

CALENDAR ITEM

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A. Reid

**CONSIDER APPROVAL OF THE
LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2008 THROUGH JUNE 30, 2009),
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY**

APPLICANT:

City of Long Beach
Long Beach Gas and Oil Department
Attn.: Mr. Christopher J. Garner, Director
211 East Ocean Boulevard, Suite 500
Long Beach, CA 90802

BACKGROUND:

In accordance with Chapter 941 of the Statutes of 1991 (AB 227) and the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, the City of Long Beach (City) submitted to the California State Lands Commission (Commission) the Long Beach Unit Annual Plan (July 1, 2008 - June 30, 2009).

At its meeting on March 11, 2008, the Long Beach City Council adopted the proposed Annual Plan and authorized its submission to the Commission for review. The City submitted the Annual Plan to the Commission on March 14, 2008. The Commission has 45 days following formal submission of the Annual Plan to review and revise the plan pursuant to the limited criteria in AB 227. If the Commission takes no action, the Annual Plan is deemed to be accepted as submitted.

The economic projections for the period July 1, 2008 through June 30, 2009 (as presented by the City) are shown below:

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Revenue	\$585,600,000
Expenditures	\$385,600,000
Net Income:	\$200,000,000

As presented, the Long Beach Unit Annual Plan includes anticipated rates of production, revenues, expenditures, and net profits for the Unit as projected by the City of Long Beach Gas and Oil Department. The City has estimated that the Unit net income for the 2008-2009 Fiscal Year will be \$200 Million, after total Expenditures of \$385.6 Million. This income scenario is based on a forecast oil production rate of 27,301 Bbls/day. The proposed Plan allows for drilling approximately 58 new and redrilled wells with two to three active rigs. Revenues for the Fiscal year are based on average oil price of \$55.00/bbl.

Comparison of the Program Plan approved last year, the proposed Annual Plan budgeted expenses are \$0.4 million higher but comparable to the current program plan. The \$200 million of projected profit for the proposed Annual Plan is \$117.6 million higher than the current Program Plan. This difference is almost entirely due to the higher oil price assumption used in the proposed plan, \$55/bbl versus the \$40/bbl used in the current Program Plan. Over the last eight months, the actual oil price for the Long Beach Unit has averaged over \$73/bbl. Of note is the lower projected oil rate of the proposed plan, which is about 3,200 Bbl/day less than the current Program Plan projection. The reason for the downward revision in oil rate is primarily a result of a steeper decline in production, from currently existing wells, than historical trends would have indicated. Within THUMS, teams have been formed to focus on this problem. Initial action plans to mitigate the steepening decline is to redistribute water injection to areas with lower producing water-oil ratios, along with other initiatives that will be part of the proposed Annual Plan for 2008/2009.

Commission staff has reviewed the Annual Plan as submitted by the City and believes that it provides an engineering framework to meet the objectives of the Optimized Waterflood Agreement and is based on all engineering, geologic, and economic information available at the time of preparation. Engineers representing the State, City, THUMS, and OXY agree that objectives will be met in all areas of interest, including those of good oil field practice, proper reservoir management, safety to employees and the public, and environmental protection, through active participation by all parties at Unit forums, Engineering Committee meetings, Voting Party Committee meetings, and during events as they occur in the field. Commission staff believes the Annual Plan is consistent with the Five-

Year Program Plan of July 2007- June 2012, with consideration to previously discussed variances; it meets the goals set forth in the current Program Plan.

OTHER PERTINENT INFORMATION

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines [Title 14, California Code of Regulations, section 15060(c)(3)], the staff has determined that this activity is not subject to the provisions of the CEQA because it is not a "project" as defined by the CEQA and the State CEQA Guidelines.

Authority: Public Resources Code section 21065 and Title 14, California Code of Regulations, sections 15060 (c)(3) and 15378.

EXHIBITS:

- A. Letter from the City of Long Beach submitting the Long Beach Unit Annual Plan to the California State Lands Commission.
- B. Long Beach Unit Annual Plan (July 1, 2008 through June 30, 2009)

PERMIT STREAMLINING ACT DEADLINE:

N/A (not a "development project" subject to the Act)

RECOMMENDED ACTION:

IT IS RECOMMENDED THAT THE COMMISSION:

CEQA FINDING:

FIND THAT THE ACTIVITY IS NOT SUBJECT TO THE REQUIREMENTS OF THE CEQA PURSUANT TO TITLE 14, CALIFORNIA CODE OF REGULATIONS, SECTION 15060(c)(3) 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 LONG BEACH UNIT ANNUAL PLAN (JULY 1, 2008 THROUGH JUNE 30, 2009), LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.