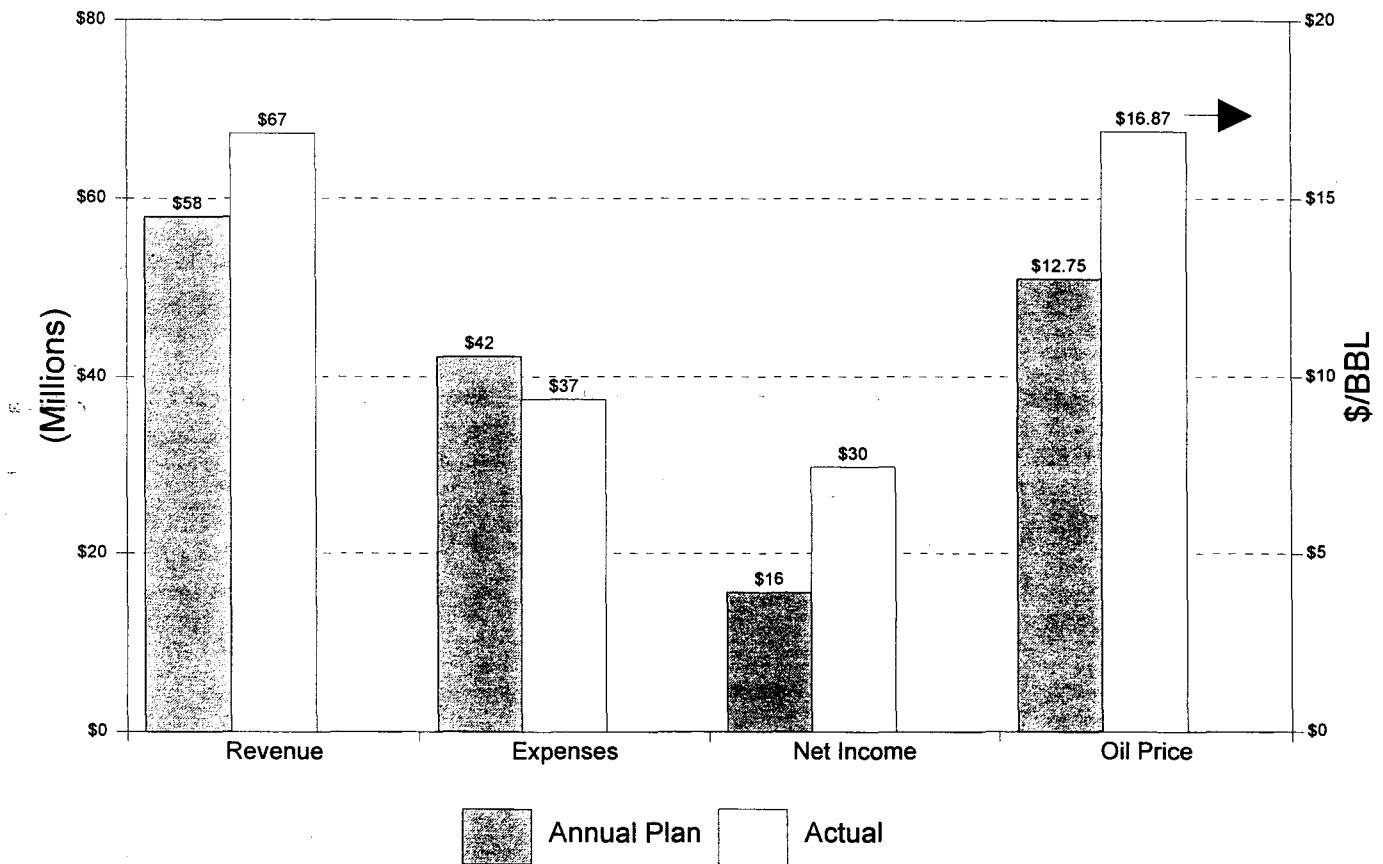
June 1996



# Long Beach Unit

## SECOND QUARTER 1996

Exhibit B

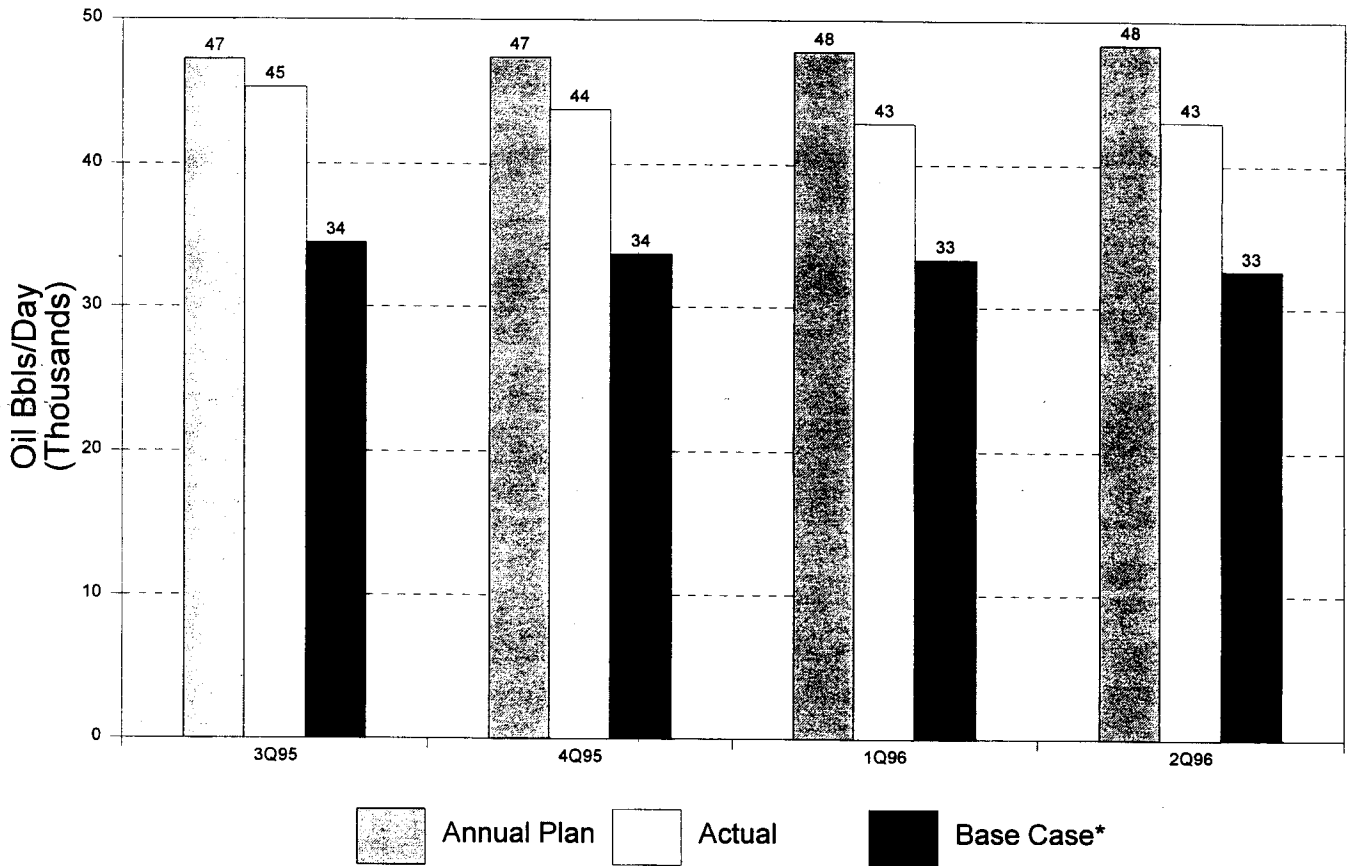


# Long Beach Unit

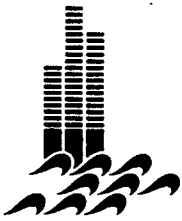
## FISCAL YEAR 1995-96 ANNUAL PLAN

Exhibit C

Revised Jun-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

September 24, 1996

Mr. P. B. Mount II, Chief  
Division of Mineral Resources Management  
200 Oceangate, 12th Floor  
Long Beach, California 90802

Subject: **REQUEST FOR APPROVAL OF THE FOURTH AMENDMENT OF THE  
ANNUAL PLAN (JULY 1, 1995 THROUGH JUNE 30, 1996)  
FINAL REPORT AND CLOSING STATEMENT**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval this final report and closing statement as the Fourth Amendment to the Annual Plan covering the period July 1, 1995 through June 30, 1996. This report contains a reconciliation of Unit activities by category.

**DEVELOPMENT DRILLING CATEGORY**

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

**Operations Review:** Two drilling rigs and one workover drilling rig were in operation for the first month of the Plan period. Drilling operations were reduced to one rig for the rest of the period. Workover drilling rig activity also ended in July, restarting only once for a two week period in December. Workover production rigs were used for the full period to assist with well completions.

During the Plan period 9 new wells and 23 re-drilled wells were completed.

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Following is a listing of both new completions and redrills by zone for the Plan period:

<u>Zone</u>	<u>New Completions</u>			<u>Redrills</u>		<u>Totals</u>
	<u>Prod.</u>	<u>Inj.</u>	<u>Total</u>	<u>Prod.</u>	<u>Inj.</u>	
Tar	0	0	0	0	0	0
Ranger	5	2	7	9	4	13
Terminal	0	0	0	0	2	2
Upper/Lower Terminal	0	1	1	1	1	2
UP-Ford	1	0	1	5	1	6
237	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	6	3	9	15	8	23

**Budget to Actual Variance:** The Development Drilling Category had an original budget of \$27,972,000, anticipating completion of approximately 51 new and redrilled wells (\$548,471/well). Actual costs were \$21,202,199 on 32 completions (\$662,569/well).

The increased cost per well is attributed to the high cost on the unsuccessful completion of well B743 (a dual lateral horizontal redrill costing \$1,740,063). Excluding the cost for the unsuccessful completion results in a category cost of \$608,192/well. Additionally, a greater percent of higher cost UP-Ford wells were completed, and a greater percent of redrills requiring plug and abandonment operations were completed.

The under expenditure in this category is a result of : 1) drilling fewer wells than anticipated; and 2) operating fewer rigs than anticipated.

On June 30, 1996, the total number of wells was 1,320, of which 879 were producers and 441 were injectors. Excluded from these totals are 30 abandoned wells (9 abandoned producers, and 21 abandoned injectors).

**OPERATING EXPENSE CATEGORY**

The Operating Expense Category provides 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:** The Unit oil production rate averaged 43,714 bbls/day, which was 4,113 bbls/day less than originally estimated, and gas production averaged 8,681 mcf/day, which was 1,363 mcf/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period also averaged 43,714 bbls/day, which was 2,757 bbls/day less than the 1994-95 fiscal period average. Gas shipments averaged 8,817 mcf/day, which was 893 mcf/day less than the 1994-95 fiscal period average.

Water injection averaged 667,912 bbls/day, which was 38,315 bbls/day less than originally estimated in the Major Planning Assumptions section of the Annual Plan. Water production averaged 559,941 bbls/day, which is 73,943 bbls/day less than originally estimated.

Production and injection volumes during the Plan period were lower than estimated in the Annual Plan, and below expected ranges in the Program Plan. Lower than estimated volumes are a result of: 1) production in the Cut-Recovery Block I area of the waterflood being less than originally anticipated in the Plan; 2) actual decline rates for horizontally completed wells were greater than anticipated; 3) water injection volumes dropped which required shutting in production to maintain voidage injection ratios; 4) drilling performance for the fiscal period was less than expected; and 5) actual wells drilled and completed were less than budgeted.

**Budget to Actual Variance:** The Operating Expense Category had an original budget of \$50,207,000. Actual costs of \$49,707,186 resulted in a 99.0 percent budget expenditure.

#### **OTHER PLANT CATEGORY**

The Other Plant Category provides funds for maintenance, repairs, upgrades, and additions of surface facilities and pipelines, and costs for general field services.



**Operations Review:** Projects with significant expenditures in the fiscal period include the following:

- Installation of a Unit gas compression facility
- Installation of an H<sub>2</sub>S gas treating facility
- Relocation of product pipelines to accommodate the Long Beach Harbor Department's port expansion
- Facility design for cogeneration
- Subsea pipeline survey
- 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
- Modification of the gas scrubber system at the J-2 site
- Modification of the recovered oil system at the J-2 site
- Repair barge basin fender system at Island Grissom
- Purchase forklifts
- Purchase software and hardware for 3D Seismic work
- Unit seismic review and design
- Replace water injection totalizer and wiring
- Purchase variable speed drives
- Electrical upgrades at the J-5 site

**Budget to Actual Variance:** The Other Plant Category has a budget of \$35,779,000. Actual expenditures of \$32,024,213 was \$3,754,787, or 10.5 percent less than planned. Although less than budget, expenditures were higher than planned. When adjusted for reduced costs on cogeneration facility work (\$310,289 actual cost versus \$8.0 million budgeted), expenditures were \$4.3 million more than planned. Greater than planned expenditures resulted from higher costs for fresh water, gas processing, major projects, and general maintenance activity.

#### **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 and 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:** This Category has a budget of \$33,764,000 of which \$34,657,413, or 102.6 percent, was expended. The over expenditure is primarily due to higher than planned costs for professional services and headquarters rent.

Significant non-routine expenditures occurred in this category for 3-D seismic survey and analysis work; team effectiveness training; purchase of computer equipment; and headquarters relocation.

### **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:** This Category has a budget of \$17,216,000 of which \$15,879,124, or 92.3 percent was expended. The under expenditure is due to receiving a refund of \$1,281,855.06 for mining rights on taxes paid in the 1993 tax year.

### **SUMMARY**

The Unit had a budget of \$164,938,000. Actual expenditures for the fiscal period were \$153,470,136, or 93.0 percent of the budget amount.

Revenue of \$245.5 million resulted in Unit profit of \$92.0 million, which is \$27.1 million more than originally anticipated. Greater than anticipated profit resulted from both lower than expected expenditures and higher than expected revenue. Higher revenues were a result of favorable oil prices during the Plan period (\$15.04/bbl actual versus \$12.75/bbl budget).

### **BUDGET RECONCILIATION**

Attached is the June 1995 Budget Statement, Fiscal Year Projects Report, revised Annual Plan Economic Projections and Major Planning Assumptions, and an end of period report of wells, oil production, gas production, water production, and water injection by location and zone.

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Mr. P. B. Mount II  
September 24, 1996  
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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

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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	ACTUAL FOURTH QUARTER FY95/96	BUDGET FOURTH QUARTER FY95/96	ACTUAL TOTALS FISCAL YEAR FY95/96	ORIGINAL TOTAL BUDGET	BUDGET VARIANCE
<b>ESTIMATED REVENUE</b>											
Oil Revenue	\$58,865	\$55,414	\$54,833	\$55,579	\$60,801	\$55,473	\$66,080	\$56,111	\$240,579	\$222,576	\$18,003
Gas Revenue	1,158	1,825	\$1,272	1,831	\$1,298	1,827	\$1,193	1,848	\$4,921	7,332	(\$2,411)
<b>TOTAL REVENUE</b>	<b>\$60,024</b>	<b>\$57,239</b>	<b>\$56,105</b>	<b>\$57,410</b>	<b>\$62,099</b>	<b>\$57,300</b>	<b>\$67,272</b>	<b>\$57,959</b>	<b>\$245,500</b>	<b>\$229,908</b>	<b>\$15,592</b>
<b>ESTIMATED EXPENDITURES</b>											
Development Drilling	\$7,346	\$4,670	\$3,306	\$7,869	\$5,523	\$6,971	\$5,028	\$8,462	\$21,202	\$27,972	\$6,770
Operating Expense	14,679	13,507	11,846	12,518	10,914	11,681	12,268	12,501	\$49,707	50,207	\$500
Other Plant	9,345	9,290	8,199	8,931	7,445	9,018	7,035	8,540	\$32,024	35,779	\$3,755
Unit Field Labor & Administrative	8,056	8,434	8,211	8,434	9,230	8,448	9,161	8,448	\$34,657	33,764	(\$893)
Taxes, Permits & Admin Overhead	5,114	4,258	3,809	4,333	3,029	4,285	3,928	4,340	\$15,879	17,216	\$1,337
<b>TOTAL EXPENDITURES</b>	<b>\$44,539</b>	<b>\$40,159</b>	<b>\$35,371</b>	<b>\$42,085</b>	<b>\$36,141</b>	<b>\$40,403</b>	<b>\$37,419</b>	<b>\$42,291</b>	<b>\$153,470</b>	<b>\$164,938</b>	<b>\$11,468</b>
<b>NET PROFIT</b>	<b>\$15,484</b>	<b>\$17,080</b>	<b>\$20,734</b>	<b>\$15,325</b>	<b>\$25,958</b>	<b>\$16,897</b>	<b>\$29,853</b>	<b>\$15,668</b>	<b>\$92,030</b>	<b>\$64,970</b>	<b>\$27,060</b>

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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	ACTUAL FOURTH QUARTER FY95/96	BUDGET FOURTH QUARTER FY95/96	ACTUAL TOTALS FISCAL YEAR FY95/96	ORIGINAL TOTAL BUDGET	BUDGET VARIANCE
<b>OIL</b>											
SHIPPED (1,000 BBL)	4,164		4,031		3,887		3,917		15,999		
PRODUCED (1,000 BBL)	4,164	4,346	4,026	4,359	3,897	4,351	3,912	4,401	15,999	17,457	(1,458)
PRODUCED (B/D)	45,256	47,241	43,766	47,382	42,823	47,811	42,994	48,361	43,714	47,827	(4,113)
<b>GAS</b>											
SHIPPED (1,000 MCF)	832		779		792		826		3,227		
PRODUCED (1,000 MCF)	825	913	766	915	824	914	763	924	3,177	3,666	(489)
PRODUCED (MCF/D)	8,962	9,921	8,323	9,950	9,052	10,040	8,388	10,156	8,681	10,044	(1,363)
<b>WATER PRODUCTION</b>											
(1,000 BBL)	51,648	57,752	50,952	57,962	51,283	57,617	51,056	58,037	204,938	231,368	(26,429)
(B/D)	561,390	627,743	553,828	630,017	563,548	633,154	561,050	637,765	559,941	633,884	(73,943)
<b>WATER INJECTION</b>											
(1,000 BBL)	61,428	64,575	60,800	64,690	61,234	64,081	60,994	64,426	244,456	257,773	(13,317)
(B/D)	667,697	701,904	660,870	703,152	672,896	704,192	670,263	707,980	667,912	706,227	(38,315)
OIL PRICE (\$/BBL)	\$14.14	\$12.75	\$13.60	\$12.75	\$15.64	\$12.75	\$16.87	\$12.75	\$15.04	\$12.75	\$2.29
GAS PRICE (\$/MCF)	\$1.39	\$2.00	\$1.63	\$2.00	\$1.64	\$2.00	\$1.44	\$2.00	\$1.52	\$2.00	(\$0.48)

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GENERAL PAGE 458.12

NUMBER OF WELLS

As of June 30, 1996

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	182	93	275
White	150	90	240
Chaffee	212	112	324
Freeman	229	86	315
Pier J (Inc. THX)	106	60	166
<b>Total</b>	<b>879</b>	<b>441</b>	<b>1320</b>
Tar V	11	2	13
Ranger (All Areas)	671	341	1012
Upper & Lower Terminal VI, VII	67	34	101
Terminal (Blocks VIII, 90)	56	34	90
Union Pacific-Ford (All Areas)	70	30	100
237 (All Areas)	4	0	4
<b>Total</b>	<b>879</b>	<b>441</b>	<b>1320</b>

(Figures exclude 9 abandoned producers and 21 abandoned injectors)

PRODUCTION - OIL

	AVERAGE B/D 7/1/95 - 6/30/96	CUMULATIVE Bbls. 6/30/96
Grissom	9775	146467124.
White	8220	138998765.
Chaffee	10678	173556875.
Freeman	10711	227624310.
Pier J (Inc. THX)	4330	130288713.
TOTAL	43714	816935787.
Tar V	166	1311943.
Ranger (All Areas)	30079	618466508.
Upper Terminal & Lower Terminal VI, VII	5158	66764932.
Terminal (Blocks VIII, 90)	4387	43910322.
Union Pacific-Ford (All Areas)	3924	82623471.
237 (All Areas)	0	3858611.
TOTAL	43714	816935787.

PRODUCTION - GAS

	AVERAGE MCF/D 7/1/95 - 6/30/96	CUMULATIVE mcf 6/30/96
Grissom	903	20845124.
White	2065	34142044
Chaffee	2086	57737443.
Freeman	2601	80603581.
Pier J (Inc. THX)	1026	23441124.
TOTAL	8681	216769316.
Tar V	69	549237.
Ranger (All Areas)	5862	137388292.
Upper Terminal & Lower Terminal VI, VII	1043	8795477
Terminal (Blocks VIII, 90)	660	12663133.
Union Pacific-Ford (All Areas)	1047	53107908.
237 (All Areas)	0	4265269.
TOTAL	8681	216769316.

MDW

PRODUCTION - WATER

	AVERAGE B/D 7/1/95 - 6/30/96	CUMULATIVE Bbls. 6/30/96
Grissom	135033	912446485.
White	109795	721002700.
Chaffee	106613	576581184.
Freeman	128555	895887640.
Pier J (Inc. THX)	79945	739424777.
TOTAL	559941	3845342786.
Tar V	699	5655730.
Ranger (All Areas )	467077	3334490300.
Upper Terminal & Lower Terminal VI, VII	51600	289040019.
Terminal (Blocks VIII, 90)	22242	78768073.
Union Pacific-Ford (All Areas)	18323	134200774.
237 (All Areas)	0	3187890.
TOTAL	559941	3845342786.

INJECTION - WATER

	AVERAGE B/D 7/1/95 - 6/30/96	CUMULATIVE Bbls. 6/30/96
Grissom	174188	1286330023.
White	131068	1076351753.
Chaffee	134552	1135607267.
Freeman	144149	986875921.
Pier J (Inc. THX)	83955	926876305.
TOTAL	667912	5445704556.
Tar V	1570	13799046.
Ranger (All Areas)	543155	4681996670.
Upper Terminal & Lower Terminal VI, VII	61572	363955873.
Terminal (Blocks VIII, 90)	33098	171212508.
Union Pacific-Ford (All Areas)	28517	214740459
237 (All Areas)	0	0.
TOTAL	667912	5445704556.