

# MINUTE ITEM

This Calendar Item No. C96 was approved as Minute Item No. 96 by the California State Lands Commission by a vote of 3 to 0 at its 9-17-01 meeting.

## CALENDAR ITEM

### C96

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A. Reid

#### CONSIDER APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT OF THE FY 2000-2001 ANNUAL PLAN, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

#### APPLICANT:

City of Long Beach  
Department of Oil Properties  
Attn: Mr. Dennis M. Sullivan  
211 E. Ocean Blvd., Suite 500  
Long Beach, CA 90802

#### BACKGROUND:

The City of Long Beach has submitted to the Commission the Final Report and Closing Statement of the FY 2000-2001 Annual Plan, Long Beach Unit, covering the period July 1, 2000 through June 30, 2001. This report provides the actual performance for the full Fiscal Year 2000-2001. There were no changes to the latest approved budget of \$184,600,000 or to the distribution to the five budget categories.

The average oil and gas rates for the 2000-2001 Fiscal Year were reported to be 35,717 bbls/day of oil (1,871 bbls/day less than originally estimated) and 9,568 MCF/day of gas (923 MCF/day more than forecast). The lower oil rate was primarily due to well downtime associated with 16 related electrical interruptions, and a less aggressive drilling program. The cumulative recoveries and injection through June 2001 are as follows:

Oil Production	889,847,889 Barrels
Gas Production	233,727,685 MCF
Water Production	4,987,297,108 Barrels
Water Injection	6,750,603,450 Barrels
Cumulative Injection - Gross Production Ratio is 1.149 bbls/bbl.	

CALENDAR ITEM NO. C96 (CONT'D)

Total expenditures for the Unit were \$171.5 million, which was \$13.1 million less than the approved budget for Fiscal Year 2000-2001. Net profit for the 2000-2001 fiscal year was \$167.7 million, which was \$112.0 million more than the approved budget estimate. The increase in net profit was due to higher than anticipated oil and gas prices. The approved budget forecast used an oil price of \$17.00/bbl and a gas price of \$2.25/Mcf. The actual prices averaged \$24.11/bbl of oil and \$7.13/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 2000-2001 are shown in the table below.

MILLION DOLLARS					
	ACTUAL FIRST QUARTER FY 99-00	ACTUAL SECOND QUARTER FY 99-00	ACTUAL THIRD QUARTER FY 99-00	ACTUAL FOURTH QUARTER FY 99-00	ACTUAL TOTAL FISCAL YEAR 99-00
Oil Revenue	92.3	84.8	65.7	71.4	314.4
Gas Revenue	4.1	6.6	8.8	5.3	24.9
Expenditures	39.1	42.8	41.9	47.7	171.5
Net Profit	57.3	48.7	32.6	29.1	167.7
Original	14.3	16.5	13.3	11.6	55.7
Change	43	32.2	19.3	17.5	112
Oil Price/BBL	27.02	25.4	21.4	22.28	24.11
Gas Price/MCF	4.68	7.24	10.52	6.22	7.13

Commission staff has reviewed the Final Report and Closing Statement for the Annual Plan, including production, injection, expenditures, and revenue figures and has prepared the attached Exhibits A and B to represent graphically the actual fiscal year performance compared to the approved budget.

**OTHER PERTINENT INFORMATION**

1. 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.

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

**EXHIBITS:**

- A. Fiscal Year 2000-2001 Financial Performance, Actual vs. Budget
- B. Fiscal Year 2000-2001 Oil Rate Actual vs. Budget
- C. Letter Requesting Approval of Final Report and Closing Statement for the Annual Plan, Long Beach Unit, (July 1, 2000 - June 30, 2001)

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMEND ACTION:**

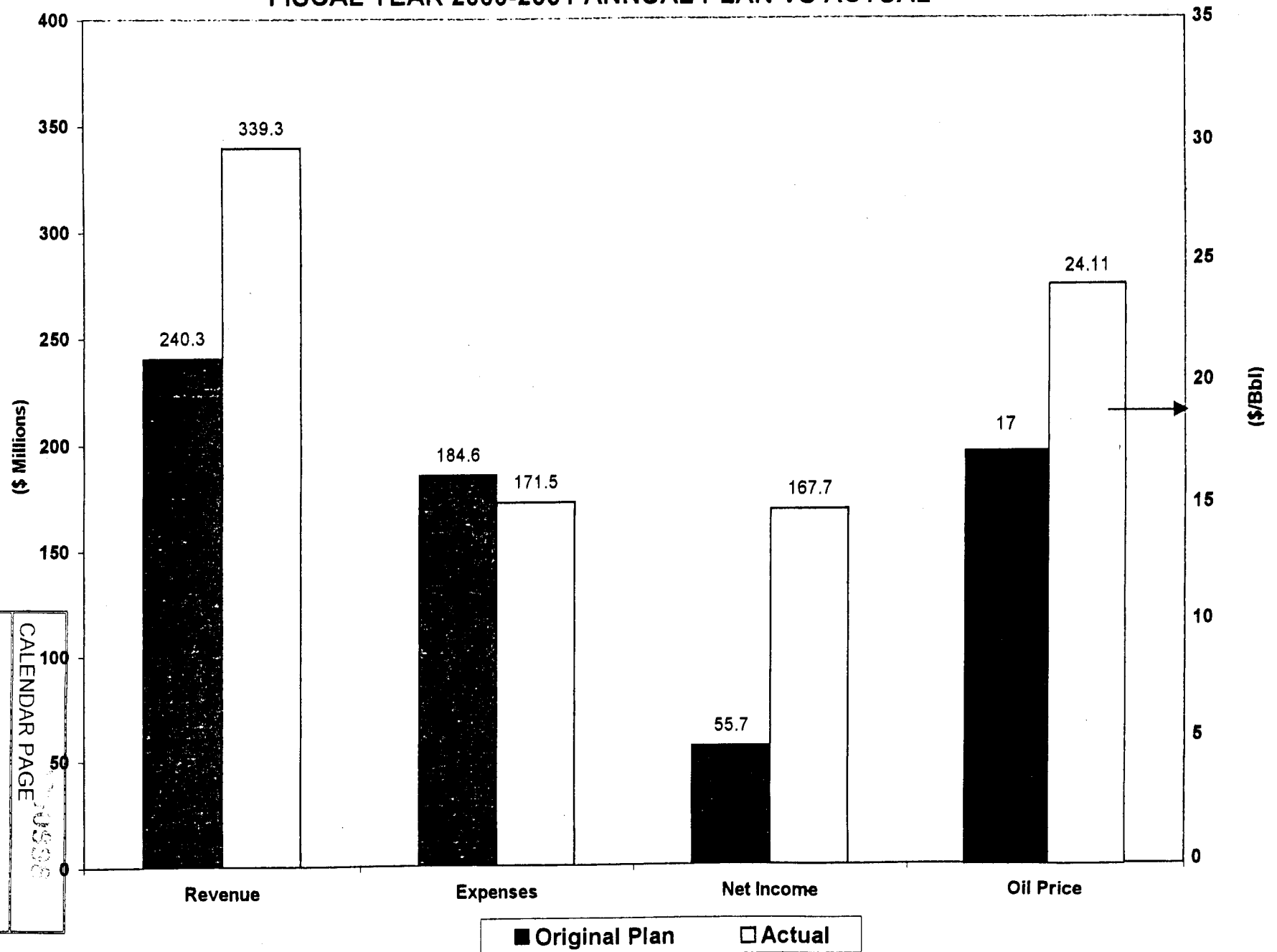
IT IS RECOMMENDED THAT THE COMMISSION:

**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:**

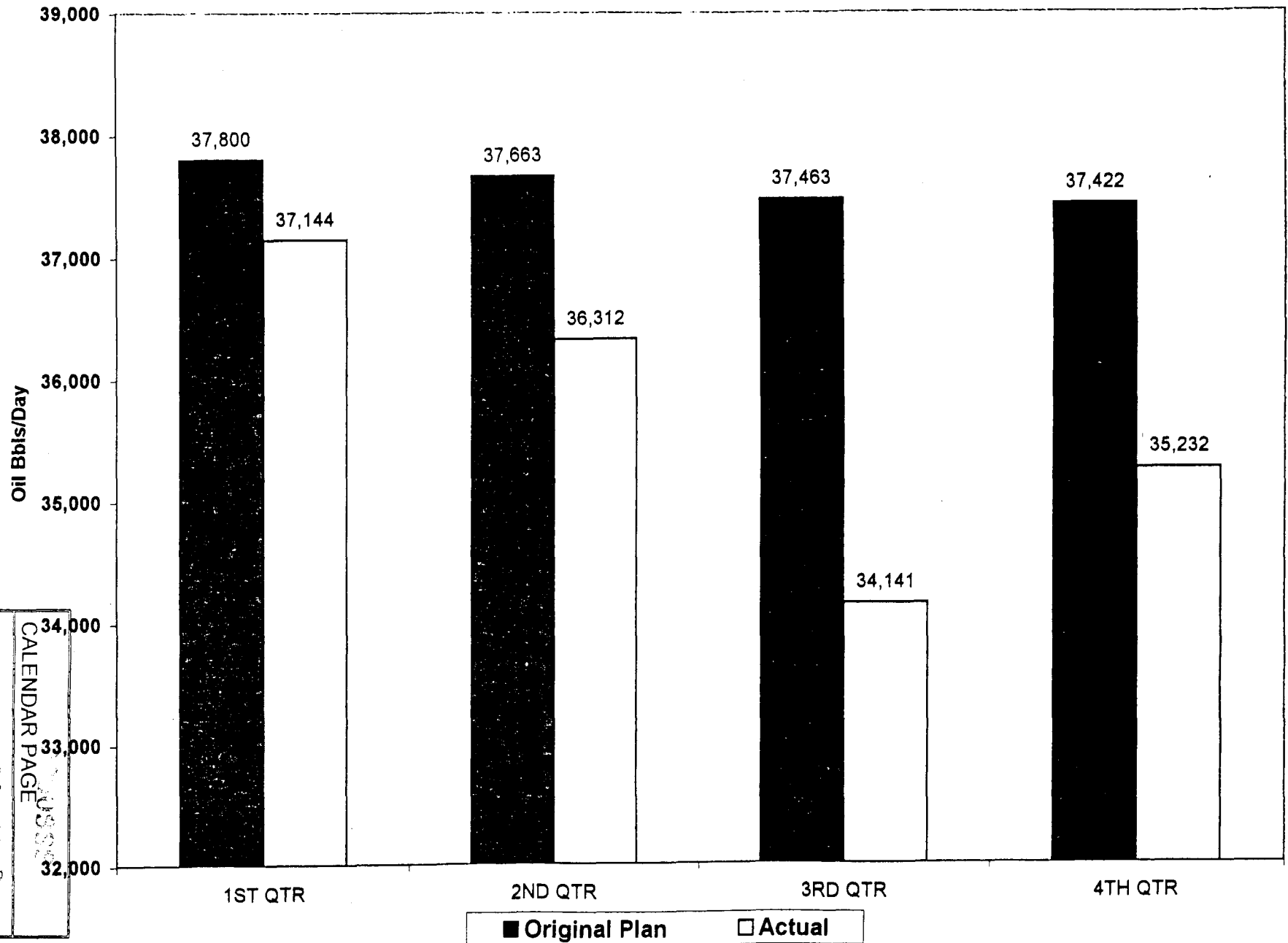
APPROVE THE FINAL REPORT AND CLOSING STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN, FOR THE PERIOD JULY 1, 1999 THROUGH JUNE 30, 2000.

**LBU Financial Performance****FISCAL YEAR 2000-2001 ANNUAL PLAN VS ACTUAL**

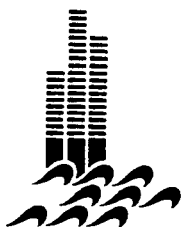
MINUTE PAGE 10000  
CALENDAR PAGE 10000

# LBU Oil Rate Performance

FISCAL YEAR 2000-2001 ANNUAL PLAN VS ACTUAL



MINUTE PAGE  
CALENDAR PAGE  
10/25/00  
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**CITY OF LONG BEACH**

DEPARTMENT OF OIL PROPERTIES

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

August 23, 2001

Mr. Paul B. Mount II, P.E.  
Chief, Mineral Resources Management Division  
California State Lands Commission  
200 Oceangate, 12th Floor  
Long Beach, CA 90802-4331

SUBJECT: **REQUEST FOR APPROVAL OF THE FINAL REPORT AND CLOSING  
STATEMENT FOR THE ANNUAL PLAN (JULY 1, 2000 THROUGH  
JUNE 30, 2001)**

Dear Mr. Mount:

In accordance with provisions of Part IV, Section C of the Annual Plan, we are submitting this final report and closing statement for the Annual Plan covering the period July 1, 2000 through June 30, 2001. This report contains a reconciliation of Unit activities by Category.

**DEVELOPMENT DRILLING**

The Development Drilling Category provides funding for all drilling and redrilling activity, as well as maintenance and replacement of drilling equipment within the Unit.

**Operations Review**

During the Plan period 26 new wells were completed. The following is a listing of both new completions and redrills by zone:

Zone	New Completions			Redrills		
	Prod	Inj	Total	Prod	Inj	Total
Tar	0	0	0	0	0	0
Ranger	6	0	6	9	5	14
Terminal	0	0	0	0	0	0
Upper/Lower Terminal	1	0	1	3	1	4
UP-Ford	1	0	1	0	0	0
237	0	0	0	0	0	0
Totals	8	0	8	12	6	18

CALENDAR PAGE

MINUTE PAGE

On June 30, 2001, the total number of wells in the Unit was 1,276 of which 836 were producers and 440 were injectors. Excluded from these totals are the abandoned wells.

### **Budget to Actual Variance**

The Development Drilling Category had a budget of \$36,800,000, of which \$25,737,000, or 69.9 percent, was expended. The Plan originally provided funds for 31 new and redrilled wells that were to be drilled using a 1½ drilling rig program. However, it was decided to maintain a one drilling rig program full-time and to add a sidetrack rig for drilling additional candidates starting late in the Plan period (late April). Twenty-six wells were ultimately drilled or redrilled. Additional costs in this Category included the complete refurbishment of drilling rig T-9 for a cost of approximately \$4 million.

## **OPERATING EXPENSE**

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, all electric power costs and abandonment costs.

### **Operations Review**

- Unit oil production during the Plan period averaged 35,717 bbls/day, which was 1,871 bbls/day lower than estimated in the Plan.
- Gas production averaged 9,568 mcf/day, which was 923 mcf/day higher than estimated in the Plan.
- Water injection averaged 781,040 bbls/day, which was 43,661 bbls/day higher than originally estimated in the Plan. Water production averaged 704,404 bbls/day, which was 56,283 bbls/day higher than estimated.
- The average price for Unit oil was \$24.11/bbl and the average price for Unit gas was \$7.13/mcf during the Plan period. The Plan was based on \$17.00/bbl oil price and \$2.25/mcf gas price.
- Twenty-six well abandonment jobs were performed that totaled \$954,000. The Plan included \$1 Million for abandonment expenses.

### **Budget to Actual Variance**

The Operating Expense Category had a budget of \$60,500,000, of which \$64,984,000, or 107.4 percent, was expended. The higher spending level was primarily related to electricity. The Annual Plan included \$24.9 Million for electricity, and \$29.4 Million was expended. Electricity rates rose as the state approved high tariff increases in response to the statewide energy crisis.

CALENDAR PAGE  
MINUTE PAGE

## **FACILITIES, MAINTENANCE, AND PLANT**

The Facilities, Maintenance, and 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 fiscal year include the following:

- Upgrade Instrument Air Compressors at J2
- Micromotion Oil Meter Installation at J2
- Skim Basin Cover Upgrade - Chaffee
- Regrade & Cleanup the J6 Tank Farm
- Injection Plant Piping Replacement - Freeman
- Culvert Piping Replacement - Grissom
- Vapor Recovery Piping to Receiving Tanks – All Locations
- Injection Pump & Motor Repairs
- PSM Compliance of Facilities at B&M
- Injection Piping Tie-in Modifications – All Locations
- Cellar Post & Concrete Repairs
- DOT Pipeline Testing JL1-B&M
- Location Shut-in – B&M
- Boat Landing and Barge Ramp Repairs

### **Budget to Actual Variance**

The Facilities, Maintenance, and Plant Category had a budget of \$27,600,000, of which \$33,097,000, or 119.9 percent, was expended. The higher spending level was primarily related to the addition of several strategic repair and improvement projects and to expenses associated with safety and environmental compliance audits.

## **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, Oxy Long Beach, Inc. billable costs, management projects, extraordinary losses and claims, and prior year adjustments.

CALENDAR PAGE 4002
MINUTE PAGE 40362



### **Budget to Actual Variance**

The Unit Field Labor and Administrative Category had a budget of \$34,100,000, of which \$31,894,000, or 93.4 percent, was expended. The lower spending level was primarily due to administrative and Unit Operator billable costs being lower than expected.

### **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 a budget of \$25,600,000, of which \$15,776,000, or 61.6 percent, was expended. The lower expenditure level was primarily due to lower than expected tax bills. Mining rights taxes were estimated in the Plan at \$9 Million; however, the assessment totaled \$3 Million partly as a result of a change in the basis for oil price used in the assessment. In addition, a \$3 million property tax special escape assessment related to the nonoperating contractors' interest in Tracts 1 and 2 was included in the Plan, but the Unit is being allowed to make installment payments over time instead of paying the assessment in full, resulting in reduced expenditures during the Plan period.

### **SUMMARY**

The Unit's overall expenditures during the Plan period were below budget. Of the Unit's \$184,600,000 expenditure budget, \$171,488,000 or 92.9 percent, was expended. Lower expenditures levels were primarily the result of lower than expected tax payments and lower than expected drilling expenditures since a second drilling rig was not completely ramped up as planned.

The lower than expected number of wells drilled, well downtime associated with I6-related electrical interruptions and lower than estimated performance of a hot water stimulation project resulted in Unit oil production averaging 35,717 bbls/day, 1,871 bbls/day lower than the Plan.

The Unit's Net Profit for the Plan period was \$167.7 Million, \$112.0 Million more than the original estimate of \$55.7 Million. The average price for Unit crude was \$24.11/bbl during the Plan period, while the budget was based on \$17.00/bbl. The average price for Unit gas was \$7.13/mcf during the Plan period, while the budget was based on \$2.25/mcf.

CALENDAR PAGE

MINUTE PAGE

## BUDGET RECONCILIATION

Attached are the June 2001 Budget Statement; Fiscal Year Projects Report; Annual Plan Economic Projections and Major Planning Assumptions; rates and volumes of oil, gas, and water production and water injection by location and zone; and an end-of-the-period report of number of wells.

Sincerely,



Dennis M. Sullivan  
Director

DMS:rjr/scs

Enclosures

FIN 312.003

CALENDAR PAGE 1000
MINUTE PAGE 12800