

MINUTE ITEM
This Calendar Item No. C38
was approved as Minute Item
No. 38 by the State Lands
Commission by a vote of 3
to 0 at its 4-28-93
meeting.

CALENDAR ITEM

C38

W17102.5

A 57, 58
S 29

04/28/93
W 17099
Reid

APPROVE THE SECOND AMENDMENT TO THE ANNUAL PLAN,
(JULY 1, 1992 THROUGH JUNE 30, 1993),
REVISING ECONOMIC PROJECTIONS,
OPTIMIZED WATERFLOOD AGREEMENT,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The City of Long Beach has submitted to the Commission the Second Amendment of the Annual Plan, July 1, 1992 through June 30, 1993, Long Beach Unit, Wilmington Oil Field, providing updated economic projections. This report reflects the information for the period from July 1, 1992 through December 30, 1992. There were no changes in the approved budget of \$189,852,000 or in the distribution to the five programs. The revised economic projection is illustrated in Exhibit A. The projected produced and injected fluids for the remaining quarters of this Plan are also unchanged.

The average oil and gas rates for the first half were reported to be 43,967 barrels per day of oil and 9,087 mcf per day of gas. These were less than the budgeted rate of 45,800 barrels per day of oil and 9,200 mcf per day of gas. Water injection averaged 577,733 barrels per day, which was higher than the budgeted rate of 562,800 barrels per day. The cumulative recoveries and injections from the beginning of the Unit through December 1992 are as follows:

OIL PRODUCTION	759,603,103 Barrels
GAS PRODUCTION	205,140,909 Mcf
WATER PRODUCTION	3,162,631,315 Barrels
WATER INJECTION	4,624,489,972 Barrels

Cumulative Injection/Gross Production Ratio is 1.179
Bbls/Bbl.

The economic values reflect higher actual oil and gas prices than originally planned. The increase in Unit net profit was also influenced by the significant reduction in expenditures during the first half. The effect of these factors increased revenue

CALENDAR ITEM NO. C38 (CONT'D)

generation and increased net profits over that predicted for the first half. The major original planning assumptions were based on an average oil price of \$13.80 per barrel and an average gas price of \$2.10 per mcf. The actual values reported averaged \$15.21 per barrel of oil and \$2.51 per mcf of gas. The comparisons of the estimated versus the actual economic factors for the first half of the 1992-93 Fiscal Year are shown below and plotted in Exhibit B.

	<u>ESTIMATED FIRST HALF</u>	<u>ACTUAL FIRST HALF</u>	<u>DIFFERENCE</u>
TOTAL REVENUE	\$119,850,000	\$127,789,000	(+) \$ 7,939,000
TOTAL EXPENDITURES	\$ 95,144,000	\$ 79,382,000	(-) \$15,762,000
NET PROFIT	\$ 24,706,000	\$ 47,907,000	(+) \$23,201,000

<u>PROGRAM</u>	<u>BUDGET</u>	<u>ACTUAL (First Half) EXPENDITURES</u>	<u>PERCENT EXPENDED</u>
Development Drilling	\$ 51,616,000	\$ 20,794,781	40.3
Operating Expense	\$ 72,616,000	\$ 30,099,968	41.5
Other Plant	\$ 29,935,000	\$ 11,907,176	39.8
Staff Expense	\$ 22,546,000	\$ 10,913,108	48.4
Taxes, Leases & Permits	\$ 13,139,000	\$ 5,667,492	43.1
TOTAL	\$189,852,000	\$79,382,525	41.8

The Commission's staff has reviewed the Second Amendment including the estimated production, injection, expenditures and revenue and has prepared the attached Exhibits "A" and "B" to represent graphically the Amendment. When actual information through the third quarter of the Optimized Waterflood becomes available it will be reviewed by the staff and reported to the Commission.

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 the CEQA as a statutorily exempt project. The project is exempt because it involves an "ongoing project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C. 21169 and 14 Cal. Code Regs. 15261.

CALENDAR PAGE	322
MINUTE PAGE	733

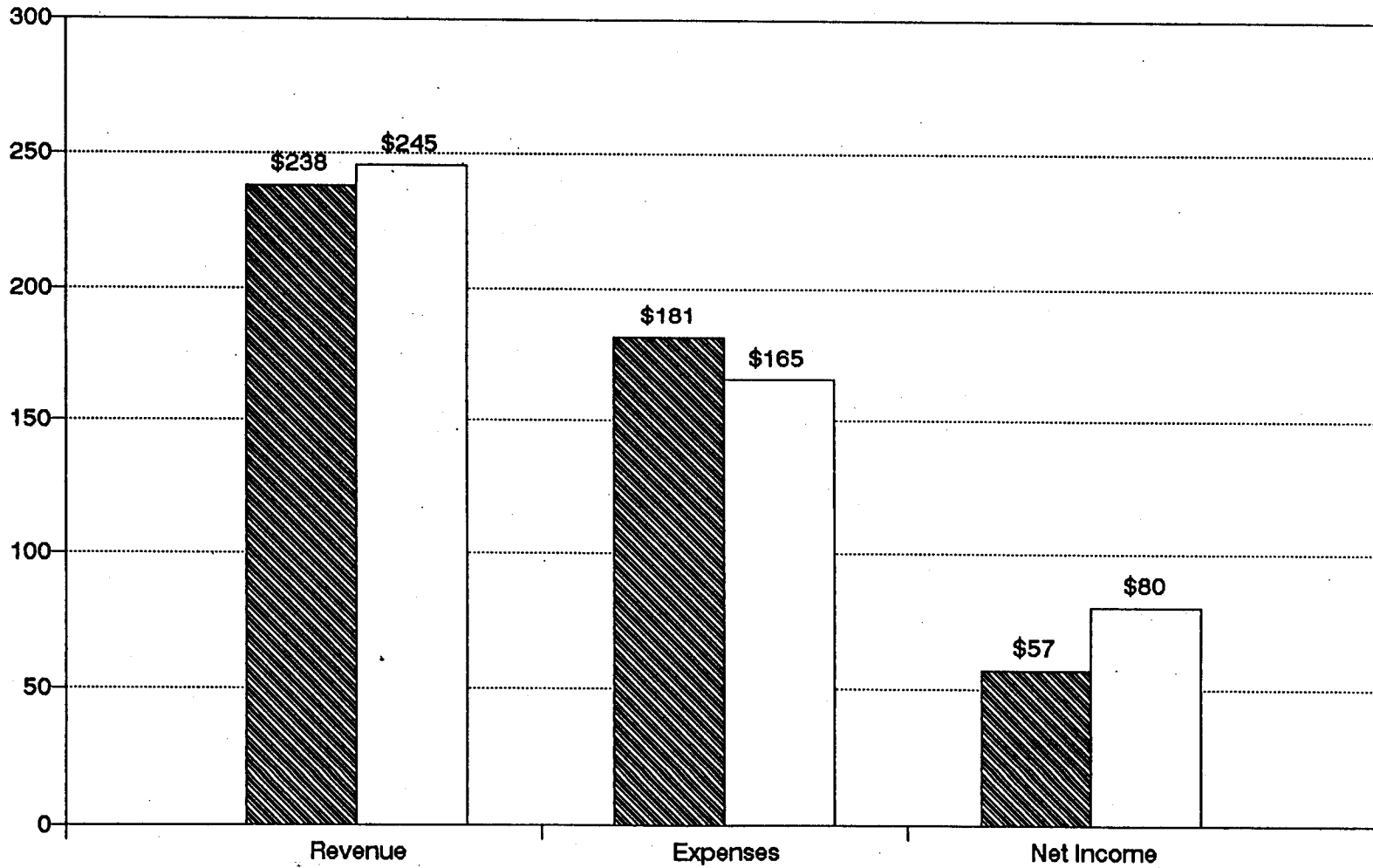
Long Beach Unit

FISCAL YEAR 1992-93 ANNUAL PLAN

Revised Mar. 1993

DOLLARS

(Millions)



Original Plan Revised Plan

CALENDAR PAGE	323
MINUTE PAGE	734

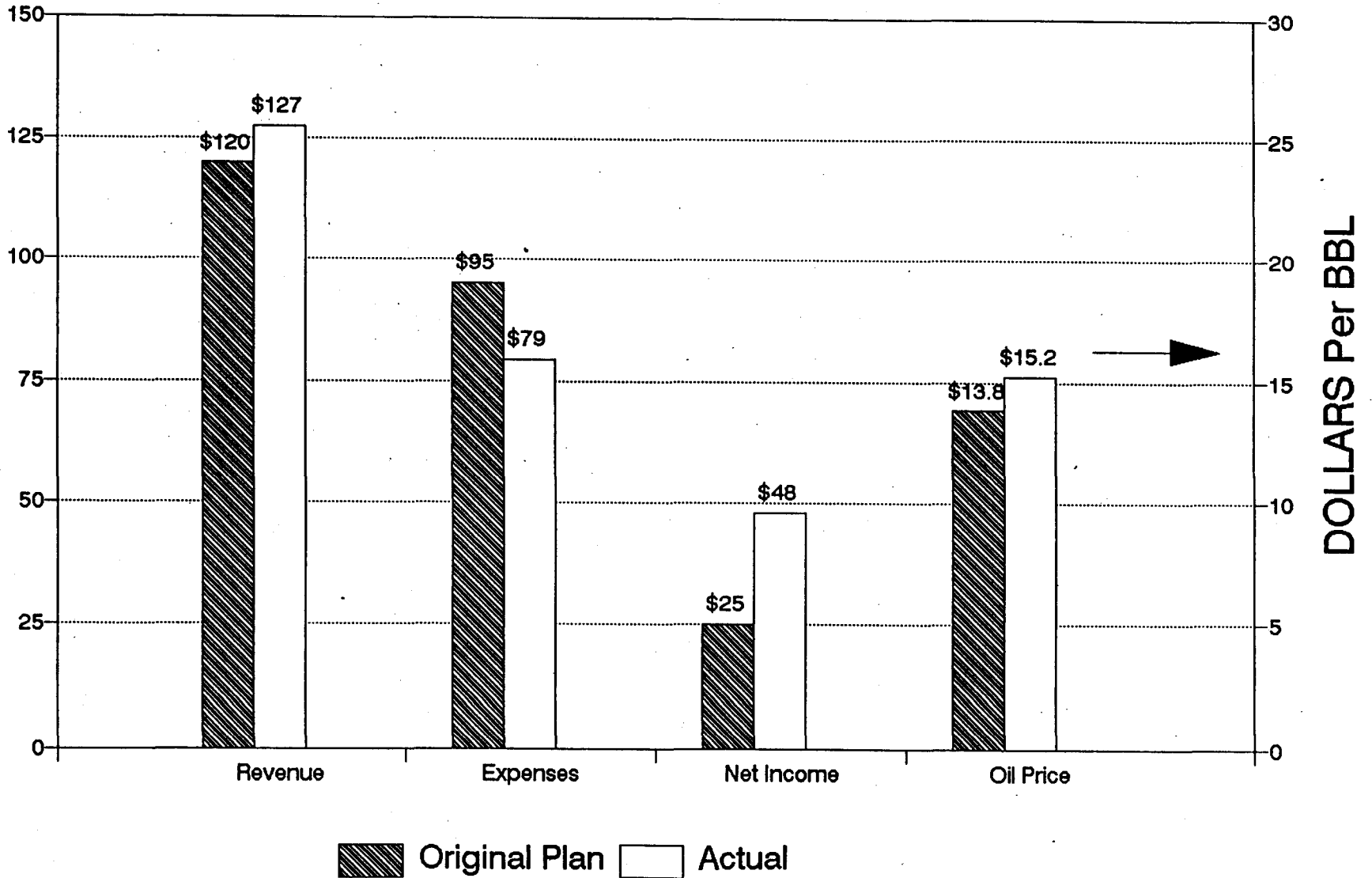
Long Beach Unit

FIRST HALF FISCAL YEAR 1992-93

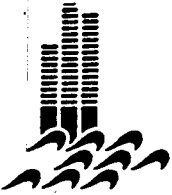
DOLLARS

(Millions)

MINUTE PAGE	CALENDAR PAGE
735	324



DOLLARS Per BBL



CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (310) 590-6354 • FAX 590-6191

March 15, 1993

Mr. Charles Warren
 Executive Officer
 State Lands Commission
 245 West Broadway - Suite 425
 Long Beach, California 90802

Subject: REQUEST FOR APPROVAL OF THE SECOND AMENDMENT OF THE ANNUAL PLAN, LONG BEACH UNIT (JULY 1, 1992 THROUGH JUNE 30, 1993)

Dear Mr. Warren:

In accordance with the provisions of Part IV, Section A, of the Annual Plan, we are submitting for your approval the Second Amendment of the Annual Plan covering the period July 1, 1992 through June 30, 1993.

This report reviews the second quarter operations and has attached revised Economic Projections and Major Planning Assumptions tables. Later revisions of the tables may be required to reflect changing conditions. Also attached are statistics for wells, and production and injection volumes.

An analysis of Unit activities and the status of funds in each of the five budget categories is presented below.

DEVELOPMENT DRILLING

Operations Review

Three drilling rigs were in operations throughout the quarter. During this time eight new producers and five new injectors were drilled. The producers were completed in the following zones: four Ranger, and four UP Ford. The injectors were completed in the following zones: one Upper Terminal, two Ranger, and two Terminal.

On December 31, 1992, the total number of wells was 1,256, of which 907 are producers and 349 are injectors. Excluded from these totals are 25 abandoned wells, 8 abandoned producers and 17 abandoned injectors.

CALENDAR PAGE	325
MINUTE PAGE	736

Budget to Actual Variance

The Development Drilling Category has a budget of \$51,616,000 of which \$20,794,781, or 40.3 percent was expended.

Five rigs were budgeted to drill/redrill seventy wells. Our revised drilling schedule is for sixty wells. We are on target for achieving the revised goal with only three drilling rigs, and the use of well servicing rigs for completions.

The reduced activity level is expected to result in actual expenditures in this category of \$46.0 million.

OPERATING EXPENSE

Operations Review

The Unit oil production rate averaged 44,064 bbls/day less than originally estimated, and gas production averaged 9,345 mcf/day, which was 145 mcf/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan. Oil shipments during the period averaged 44,302 bbls/day, while gas shipments averaged 8,996 mcf/day.

Water injection averaged 577,733 bbls/day, which was 14,933 bbls/day more than originally estimated in the Major Planning Assumptions section of the Annual Plan.

Budget to Actual Variance

The Operating Expense Category has a budget of \$72,616,000 of which \$30,099,968, or 41.5 percent, was expended.

Expenses are lower than planned due to efficiency gains and lower than expected increases for goods and services. Major changes or efficiency gains are shown below.

- THUMS' personnel complement is less than planned, and employee benefits budgeted at 33 percent, have averaged only 30 percent.
- Fewer wells being drilled had a significant impact on operating costs, including costs associated with marine transportation, general island maintenance, and island support services.
- The Lomita gas processing project had expenditures significantly less than planned. In addition, a gas, oil and water injection piping project had expenditures much less than planned.

Our latest estimate for expenditures in this Category for the Plan period is \$62.4 million.

OTHER PLANT

Budget to Actual Variance

The Other Plan Category has a budget of \$29,935,000 of which \$11,907,176, or 39.8 percent, was expended.

A major variance in this category is attributed to a change in scope of the subsea pipeline project, which has reduced the project cost estimate by \$3.0 million. Expenditures for the pipeline project and other major projects were light in the first two quarters and are expected to increase in the last half of the fiscal year.

Our latest estimate for expenditures in this category for the Plan period is \$23.8 million.

STAFF EXPENSE

Budget to Actual Variance

The Staff Expense Category has a budget of \$22,546,000 of which \$10,913,108, or 48.4 percent was expended.

We budgeted for a full personnel complement and operated at lower levels. Expenditures for salaries and wages were also lower than expected as employee payroll benefits, budgeted at 33 percent, were only 30 percent. However, the underexpenditures in salaries and benefits were offset by higher costs for staff support and services.

Our latest estimate for expenditures in this category for the Plan period is \$21.8 million.

TAXES, LEASES AND PERMITS

Budget to Actual Variance

The Taxes, Leases and Permits Category has a budget of \$13,139,000 of which \$5,667,492, or 43.1 percent, was expended.

A budget of \$10.3 million was approved in this category for Mining Rights Taxes, Long Beach Production Taxes, Improvements & Personal Property Taxes and the Petroleum and Gas Fund Assessment. Actual expenditures for on half year of these taxes totaled \$4.2 million.

CALENDAR PAGE	327
MINUTE PAGE	738

Mr. Charles Warren
March 15, 1993
Page 4

Our latest estimate for expenditures in this category for the Plan period is \$11.3 million.

Total expenditures for the second quarter of the Plan period was \$40,982,000. The total estimated expenditures for the Plan period are shown in the attachments.

Total Unit income for the second quarter of the Plan period was higher than anticipated. Net income was \$19,524,000 (compared to an estimate of \$10,957,000). The total unit income for the Plan period is now estimated at \$79,886,000, \$31,991,000 higher than the \$47,895,000 projected when the Annual Plan was prepared.

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 312.002

Attachments

CALENDAR PAGE	328
MINUTE PAGE	739

**Long Beach Unit
Annual Plan
July 1, 1992 through June 30, 1993
Revised Major Planning Assumptions**

	Actual Third Quarter 1992	Actual Fourth Quarter 1992	Estimated First Quarter 1993	Estimated Second Quarter 1993	Total
Oil Production					
(1,000 BBL)	4,036	4,054	4,122	4,168	16,380
(B/D)	43,868	44,064	45,800	45,800	
Gas Production					
(1,000 MCF/D)	812	860	828	837	3,337
(MCF/D)	8,825	9,345	9,200	9,200	
Water Production					
(1,000 BBL)	43,372	45,190	42,120	42,588	173,270
(1,000 B/D)	471	491	468	468	
Water Injection					
(1,000 BBL)	51,584	53,151	50,652	51,215	206,602
(1,000 B/D)	561	578	563	563	
Oil Price (\$/BBL)	\$16.10	\$14.34	\$13.80	\$13.80	
Gas Price (\$/MCF)	\$2.23	\$2.78	\$2.10	\$2.10	

**Long Beach Unit
Annual Plan
July 1, 1992 through June 30, 1993**

Revised Economic Projections

	Actual Third Quarter 1992	Actual Fourth Quarter 1992	Estimated First Quarter 1993	Estimated Second Quarter 1993	TOTAL
ESTIMATED REVENUE					
Oil Revenue	\$64,976	\$58,113	\$56,884	\$57,516	\$237,489
Gas Revenue	1,807	2,393	1,739	1,758	\$7,697
TOTAL REVENUE	\$66,783	\$60,506	\$58,623	\$59,274	\$245,186
ESTIMATED EXPENDITURES					
Development Drilling	\$9,802	\$10,993	\$12,602	\$12,603	\$46,000
Operating Expense	15,882	14,218	16,150	16,150	\$62,400
Other Plant	5,614	6,293	5,946	5,947	\$23,800
Staff Expense	5,146	5,767	5,443	5,444	\$21,800
Taxes, Leases, and Perm	1,956	3,711	2,816	2,817	\$11,300
TOTAL EXPENDITURES	\$38,400	\$40,982	\$42,957	\$42,961	\$165,300
NET PROFIT	\$28,383	\$19,524	\$15,666	\$16,313	\$79,886

**NUMBER OF WELLS
AS OF DECEMBER 31, 1992**

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	188	71	259
White	161	72	233
Chaffee	204	92	296
Freeman	241	59	300
Pier J (Inc. THX)	<u>113</u>	<u>55</u>	<u>168</u>
TOTAL	907	349	1,256
Tar V	10	1	11
Ranger (All Areas)	699	281	980
Upper & Lower Terminal VI,VII	61	26	87
Terminal (Blocks VIII, 90)	57	22	79
Union Pacific-Ford (All Areas)	76	19	95
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
TOTAL	907	349	1,256

(Figures exclude 8 abandoned producers and 17 abandoned injectors.)

CALENDAR PAGE	331
MINUTE PAGE	742

OIL PRODUCTION

	Average B/D 10/1/92 - 12/31/92	Cumulative Bbls. 12/31/92
Grissom	9,191	132,878,962
White	8,857	128,392,202
Chaffee	10,790	159,601,547
Freeman	11,237	213,407,041
Pier J (Inc. THX)	3,989	125,323,351
TOTAL	44,064	759,603,103
Tar V	48	1,173,380
Ranger (All Areas)	30,984	578,322,390
Upper Terminal & Lower Terminal VI,VII	5,033	60,233,167
Terminal (Blocks VIII, 90)	4,367	38,335,587
Union Pacific-Ford (All Areas)	3,632	77,679,968
237 (All Areas)	0	3,858,611
TOTAL	44,064	759,603,103

GAS PRODUCTION

	Average Mcf 10/1/92 - 12/31/92	Cumulative Mcf 12/31/92
Grissom	1,065	19,534,009
White	1,570	31,810,986
Chaffee	2,438	55,117,509
Freeman	3,226	77,007,145
Pier J (Inc. THX)	1,046	21,671,260
TOTAL	9,345	205,140,909
Tar V	51	460,792
Ranger (All Areas)	6,175	129,580,795
Upper Terminal & Lower Terminal VI,VII	883	7,455,529
Terminal (Blocks VIII, 90)	1,138	11,618,102
Union Pacific-Ford (All Areas)	1,098	51,760,422
237 (All Areas)	0	4,265,269
TOTAL	9,345	205,140,909

CALENDAR PAGE	332
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MINUTE PAGE	743
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WATER PRODUCTION

	Average B/D <u>10/1/92 - 12/31/92</u>	Cumulative Bbls. 12/31/92
Grissom	100,035	749,177,189
White	97,105	589,046,733
Chaffee	86,040	451,088,144
Freeman	130,296	731,935,819
Pier J (Inc. THX)	77,717	641,383,430
TOTAL	491,193	3,162,631,315
Tar V	261	5,081,117
Ranger (All Areas)	426,543	2,752,933,178
Upper Terminal & Lower Terminal VI, VII	36,734	232,179,364
Terminal (Blocks VIII, 90)	15,359	54,604,920
Union Pacific-Ford (All Areas)	12,296	114,644,846
237 (All Areas)	0	3,187,890
TOTAL	491,193	3,162,631,315

INJECTION WATER

	Average B/D <u>7/1/92 - 9/30/92</u>	Cumulative Bbls. 9/30/92
Grissom	141,907	1,072,040,355
White	112,418	911,809,953
Chaffee	118,278	972,440,486
Freeman	121,279	819,284,757
Pier J (Inc. THX)	83,851	848,914,421
TOTAL	577,733	4,624,489,972
Tar V	353	12,363,815
Ranger (All Areas)	500,760	4,000,104,173
Upper Terminal & Lower Terminal VI, VII	35,476	295,609,821
Terminal (Blocks VIII, 90)	24,926	132,504,169
Union Pacific-Ford (All Areas)	16,218	183,907,994
237 (All Areas)	0	0
TOTAL	577,733	4,624,489,972

CALENDAR PAGE	333
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MINUTE PAGE	744
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CALENDAR PAGE _____	
MINUTE PAGE _____	745