

MINUTE ITEM

This Calendar Item No. C70 was approved as Minute Item No. 70 by the California State Lands Commission by a vote of 2 to 0 at its 12-08-05 meeting.

CALENDAR ITEM  
**C70**

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12/08/05  
W 17158  
A. Reid

CONSIDER APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN (JULY 1, 2004 THROUGH JUNE 30, 2005), LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

**APPLICANT:**

City of Long Beach  
Long Beach Gas and Oil Department  
Attn: Mr. Christopher Garner  
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 2004-2005 Annual Plan, Long Beach Unit, covering the period July 1, 2004 through June 30, 2005. This report provides the actual performance for the full Fiscal Year 2004-2005.

There was one approved modification to the original budget of \$205,500,000. That modification supplemented the original budget by \$28.3 million, \$11.5 million in Development Drilling and \$16.8 million in Operating Expense categories. The two major projects added by the modification were: 1) Drill or redrill an additional nine wells to take advantage of higher than expected oil prices. 2) Prepayment against the principal balance of the unit's power plant capital lease. The final approved budget for Fiscal Year 2004-2005 was \$233,800,000. No other changes were made to the amount or distribution of funds among the five budget categories.

The average oil and gas rates for the 2004-2005 Fiscal Year were reported to be 31,736 bbls/day of oil (449 bbls/day less than originally estimated) and 8,498 MCF/day of gas (33 MCF/day more than forecast). The reason for the lower than anticipated oil production rate was a greater than expected decline in base

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production and a slower pace of completed wells at the beginning of the fiscal year. The cumulative recoveries and injection through June 2005 are as follows:

Oil Production	937,697,916 Barrels
Gas Production	246,389,861 MCF
Water Production	6,081,867,540 Barrels
Water Injection	7,968,242,398 Barrels

Cumulative Injection - Gross Production Ratio is 1.135 bbls/bbl.

Total expenditures for the Unit were \$222.9 million, which was \$10.9 million lower than the approved modified budget for Fiscal Year 2004-2005. The decrease in expenditures was primarily the result of lower than anticipated drilling and electrical costs.

Net profit for the 2004-2005 fiscal year was \$236.7 million, which were \$96.4 million more than the approved modified budget estimate. The approved modified budget forecast used an oil price of \$30.41/bbl and a gas price of \$5.44/Mcf. The actual prices averaged \$37.98/bbl of oil and \$6.32/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 2004-2005 are shown in the table below.

MILLION DOLLARS					
	ACTUAL FIRST QUARTER FY 04-05	ACTUAL SECOND QUARTER FY 04-05	ACTUAL THIRD QUARTER FY 04-05	ACTUAL FOURTH QUARTER FY 04-05	ACTUAL TOTAL FISCAL YEAR 04-05
Oil Revenue	105.9	107.3	106.4	120.3	440.0
Gas Revenue	4.9	4.5	4.9	5.3	19.6
Expenditures	51.5	70.8	52.6	47.9	222.9
Net Profit	59.3	41.0	58.7	77.7	236.7
Original Budget Net Profit*					140.3
Change					96.4

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	ACTUAL FIRST QUARTER FY 04-05	ACTUAL SECOND QUARTER FY 04-05	ACTUAL THIRD QUARTER FY 04-05	ACTUAL FOURTH QUARTER FY 04-05	ACTUAL TOTAL FISCAL YEAR 04-05
Oil Price \$/BBL	36.32	36.53	37.08	42.07	37.98
Gas Price \$/MCF	6.30	5.87	6.31	6.81	6.32

\*Approved Plan Supplement contained yearly estimate only.

Commission staff has reviewed the Final Report and Closing Statement for the Annual Plan, including production, injection, expenditures and revenue figures, 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 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. Fiscal Year 2004-2005 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 2004-2005 Oil Rate, Annual Plan vs. Budget.
- C. Letter from the City of Long Beach requesting approval of the Final Closing Statement.

**PERMIT STREAMLINING ACT DEADLINE:**

N/A

**RECOMMENDED ACTION:**

IT IS RECOMMENDED THAT THE COMMISSION:

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**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:**

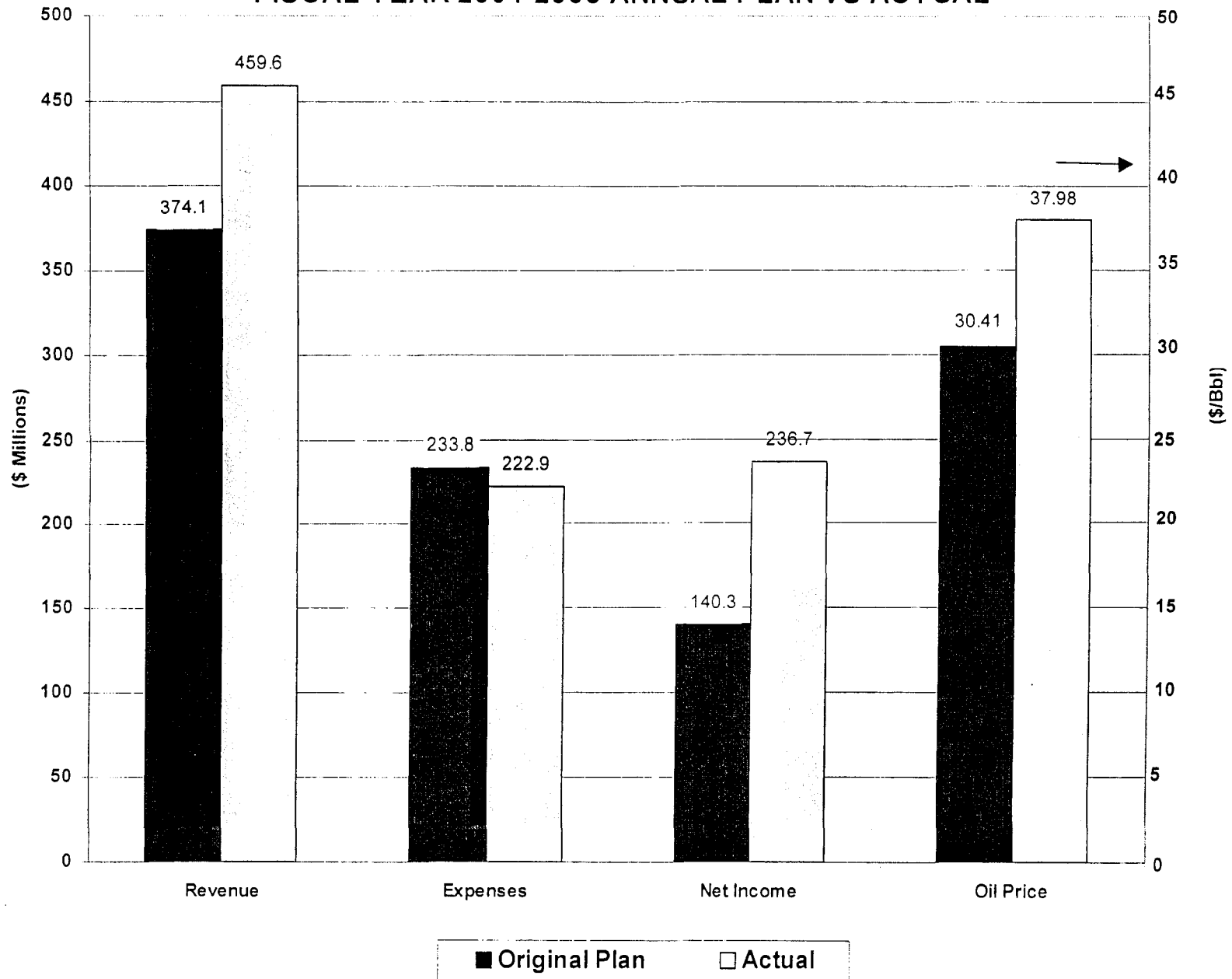
APPROVE THE FINAL REPORT AND CLOSING STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN, FOR THE PERIOD JULY 1, 2004 THROUGH JUNE 30, 2005, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

Exhibit A

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# LBU Financial Performance

## FISCAL YEAR 2004-2005 ANNUAL PLAN VS ACTUAL



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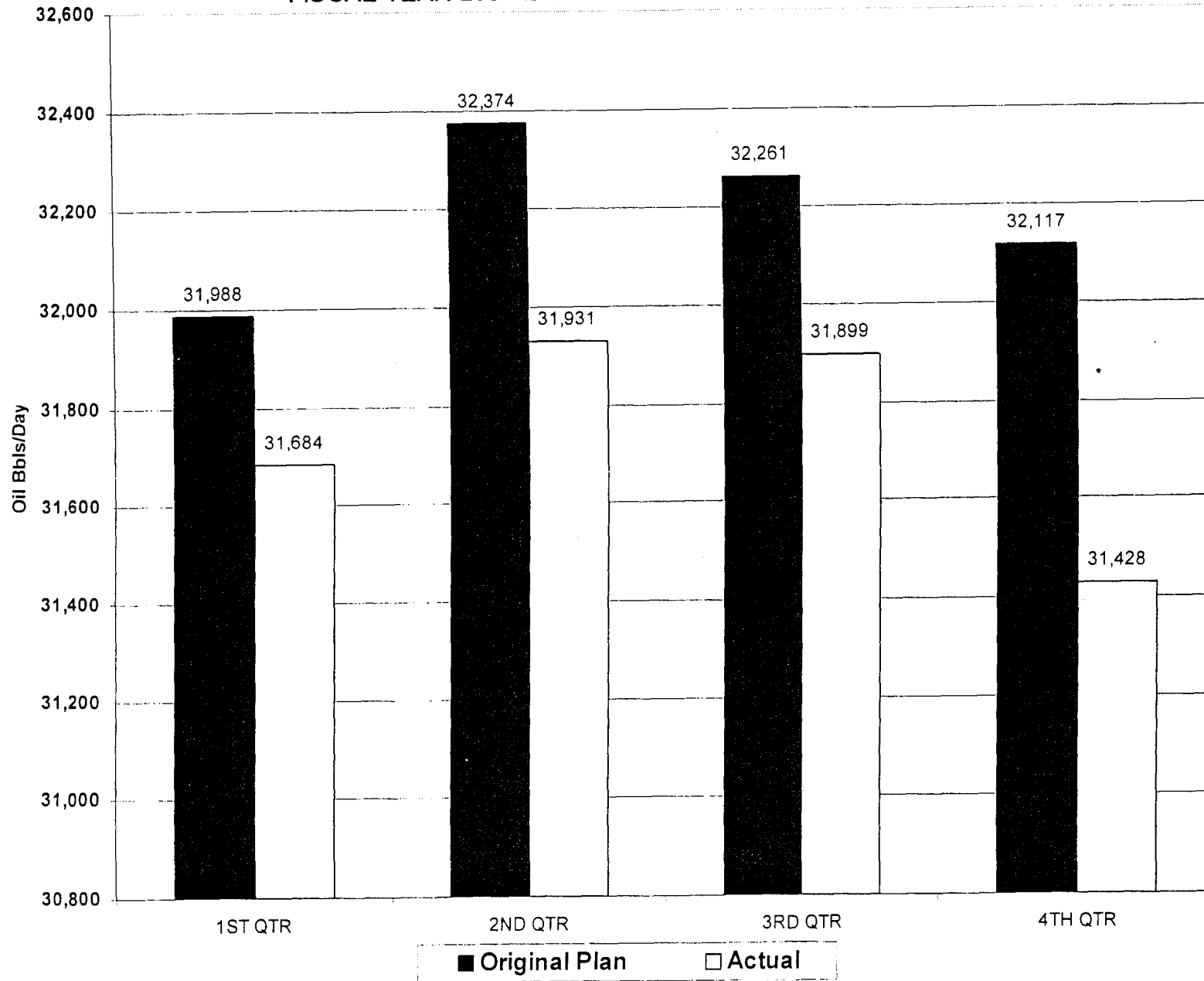
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Exhibit B

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LBU OIL RATE PERFORMANCE  
FISCAL YEAR 2004-2005 ANNUAL PLAN VS ACTUAL



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## EXHIBIT C



## CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

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

October 10, 2005

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, 2004 THROUGH JUNE 30, 2005)

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, 2004 through June 30, 2005. 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 replacements for drilling equipment within the Unit.

Operations Review

During the Plan period 38 new wells were completed. 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	10	1	11	10	0	10
Terminal	0	1	1	2	1	3
Upper/Lower Terminal	2	0	2	0	0	0
UP-Ford	4	1	5	3	3	6
237	0	0	0	0	0	0
Totals	16	3	19	15	4	19

On June 30, 2005, the total number of wells in the Unit was 1,277, of which 836 were producers and 441 were injectors. Excluded from these totals are the abandoned wells.

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### **Budget to Actual Variance**

The Development Drilling Category was modified to increase its budget to \$44,800,000, of which \$42,841,000, or 95.6 percent, was expended. The Plan provided funds for approximately 45 new and redrilled wells that were to be drilled with one full time drilling rig and a quarter time drilling rig. Expenditures for drilling preparation and completion activities were lower than estimated in the Plan.

## **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, for all electric power costs, and abandonment costs.

### **Operations Review**

- Unit oil shipments during the Plan period averaged 31,736 bbls/day, which was 449 bbls/day lower than estimated in the Plan. Production lagged due to a greater than expected decline in base production and a slower pace of completed wells at the beginning of the fiscal year.
- Gas production averaged 8,498 mcf/day, which was 33 mcf/day higher than estimated in the Plan.
- Water injection averaged 867,780 bbls/day, which was 12,877 bbls/day lower than originally estimated in the Plan. Water production averaged 784,173 bbls/day, which was 5,154 bbls/day lower than estimated.
- The average price for Unit crude was \$37.98/bbl during the Plan period. The modified Plan was based on \$30.41/bbl crude.
- Nineteen abandonment jobs were performed that totaled \$1,150,500. The Plan included \$1,145,000 for abandonment expenses.

### **Budget to Actual Variance**

The Operating Expense Category had a budget of \$98,400,000, of which \$91,396,000, or 92.9 percent, was expended. The reduced spending level is primarily related to lower than expected actual electricity costs of \$55.6 million, which had been budgeted at \$60.1 million in the modified Plan. Actual Electric costs benefited from an extended bill limiter, lower grid rates and discounted gas price. Expenses in this Category also included a principal pay-down of the Unit's power plant capital lease.

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### 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:

- Facility Monitoring (Automation)
- Heat Duct
- Amine Plant
- Install Energy Efficiency Projects
- Add injection capacity - Chaffee
- Oil Transfer Pump Resize all locations
- AWT Makeup Gas Compressors- Grissom
- Tank & Vessel Backlog
- Subsea Line Inspection
- Grissom Oil Transfer Line and Culvert Cellar #3
- Grissom Trench Piping
- Power Monitoring
- J-6 Piping Vapor Recovery Line
- Injection Pump & Motor Repairs

#### Budget to Actual Variance

The Facilities, Maintenance, and Plant Category had a budget of \$34,100,000, of which \$33,620,000, or 98.6 percent, was expended. Costs for facility repair, maintenance and improvement projects stayed within budgeted amounts and contributed to the favorable performance as compared to Plan.

### 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.

#### Budget to Actual Variance

The Unit Field Labor and Administrative Category had a budget of \$39,200,000 of which \$39,711,000, or 101.3 percent, was expended.

The Unit Field Labor and Administrative Category spending was slightly higher than budgeted in the Plan primarily due to accelerated pension and retirement benefit contributions made during the Plan year.

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## 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 \$17,300,000 of which \$15,314,000, or 88.5 percent, was expended. Expenditures in this Category were lower than budgeted due to tax refunds resulting from a favorable settlement over prior property tax appeals.

### SUMMARY

The Long Beach Unit Annual Plan budget for the period July 1, 2004 through June 30, 2005, was modified to \$233,800,000, of which \$222,882,000 or 95.3 percent was expended. Fiscal year profit of \$236,707,000 was \$96,407,000 more than the modified Unit Net Profit estimate of \$140,300,000.

Significant effort was made during the Plan period to maintain Unit strategic investment initiatives that began during the previous fiscal year. An acceleration to the Unit's development program was successfully implemented, and significant gains were made in repairing and upgrading the Unit's facility infrastructure. Progress was also made in resolving longstanding property tax appeals.

### BUDGET RECONCILIATION

Attached are the June 2005 Budget Statement for Fiscal Year Projects; Annual Plan Economic Projections; 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,



Christopher J. Garner, Director  
Long Beach Gas and Oil Department

CJG:scs

Enclosures

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**B. Economic Projections**

(Data in Thousands of \$)	ACTUAL FIRST QUARTER FY04/05	ACTUAL SECOND QUARTER FY04/05	ACTUAL THIRD QUARTER FY04/05	ACTUAL FOURTH QUARTER FY04/05	ACTUAL TOTAL FISCAL YEAR FY04/05	BUDGET TOTAL FISCAL YEAR FY04/05	% ACTUAL OVER/UNDER(-) BUDGET FY04/05
<b>ESTIMATED REVENUE</b>							
Oil Revenue	\$105,883	\$107,315	\$106,447	\$120,330	\$439,976	\$357,300	23.1%
Gas Revenue	\$4,902	\$4,540	\$4,905	\$5,265	\$19,613	\$16,800	16.7%
<b>TOTAL REVENUE</b>	<b>\$110,786</b>	<b>\$111,856</b>	<b>\$111,352</b>	<b>\$125,595</b>	<b>\$459,589</b>	<b>\$374,100</b>	<b>22.9%</b>
<b>ESTIMATED EXPENDITURES</b>							
Development Drilling	\$9,682	\$11,104	\$10,904	\$11,152	\$42,841	\$44,800	-4.4%
Operating Expense	\$20,343	\$32,319	\$19,542	\$19,192	\$91,396	\$98,400	-7.1%
Facilities & Maintenance	\$8,574	\$10,564	\$7,761	\$6,722	\$33,620	\$34,100	-1.4%
Unit Field Labor & Admin	\$7,604	\$11,927	\$11,736	\$8,445	\$39,711	\$39,200	1.3%
Taxes, Permits & Admin. Overhead	\$5,302	\$4,882	\$2,703	\$2,427	\$15,314	\$17,300	-11.5%
<b>TOTAL EXPENDITURES</b>	<b>\$51,503</b>	<b>\$70,796</b>	<b>\$52,646</b>	<b>\$47,938</b>	<b>\$222,882</b>	<b>\$233,800</b>	<b>-4.7%</b>
<b>NET PROFIT</b>	<b>\$59,283</b>	<b>\$41,060</b>	<b>\$58,707</b>	<b>\$77,657</b>	<b>\$236,707</b>	<b>\$140,300</b>	<b>68.7%</b>

**C. Major Planning Assumptions**

	ACTUAL FIRST QUARTER FY04/05	ACTUAL SECOND QUARTER FY04/05	ACTUAL THIRD QUARTER FY04/05	ACTUAL FOURTH QUARTER FY04/05	ACTUAL TOTAL FISCAL YEAR FY04/05	BUDGET TOTAL FISCAL YEAR FY04/05	% ACTUAL OVER/UNDER(-) BUDGET FY04/05
<b>OIL PRODUCTION:</b>							
QUARTERLY (1,000 BBL)	2,915	2,938	2,871	2,860	11,583	11,747	
AVERAGE B/D	31,684	31,931	31,899	31,428	31,736	32,185	-1.40%
<b>GAS PRODUCTION:</b>							
QUARTERLY (MMCF)	778	774	777	773	3,102	3,090	
AVERAGE MCF/D	8,452	8,413	8,635	8,497	8,498	8,465	0.39%
<b>WATER PRODUCTION:</b>							
QUARTERLY (1,000 BBL)	71,594	72,433	70,319	71,878	286,223	288,105	
AVERAGE B/D	778,196	787,315	772,733	789,864	784,173	789,327	-0.65%
<b>WATER INJECTION</b>							
QUARTERLY (1,000 BBL)	79,268	80,430	77,458	79,584	316,740	321,440	
AVERAGE B/D	861,608	874,235	851,189	874,548	867,780	880,657	-1.46%
<b>AVG OIL PRICE (\$/BBL)</b>	<b>\$36.32</b>	<b>\$36.53</b>	<b>\$37.08</b>	<b>\$42.07</b>	<b>\$37.98</b>	<b>\$30.41</b>	<b>24.9%</b>
<b>AVG GAS PRICE (\$/MCF)</b>	<b>\$6.30</b>	<b>\$5.87</b>	<b>\$6.31</b>	<b>\$6.81</b>	<b>\$6.32</b>	<b>\$5.44</b>	<b>16.3%</b>

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**Shipped Oil Production****Gas Production**

<u>Location</u>	<u>Average B/D</u>	<u>Cumulative Bbls.</u>	<u>Average MCF/D</u>	<u>Cumulative MCF</u>
	<u>7/1/04-6/30/05</u>	<u>6/30/05</u>	<u>7/1/04-6/30/05</u>	<u>6/30/05</u>
Grissom	7,726	175,294,287	1,107	24,027,663
White	4,839	159,371,582	1,811	40,900,008
Chaffee	6,827	202,979,129	2,378	66,472,903
Freeman	9,743	259,267,301	2,587	88,881,851
Pier J (Inc. THX)	2,601	140,785,617	615	26,107,436
<b>Total</b>	<b>31,736</b>	<b>937,697,916</b>	<b>8,498</b>	<b>246,389,861</b>

**Reservoir**

Tar V	99	1,688,436	37	705,942
Ranger (All Areas)	21,783	700,329,388	5,825	157,491,389
Upper Terminal & Lower Terminal VI, VII	3,355	80,491,090	709	11,503,315
Terminal (Blocks VIII, 90)	2,944	54,395,774	795	15,329,529
Union Pacific-Ford (All Areas)	3,555	96,917,876	1,132	57,088,203
237 (All Areas)	-	3,875,352	-	4,271,483
<b>Total</b>	<b>31,736</b>	<b>937,697,916</b>	<b>8,498</b>	<b>246,389,861</b>

**Water Production****Water Injection**

<u>Location</u>	<u>Average B/D</u>	<u>Cumulative Bbls.</u>	<u>Average B/D</u>	<u>Cumulative Bbls.</u>
	<u>7/1/04-6/30/05</u>	<u>6/30/05</u>	<u>7/1/04-6/30/05</u>	<u>6/30/05</u>
Grissom	214,237	1,484,831,613	226,759	1,915,846,952
White	134,093	1,141,982,866	151,756	1,535,568,058
Chaffee	143,485	986,739,488	172,408	1,628,452,864
Freeman	192,651	1,430,917,544	192,658	1,560,777,611
Pier J (Inc. THX)	99,707	1,037,396,029	124,199	1,327,596,913
<b>Total</b>	<b>784,173</b>	<b>6,081,867,540</b>	<b>867,780</b>	<b>7,968,242,398</b>

**Reservoir**

Tar V	638	7,871,994	1,108	18,070,109
Ranger (All Areas)	633,827	5,149,430,988	697,015	6,719,467,376
Upper Terminal & Lower Terminal VI, VII	76,094	503,527,578	81,217	596,153,236
Terminal (Blocks VIII, 90)	34,275	175,040,191	41,289	295,300,114
Union Pacific-Ford (All Areas)	39,339	242,733,862	47,151	339,251,563
237 (All Areas)	-	3,262,927	-	-
<b>Total</b>	<b>784,173</b>	<b>6,081,867,540</b>	<b>867,780</b>	<b>7,968,242,398</b>

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## NUMBER OF WELLS

As of June 30, 2005

	Producers	Injectors	Total
<b>By Location</b>			
Grissom	190	89	279
White	144	89	233
Chaffee	198	120	318
Freeman	220	97	317
Pier J (Inc. THX)	84	46	130
<b>Total</b>	<b>836</b>	<b>441</b>	<b>1277</b>
<b>By Reservoir</b>			
Tar V	9	2	11
Ranger (All Areas)	580	328	908
Upper & Lower Terminal VI, VII	88	41	129
Terminal (Blocks VIII, 90)	70	29	99
Union Pacific-Ford (All Areas)	88	41	129
237 (All Areas)	0	0	0
<b>Total</b>	<b>836</b>	<b>441</b>	<b>1277</b>

(Figures exclude abandoned producers and abandoned injectors)

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