

**CALENDAR ITEM
C49**

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A. Reid

**CONSIDER APPROVAL OF THE
LONG BEACH UNIT ANNUAL PLAN
(JULY 1, 2010 THROUGH JUNE 30, 2011),
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) has submitted the Long Beach Unit Annual Plan (July 1, 2010 - June 30, 2011) to the California State Lands Commission (Commission).

At its meeting on March 2, 2010, the Long Beach City Council adopted the proposed Annual Plan and authorized its submission to the Commission for consideration and approval. The plan was submitted to the Commission on March 4, 2010. The Commission has 45 days following formal submission of the Annual Plan to take action. If no action is taken, the Plan will be deemed to be approved as submitted. The economic projections for the period July 1, 2010 through June 30, 2011 (as presented by the City) are shown below:

Revenue	\$412,400,000
Expenditures	\$353,400,000
Net Income	\$79,500,000

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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 2010-2011 Fiscal Year will be \$79.5 Million, after total Expenditures of \$353.4 Million. This income scenario is based on a forecast oil production rate of 25,108 bbls/day and an average oil price of \$45/bbl. This Plan allows for drilling approximately 44 new and redrilled wells with an average of one and three quarter rigs for the year.

The following is a comparison of the current Five – Year Program Plan, approved last year and the proposed Annual Plan. The budgeted expenses for the proposed annual plan are the same as the current program plan. The \$79.5 million of projected profit for the proposed annual plan is \$47.6 million higher than the current program plan. This difference is almost entirely due to the higher oil price assumption used in the proposed plan, \$45/bbl versus the \$40/bbl used in the current program plan. However, the proposed plan oil rate is only 200 barrels/day higher than the oil rate projected in the current program plan. This small projected increase in the oil production rate is due primarily to an observed shallower production decline rate in the existing producing wells of the field. Also, the proposed annual plan reduces the projected new and redrilled wells from 50 to 44 due to a drop in the active rig count from two to one and three quarters for the fiscal year. The Annual Plan's proposed rig activity is based on the oil price assumption of \$45/bbl. If oil prices are significantly higher, rig utilization could be increased, which would result in additional wells being drilled and completed, and possibly a higher production rate, during the plan period.

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 proposed Annual Plan is consistent with the current Five-Year Program Plan of July 2009 – June 2014

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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 CEQA because it 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, 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, 2010 through June 30, 2011)

PERMIT STREAMLINING ACT DEADLINE:

N/A

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is not subject to the requirements of 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, 2010 through June 30, 2011), Long Beach Unit, Wilmington Oil Field, Los Angeles County.