

**CALENDAR ITEM  
C34**

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12/17/09

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A. Reid

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H. Rassamdana

**CONSIDER APPROVAL OF THE FINAL REPORT AND CLOSING  
STATEMENT FOR 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 Garner, Director  
211 E. Ocean Blvd., Suite 500  
Long Beach, CA 90802

**BACKGROUND:**

The City of Long Beach has submitted the Final Report and Closing Statement of the FY 2008-2009 Annual Plan, Long Beach Unit, to the California State Lands Commission (Commission), covering the period July 1, 2008 through June 30, 2009. This report provides the actual performance for the full Fiscal Year 08/09.

There were no modifications to the original budget of \$385.6 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 08/09 were reported to be 27,716 bbls/day of oil (415 bbls/day higher than originally estimated) and 12,555 MCF/day of gas (2,114 MCF/day less than forecast). The reason for the more than anticipated oil production rate was a lower than expected decline in base oil production due to the success of waterflood management in the second half of FY 08/09. The less than estimated gas rate was due to lower than anticipated production because of the "watering out" of two shallow gas wells. The cumulative recoveries and injection through June 30, 2009 are as follows:

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Oil Production	980,508,000 Barrels
Gas Production	263,282,000 MCF
Water Production	7,388,774,000 Barrels
Water Injection	9,400,287,000 Barrels

Cumulative Injection - Gross Production Ratio is 1.123 bbls/bbl.

During the plan period, the Unit experienced extreme oil price fluctuations. Oil prices went from \$133/bbl in July 2008, to a low of \$25/bbl in February 2009. This oil price decrease caused the unit operator to change strategy from growth to a more conservative management of cash flow. This led to reducing unit expenditures in most all the budget categories for the plan period.

Total expenditures for the Unit were \$329.5 million, which was \$57.8 million less than the approved budget for Fiscal Year 08/09. The largest reduction in budgeted expenditures was seen in the Development Drilling category. Of the \$90 million budgeted only \$61.3 million was spent. This was the result of reducing drilling activity during the second half of the fiscal year, resulting in 31 wells being completed compared to the 58 wells contained in the original approved plan.

Also significantly contributing to reduced budgeted costs, expenses under the Operating Expense category were \$21.1 million less than budgeted. This reduction was primarily the result of lower electrical costs due to lower Southern California Edison tariffs and lower fuel costs for the Unit power plant.

Net profit for Fiscal Year 08/09 was \$310.5 million, which was \$110.5 million more than estimated. The approved budget forecast used an oil price of \$55.00/bbl and a gas price of \$7.00/Mcf. Although there was wide variation in prices during the budget period, the actual prices still managed to average \$60.9/bbl of oil and \$5.2/Mcf of gas for the fiscal year.

The actual oil and gas prices, expenditures, and net profit for Fiscal Year 08/09 are shown in the table below.

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<b>MILLION DOLLARS</b>					
	<b>ACTUAL FIRST QUARTER FY 08/09</b>	<b>ACTUAL SECOND QUARTER FY 08/09</b>	<b>ACTUAL THIRD QUARTER FY 08/09</b>	<b>ACTUAL FOURTH QUARTER FY 08/09</b>	<b>ACTUAL TOTAL FISCAL YEAR 08/09</b>
Oil Revenue	282.7	116.6	87.9	129.0	616.3
Gas Revenue	11.9	5.1	4.3	2.4	23.7
Expenditures	90.2	101.2	81.1	57	329.5
Net Profit	204.5	20.5	11	74.4	310.5
Original Budget Net Profit*	54.4	52.4	46.8	46.4	200.0
Change	150.1	-31.9	-35.8	28	110.5
Oil Price \$/BBL	107	46	35	53	61
Gas Price \$/MCF	10	5	4	2	5

Commission staff has reviewed the Final Report and Closing Statement for the Annual Plan, including production, injection, expenditures and revenue figures, and prepared Exhibits A and B (attached hereto) showing 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 08/09 Financial Performance, Annual Plan vs. Budget.
- B. Fiscal Year 08/09 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 (not a “project” subject to the Act)

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**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 FINAL REPORT AND CLOSING STATEMENT FOR THE LONG BEACH UNIT ANNUAL PLAN, FOR THE PERIOD JULY 1, 2008 THROUGH JUNE 30, 2009, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.