

**CALENDAR ITEM  
C73**

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**CITY OF LONG BEACH REPORT AND CLOSING  
STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN  
(JULY 1, 2010 THROUGH JUNE 30, 2011),  
LONG BEACH UNIT, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY**

**PARTY:**

City of Long Beach  
Long Beach Gas and Oil Department  
Attn: Christopher Garner, Director  
2400 East Spring Street  
Long Beach, CA 90806

**BACKGROUND:**

The City of Long Beach, as required by §10 of Chapter 138, Statutes of 1964, 1<sup>st</sup> Ext. Session, has filed with the California State Lands Commission (Commission) the Final Report and Closing Statement of the FY 2010-2011 Annual Plan, Long Beach Unit, covering the period July 1, 2010 through June 30, 2011. This report provides the actual performance for the full Fiscal Year 2010-2011.

There were no modifications to the original budget of \$353.4 million during the fiscal year. Also there were no changes made to the amount or distribution of funds between the five budget categories.

The average oil and gas rates for Fiscal Year 10/11 were reported to be 25,812 bbls/day of oil (706 bbls/day higher than originally estimated) and 10,036 MCF/day of gas (671 MCF/day higher than forecast). The reason for the higher than anticipated oil production rate was the result of a stronger than anticipated development program for the year. The cumulative recoveries and injection through June 2011 are as follows:

CALENDAR ITEM NO. **C73** (CONT'D)

Oil Production	999,599,000 Barrels
Gas Production	270,979,000 MCF
Water Production	8,106,352,000 Barrels
Water Injection	10,175,122,000 Barrels

Cumulative Injection - Gross Production Ratio is 1.12 bbls/bbl.

Total expenditures for the Unit were \$320.2 million, which was \$33.17 million less than the approved budget for Fiscal Year 10/11. The lower than planned expenditures were primarily the result of less than anticipated operating and maintenance costs for the fiscal year. A major portion of this was from lower electrical costs which were due to lower actual fuel cost for unit power generation.

Net profit for fiscal year 10/11 was \$490.0 million, which was \$410.5 million higher than the approved budget estimate. The approved budget forecast used an oil price of \$45/bbl and a gas price of \$6/Mcf. The actual prices averaged approximately \$85/bbl of oil and approximately \$3/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 10-11 are shown in the table below.

<b>MILLION DOLLARS</b>					
	ACTUAL FIRST QUARTER FY10-11	ACTUAL SECOND QUARTER FY 10-11	ACTUAL THIRD QUARTER FY 10-11	ACTUAL FOURTH QUARTER FY 10-11	ACTUAL TOTAL FY 10-11
Oil Revenue	165,642	182,044	210,778	240,700	799,164
Gas Revenue	3,237	2,138	3,024	2,686	11,085
Expenditures	84,061	68,723	76,860	90,556	320,200
Net Profit	84,819	115,458	136,942	152,830	490,049
Original Budget Net Profit	22,500	21,200	17,900	17,900	79,500
Change	62,319	94,250	119,042	134,930	410,549
Oil Price \$/BBL	69.00	76.00	90.00	104.00	85.00
Gas Price \$/MCF	3.00	2.00	3.00	3.00	3.00

CALENDAR ITEM NO. **C73** (CONT'D)

Commission staff has reviewed the Final Report and Closing Statement for the Annual Plan, including production, injection, expenditures and revenue figures (Exhibit C), and has prepared Exhibits A and B, attached hereto, 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 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. Fiscal Year 10/11 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 10/11 Oil Rate, Annual Plan vs. Budget.
- C. Letter from the City of Long Beach requesting approval of the Final Closing Statement.

**RECOMMENDED ACTION:**

It is recommended that the Commission:

**CEQA FINDING:**

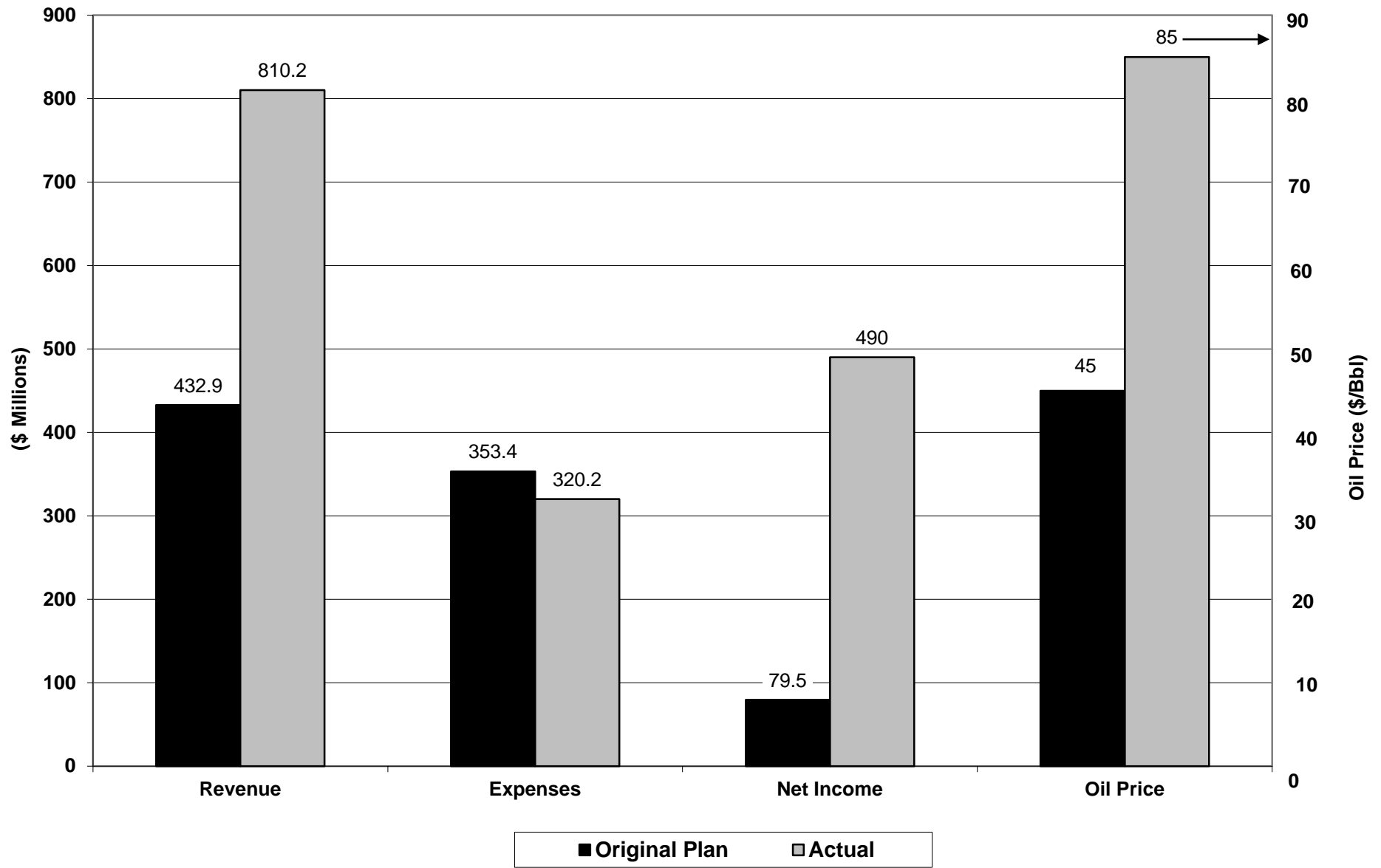
Find that the activity is not subject to the requirements of CEQA pursuant to Title 14, California Code of Regulations, section 15060(c)(3) because the activity is not a project as defined by Public Resources Code section 21065 and Title 14, California Code of Regulations, section 15378.

**AUTHORIZATION:**

Accept for filing the Final Report and Closing Statement for the Long Beach Unit Annual Plan, for the period July 1, 2010 through June 30, 2011, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

**Exhibit A**  
**LBU FINANCIAL PERFORMANCE**  
**FISCAL YEAR 2010-2011 ANNUAL PLAN VS ACTUAL**

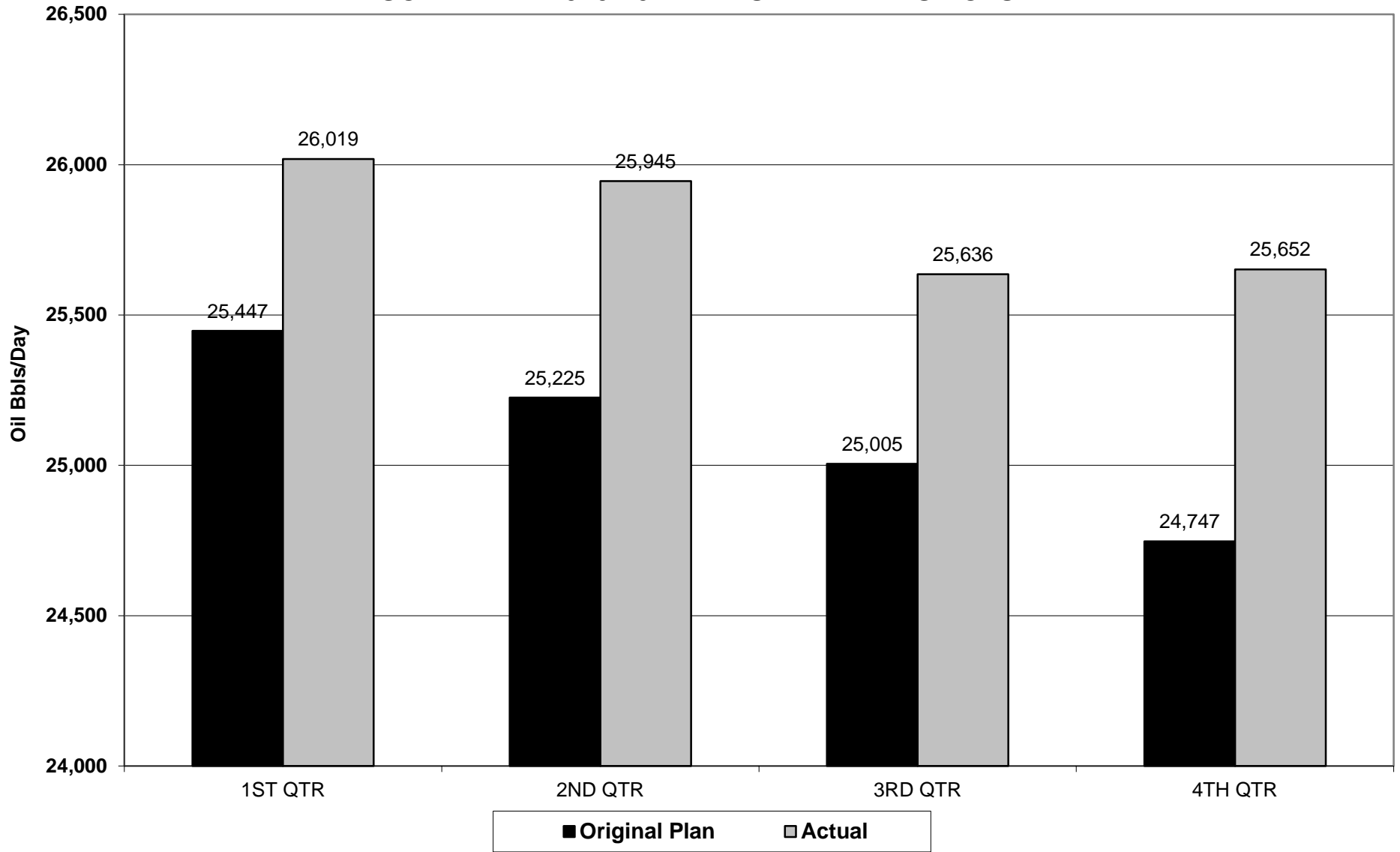
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# Exhibit B

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## LBU OIL RATE PERFORMANCE FISCAL YEAR 2010-2011 ANNUAL PLAN VS ACTUAL



# Exhibit C

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CHRISTOPHER J. GARNER  
DIRECTOR

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www.lbgo.org

October 27, 2011

Mr. Greg Scott  
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, 2010 THROUGH JUNE 30, 2011)**

Dear Mr. Scott:

In accordance with provisions of Part IV, Section C, of the Annual Plan, we are submitting for your approval this final report and closing statement to the Annual Plan covering the period July 1, 2010 through June 30, 2011. This report contains a reconciliation of Unit activities by category.

## **DEVELOPMENT DRILLING**

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

### **Operations Review**

FY 2011 reflects the successful implementation of the Unit's operation strategy that has attempted to take advantage of a rising oil price environment. During the FY 2011 Plan period, operation activities increased to maximize return to the Unit while managing persistent commodity market risk. During the period, the Unit operated a two full rig program. Forty-two wells were drilled and completed during the period. 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	15	1	16	22	0	22
Terminal	1	0	1	0	0	0
UP-Ford	2	0	2	1	0	1
237	0	0	0	0	0	0
<b>Total</b>	<b>18</b>	<b>1</b>	<b>19</b>	<b>23</b>	<b>0</b>	<b>23</b>

On June 30, 2011, the total number of wells in the Unit was 1,384, of which 727 were active producers, 451 were active injectors, and 206 wells were shut in due to mechanical or reservoir related issues. Excluded from these totals are the abandoned wells.

### **Budget to Actual Variance**

The Plan provided funds for 44 new and redrilled wells that were to be drilled with two full-time drilling rigs. The delivery of 42 wells is primarily the result of a higher portion of drilling producers, which are generally higher in cost and take longer to drill than planned. This higher than anticipated share of producers is due to changes in DOGGR permitting requirements for injection wells.

Total spending for Development Drilling was \$74.0 million, which is \$6.1 million above Plan. This difference was mainly driven by the higher producer/injector ratio versus Plan.

### **OPERATING EXPENSE**

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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, for all electric power costs and abandonment costs.

#### **Operations Review**

- Unit oil shipments during the Plan period averaged 25,812 bbls/day, which was 706 bbls/day higher than the Plan estimate. The higher oil rate was the result of a stronger than anticipated development program for the year, which helped offset steeper declines in the base oil rate. The number of wells shut-in for voidage and repair was also in line with historic levels.
- Gas production averaged 10,036 mcf/day, which was 671 mcf/day higher than the Plan estimate. Improved performance of the shallow gas wells is the primary cause for the increase.
- Water injection averaged 1,060,195 bbls/day, which was 6,649 bbls/day lower than originally estimated in the Plan. Water production averaged 995,275 bbls/day, which was 3,341 bbls/day higher than the Plan estimate.
- The average price for Unit crude was \$84.96/bbl during the Plan period. The Plan was based on \$45.00/bbl crude. The average price for Unit gas was \$3.02/mcf, and the Plan was based on \$6.00/mcf.
- The Plan included \$1,020,000 for the wells and facility abandonment expenses. Actual abandonment expense was \$1,436,000 primarily due to the facility abandonments. Well abandonment expense was minimal.

### **Budget to Actual Variance**

The budget for the Operating Expense category was \$101.2 million, of which \$86.2 million, or 85% was spent. The lower spending level was primarily related to lower electricity costs. Lower electricity costs were due to lower actual fuel costs, which allowed preferential electricity generations at a lower cost at the power plant. Twenty-five IWW projects were completed at an average cost of \$298,000 per project, which was higher than the 14 IWW projects in the Plan at an average cost of \$256,000.

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

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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:

- Pier J Polarity Treater
- Pier J1 Piping & Access Road
- Pier J2 Piping
- Pier F JL-2 Pipeline Encasement
- J6 Piping
- Pier J4/5 Piping
- White J-Line make-up
- Pier J2 Automation
- J-2 to J-6 Shipping Piping
- Bolted Tank Replacement
- GJ4/5 Piping Relocation

### **Budget to Actual Variance**

The Facilities, Maintenance, and Plant Category had a budget of \$87.8 million, of which \$74.2 million, or 85%, was spent.

### **UNIT FIELD LABOR AND ADMINISTRATIVE**

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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.



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**Budget to Actual Variance**

The Unit Field Labor and Administrative category had a budget of \$54.2 million, while actual spent was 0.2% higher at \$54.4 million.

**TAXES, PERMITS, AND ADMINISTRATIVE OVERHEAD**

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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 \$42.2 million, of which \$31.4 million, or 74 percent, was spent.

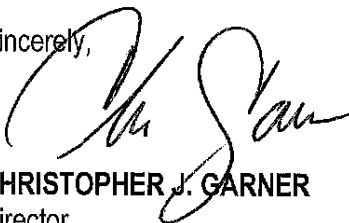
**SUMMARY**

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The Long Beach Unit FY 2011 budget was \$353.4 million, of which \$320.2 million or 91 percent was spent. Higher realized oil prices and lower operating costs than built into the Plan has resulted in fiscal year profit of \$490.0 million in comparison to \$79.5 million originally estimated in the Plan.

Significant effort was made during the Plan period to achieve best-in-class waterflood performance, which is paramount to increasing long-term value for the Unit. The development program was successfully implemented, which was optimized for capital investment and cash flow, while maintaining focus on health, environment and safety. Your concurrence with this Final Report and Closing Statement of the Annual Plan is requested.

Sincerely,



**CHRISTOPHER J. GARNER**  
Director

CJG:kmt:lld

Attachments

## Economic Projections

(Data in Thousands of \$)	ACTUAL FIRST QUARTER FY11	ACTUAL SECOND QUARTER FY11	ACTUAL THIRD QUARTER FY11	ACTUAL FOURTH QUARTER FY11	ACTUAL TOTAL FISCAL YEAR FY11	BUDGET TOTAL FISCAL YEAR FY11	% ACTUAL OVER/UNDER(-) BUDGET FY11
<b>ESTIMATED REVENUE</b>							
Oil Revenue	\$165,642	\$182,044	\$210,778	\$240,700	\$799,164	\$412,392	93.8%
Gas Revenue	\$3,237	\$2,138	\$3,024	\$2,686	\$11,085	\$20,510	-46.0%
<b>TOTAL REVENUE</b>	<b>\$168,880</b>	<b>\$184,181</b>	<b>\$213,802</b>	<b>\$243,386</b>	<b>\$810,249</b>	<b>\$432,902</b>	<b>87.2%</b>
<b>ESTIMATED EXPENDITURES</b>							
Development Drilling	\$16,081	\$14,621	\$18,014	\$25,325	\$74,041	\$67,924	9.0%
Operating Expense	\$21,342	\$15,532	\$21,676	\$27,631	\$86,181	\$101,169	-14.8%
Facilities & Maintenance	\$20,005	\$19,036	\$14,934	\$20,261	\$74,235	\$87,782	-15.4%
Unit Field Labor & Admin	\$16,783	\$12,360	\$14,001	\$11,236	\$54,380	\$54,249	0.2%
Taxes, Permits & Admin. Overhead	\$9,851	\$7,173	\$8,235	\$6,104	\$31,363	\$42,246	-25.8%
<b>TOTAL EXPENDITURES</b>	<b>\$84,061</b>	<b>\$68,723</b>	<b>\$76,860</b>	<b>\$90,556</b>	<b>\$320,200</b>	<b>\$353,370</b>	<b>-9.4%</b>
<b>NET PROFIT</b>	<b>\$84,819</b>	<b>\$115,458</b>	<b>\$136,942</b>	<b>\$152,830</b>	<b>\$490,049</b>	<b>\$79,532</b>	<b>516.2%</b>

## Major Planning Assumptions

	ACTUAL FIRST QUARTER FY11	ACTUAL SECOND QUARTER FY11	ACTUAL THIRD QUARTER FY11	ACTUAL FOURTH QUARTER FY11	ACTUAL TOTAL FISCAL YEAR FY11	BUDGET TOTAL FISCAL YEAR FY11	% ACTUAL OVER/UNDER(-) BUDGET FY11
<b>OIL PRODUCTION:</b>							
QUARTERLY (1,000 BBL)	2,394	2,387	2,333	2,309	9,422	9,164	
AVERAGE B/D	26,019	25,945	25,636	25,652	25,812	25,106	2.8%
<b>GAS PRODUCTION:</b>							
QUARTERLY (MMCF)	993	857	947	860	3,658	3,418	
AVERAGE MCF/D	10,797	9,319	10,407	9,554	10,036	9,365	7.2%
<b>WATER PRODUCTION:</b>							
QUARTERLY (1,000 BBL)	89,726	91,036	91,050	91,463	363,275	362,056	
AVERAGE B/D	975,283	989,519	1,000,552	1,016,260	995,275	991,934	0.3%
<b>WATER INJECTION</b>							
QUARTERLY (1,000 BBL)	97,688	93,423	97,896	97,965	386,971	389,398	
AVERAGE B/D	1,061,822	1,015,464	1,075,776	1,088,505	1,060,195	1,066,844	-0.6%
AVG OIL PRICE (\$/BBL)	69	76	90	104	85	45	88.5%
AVG GAS PRICE (\$/MCF)	3	2	3	3	3	6	-49.5%

<u>Location</u>	<u>Oil Production</u>		<u>Gas Production</u>	
	Average B/D	Cumulative Mbbls.	Average MCF/D	Cumulative MMCF
	7/1/10-6/30/11	6/30/11	7/1/10-6/30/11	6/30/11
Grissom	5,367	189,169	1,621	31,131
White	6,098	170,709	2,670	45,765
Chaffee	5,565	216,901	3,154	72,457
Freeman	6,340	275,853	1,949	93,874
Pier J	2,441	146,967	641	27,751
<b>Total</b>	<b>25,812</b>	<b>999,599</b>	<b>10,036</b>	<b>270,979</b>

<u>Reservoir</u>	Average B/D	Cumulative Mbbls.	Average MCF/D	Cumulative MMCF
	7/1/10-6/30/11	6/30/11	7/1/10-6/30/11	6/30/11
Shallow Gas		-	709	4,795
Tar V	74	1,902	31	793
Ranger	18,726	743,024	6,234	170,957
Terminal	4,352	146,451	1,170	29,909
Union Pacific-Ford	2,429	103,963	902	59,705
237	231	4,259	990	4,819
<b>Total</b>	<b>25,812</b>	<b>999,599</b>	<b>10,036</b>	<b>270,979</b>

<u>Location</u>	<u>Water Production</u>		<u>Water Injection</u>	
	Average B/D	Cumulative Mbbls.	Average B/D	Cumulative Mbbls.
	7/1/10-6/30/11	6/30/11	7/1/10-6/30/11	6/30/11
Grissom	254,204	2,015,293	275,727	2,485,003
White	183,489	1,491,236	191,586	1,917,940
Chaffee	185,881	1,361,131	190,484	2,059,839
Freeman	244,426	1,931,588	249,630	2,065,144
Pier J	127,275	1,307,104	152,769	1,647,196
<b>Total</b>	<b>995,275</b>	<b>8,106,352</b>	<b>1,060,195</b>	<b>10,175,122</b>

<u>Reservoir</u>	Average B/D	Cumulative Mbbls.	Average B/D	Cumulative Mbbls.
	7/1/10-6/30/11	6/30/11	7/1/10-6/30/11	6/30/11
Shallow Gas		-	-	-
Tar V	855	9,710	2,186	23,384
Ranger	780,968	6,755,121	824,311	8,450,676
Terminal	151,443	975,730	164,949	1,220,121
Union Pacific-Ford	60,462	360,726	68,749	480,942
237	1,547	5,064	-	-
<b>Total</b>	<b>995,275</b>	<b>8,106,352</b>	<b>1,060,195</b>	<b>10,175,122</b>

**Number of Wells  
As of June 30, 2011**

**By Reservoir**

<b>Zone</b>	<b>Producer</b>	<b>Injector</b>	<b>Total</b>
SG	7	0	7
Tar	12	2	14
Ranger	618	349	967
Terminal	160	77	237
UPF	92	64	156
237	3	0	3
<b>Total</b>	<b>892</b>	<b>492</b>	<b>1384</b>

**By Islands**

<b>Zone</b>	<b>Producer</b>	<b>Injector</b>	<b>Total</b>
Grissom	201	97	298
White	178	111	289
Chaffee	207	125	332
Freeman	213	111	324
Pier J	93	48	141
<b>Total</b>	<b>892</b>	<b>492</b>	<b>1384</b>