

Staff Report 70

GRANTEE:

City of Long Beach

PROPOSED ACTION:

Consider acceptance of the Final Report and Closing Statement for the Long Beach Unit Annual Plan (July 1, 2020, through June 30, 2021), Long Beach Unit, Wilmington Oil Field, Los Angeles

BACKGROUND:

The City of Long Beach submitted its Final Report and Closing Statement (Report) of the Annual Plan, Long Beach Unit for Fiscal Year 2020 –2021, covering the period July 1, 2020, through June 30, 2021, to the Commission, as required by section 10 of Chapter 138, Statutes of 1964, 1st Extraordinary Session. Although Commission action on the Report is not a requirement under the statute or various Long Beach Unit agreements, the City of Long Beach has requested the Commission's concurrence with and acceptance of the Report by letter dated October 6, 2021 (Exhibit C, attached). This Report provides the actual performance for the full Fiscal Year. The Commission accepted the Long Beach Annual Plan, as proposed by the City of Long Beach, in April, 2020 ([Item 62, April 29, 2020](#)).

Total expenditures for the Long Beach Unit were \$170.2 million, which was \$119.2 million less than the approved budget for Fiscal Year 2020-2021. The lower than planned expenditures were primarily the result of less than anticipated drilling development, facilities, taxes, permits and operation costs for the fiscal year.

The Unit's net profit for the Fiscal Year was \$135.7 million, which was \$72.3 million more than the approved budget estimate. The higher than planned net profit was the result of spending cuts implemented in response to COVID-19. The State's net profit share for the Fiscal Year was \$52.04 million.

The average oil and gas production rates for Fiscal Year 2020-2021 were reported to be 15,845 barrels (bbls)/day of oil (1,480 bbls/day less than the Annual Plan

estimate) and 6,874 thousand cubic feet (MCF)/day of gas (57 MCF/day less than the Annual Plan estimate). The cumulative recoveries and injection through June 2021 are as follows:

- Oil Production 1,078,329,000 barrels
- Gas Production 295,467 million cubic feet (MMCF)
- Water Production 11,957,545,000 barrels
- Water Injection 14,282,169,000 barrels

Cumulative Injection - Gross Production Ratio is 1.19 bbls/bbl.

The approved budget forecast assumed an oil price of \$55/bbl and a gas price of \$2/MCF, whereas the actual prices averaged \$52.04/bbl for oil and \$2.60/MCF for gas for the Fiscal Year. See Tables 1 and 2 below for additional details.

Table 1. Actual Oil and Gas Prices, Expenditures, and Net Profit for Fiscal Year 2020-2021 (in Millions of Dollars)

	First Quarter FY 20/21	Second Quarter FY 20/21	Third Quarter FY 20/21	Fourth Quarter FY 20/21	FY 20/21
Oil Revenue	60.12	61.86	83.33	94.05	299.36
Gas Revenue	1.02	1.78	1.93	1.80	6.53
Expenditures	32.87	53.12	44.01	40.19	170.19
Net Profit	28.27	10.52	41.25	55.66	135.70
Oil Price \$/BBL (Average)	40.01	42.35	59.01	66.79	52.04
Gas Price \$/MCF (Average)	1.59	2.83	3.09	2.91	2.61

Table 2. Original Budget Net Profit and Change for Fiscal Year 2020-2021 (In Millions of Dollars)

	First Quarter FY 20/21	Second Quarter FY 20/21	Third Quarter FY 20/21	Fourth Quarter FY 20/21	Total FY 20/21
Original Budget Net Profit	16.30	16.50	14.80	15.90	63.50
Actual Net Profit	28.27	10.52	41.25	55.66	135.70

Staff has reviewed the Report, including production, injection, expenditures, and revenue figures, and has prepared Exhibits A and B, attached, to graphically present the actual fiscal year performance compared to the approved budget.

OTHER PERTINENT INFORMATION:

1. This action is consistent with paragraph 2b of the "Meeting Evolving Public Trust Needs" Strategic Focus Area of the Commission's 2021-2025 Strategic Plan.
2. Acceptance for filing of the Final Report is not a project as defined by the California Environmental Quality Act because it is an administrative action that will not result in direct or indirect physical changes in the environment.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15378, subdivision (b)(5).

EXHIBITS:

- A. LBU Financial Performance, FY 2020-2021, Annual Plan vs. Actual
- B. LBU Oil Rate Performance, FY 2020-2021, Annual Plan vs. Actual
- C. Letter from the City of Long Beach dated October 6, 2021

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Accept filing the Final Report and Closing Statement for the Long Beach Unit Annual Plan for the period July 1, 2020, through June 30, 2021, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

Exhibit A
LBU Financial Performance
FISCAL YEAR 2020-2021 ANNUAL PLAN VS ACTUAL

W 17166

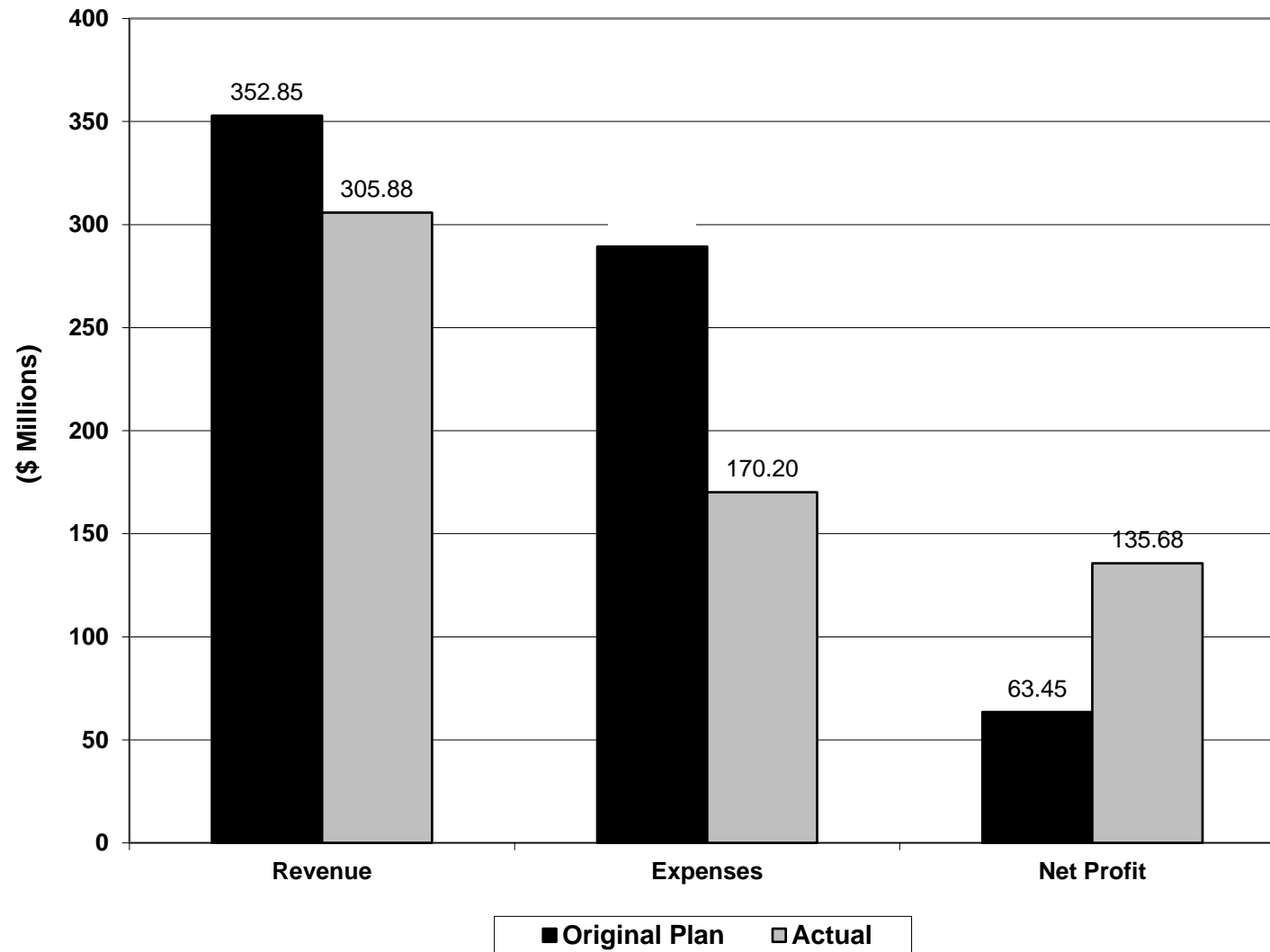
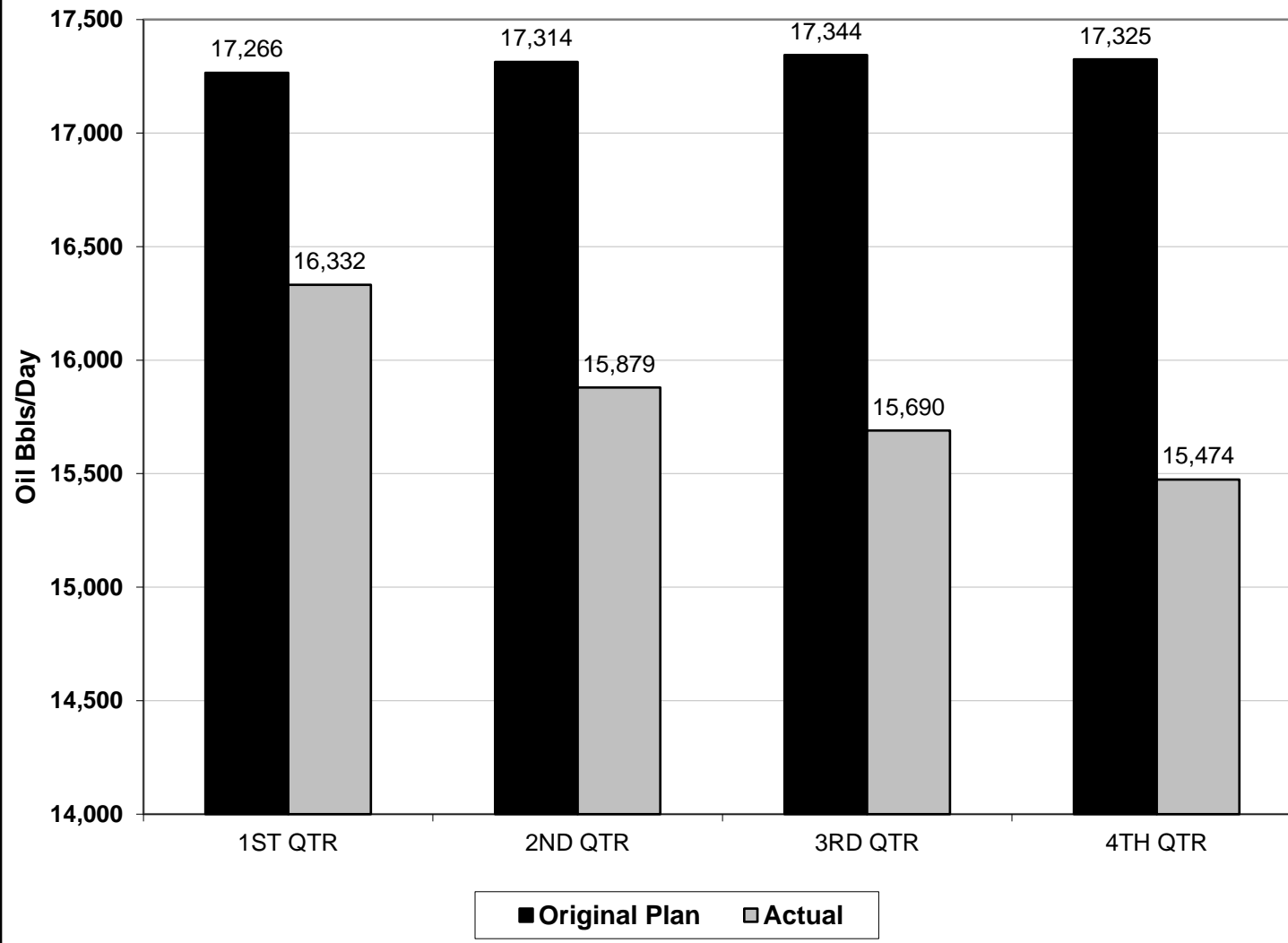


Exhibit B

W 17166

LBU OIL RATE PERFORMANCE FISCAL YEAR 2020-2021 ANNUAL PLAN VS ACTUAL



October 6, 2021

Ms. Shahed Meshkati
Supervising Mineral Resources Engineer
Mineral Resources Management Division
California State Lands Commission
301 E. Ocean Blvd., Suite 550
Long Beach, CA 90802

SUBJECT: REQUEST FOR APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT TO THE ANNUAL PLAN (JULY 1, 2020 THROUGH JUNE 30, 2021)

Dear Ms. Meshkati:

In accordance with provisions of Part IV, Section C, of the Annual Plan, attached for your approval is the final report and closing statement to the Annual Plan covering the period July 1, 2020 through June 30, 2021. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2021 budget was \$289.4 million while the actual spent was \$170.2 million or 59 percent of budget. Proactively managing costs and high-grading discretionary activities during low oil price environment, especially in the first and second quarters of FY2021, have resulted in fiscal year profit of \$135.7 million compared to \$63.4 million originally estimated in the Plan.

Funding Category	Budget	Actual	Variance
Development Drilling	76.9	0.9	No wells drilled/completed compared to planned 39 wells due to adverse oil price environment.
Operating Expense	90.2	66.5	Lower than anticipated activity and vendor prices to manage oil price fluctuations.
Facilities, Maintenance, and Plant	56.4	39.7	Lower spending level because of reduced activity level.
Unit Field Labor and Administrative	39.7	39.5	Spending level was essentially similar to the planned budget.
Taxes, Permits, and Administrative Overhead	26.2	23.5	Lower spending primarily due to lower assessment of property taxes.
Total	289.4	170.2	

Note: Numbers in table are in millions of Dollars (rounded).



October 6, 2021

Page 2

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, cash flow, and market volatility while maintaining focus on health, environment, and safety.

Your concurrence with this Final Report and Closing Statement to the Annual Plan is requested.

Sincerely,



Robert Dowell
Director

Attachment: Final Report and Closing Statement – Annual Plan (July 1, 2020 - June 30, 2021)
prepared by California Resources Corporation, October 5, 2021.

CONCURRENCE:

Shahed Meshkati
Supervising Mineral Resources Engineer
Mineral Resources Management
California State Lands Commission



October 05, 2021

Robert Dowell, Director
Long Beach Energy Resources
2400 East Spring Street
Long Beach, CA 90806

Dear Mr. Dowell:

Subject: 23-21 Thums Approval Request
Final Report and Closing Statement
Annual Plan (July 1, 2020 - June 30, 2021)

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, 2020 through June 30, 2021. This report contains a reconciliation of Unit activities by category. Our dedicated workforce consists of 124 full-time equivalent employees at the end of reporting period committed to safe and environmentally-sound subsidence management and production of local energy resources. During the fiscal year, they helped deliver over 5.7 million barrels of oil to our local economy and provided our stakeholders with over \$135 million in proceeds from operations.

DEVELOPMENT DRILLING

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

Operations Review

FY2021 reflects the successful implementation of the Unit's operation strategy that has attempted to manage the wide fluctuations in the oil price environment observed in the previous year as well as first half of the reported year. During the FY2021 Plan period, operations activities adapted to manage persistent commodity price fluctuations while maximizing return to the Unit. During the period, based on the management decision the Unit did not proceed with the development drilling activity. This resulted in having no new wells drilled/completed during the period.

On June 30, 2021, the total number of wells in the Unit was 1,520, of which 638 were active producers, 387 were active injectors, and 495 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 39 new and redrilled wells that were to be drilled with 1.5 full-time drilling rigs. Drilling and completion activities were postponed on adverse commodity pricing environment.



The budget for the Development Drilling Category was \$76.9 million, while actual spend was \$0.9 million or 1% of the budgeted amount.

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, and for all electric power costs and abandonment costs.

Operations Review

- Unit oil production during the Plan period averaged 15,845 bbls/day, which was 1,479 bbls/day lower than the Plan estimate, mainly from curtailed drilling activity.
- Gas production averaged 6,874 mcf/day, which was 57 mcf/day lower than the Plan estimate.
- Water injection averaged 1,034,907 bbls/day, which was 121,416 bbls/day lower than originally estimated in the Plan. Water production averaged 981,766 bbls/day, which was 129,250 bbls/day less than the Plan estimate.
- The average price for Unit crude was \$51.76/bbl during the Plan period. The Plan was based on \$55.00/bbl crude. The average price for Unit gas was \$2.60/mcf and the Plan was based on \$2.00/mcf.

Budget to Actual Variance

Total spending for Operating Expense Category was \$66.5 million, compared to \$90.2 million approved budget. The spending was 26% lower than Plan and primarily driven by lower than anticipated activity and vendor prices to manage to the oil price fluctuations.

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:

- Power Plant Upgrades
- Oil and injection pipeline repair and upgrades
- Smart Pigging

**Budget to Actual Variance**

The Facilities, Maintenance and Plant Category had a budget of \$56.4 million, of which \$39.7 million, or 70% of the budgeted amount was spent. The lower spending level was primarily related to change in activity.

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, California Resources 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 \$39.7 million. Actual spend was 1% lower at total \$39.5 million, essentially similar to the planned budget.

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 \$26.2 million, while actual spend was \$23.5 million which is 10% lower than budgeted amount. The reduction was driven by the updated assessment of property taxes from Los Angeles County.

SUMMARY

The Long Beach Unit FY2021 budget was \$289.4 million, of which \$170.2 million, or 59%, was spent. Even though prices fluctuated and dropped significantly at the opening of FY2021 impacting first and second quarters of the fiscal year, costs were proactively managed along with high grading discretionary activities to match the low-price environment. Fiscal year profit was \$135.7 million compared to \$63.4 million originally estimated in the Plan, with the 114% increase.

Significant effort was made during the Plan period to maintain waterflood performance, which is paramount to increasing long-term value for the Unit. The development program was thoughtfully implemented, and optimized for capital investment, cash flows, and commodity market volatility, while maintaining focus on health, environment and safety.

Your concurrence with this Final Report and Closing Statement of the Annual Plan is requested.



Yours very truly,

DocuSigned by:

William Gillespie

4BFE2DA475954D4...

William Gillespie
Operations Manager
California Resources Corporation

APPROVED:

Robert Dowell

Date

DP

Attachments

cc:

William Gillespie
Dean Persinger
Clay Huffman
Denis Polyanin
Vijay Kulkarni



Economic Projections

Data in Thousands of \$	ACTUAL FIRST QUARTER FY21	ACTUAL SECOND QUARTER FY21	ACTUAL THIRD QUARTER FY21	ACTUAL FOURTH QUARTER FY21	ACTUAL TOTAL FISCAL YEAR FY21	BUDGET TOTAL FISCAL YEAR FY21	% ACTUAL OVER/UNDER (-) BUDGET FY21
ESTIMATED REVENUE							
Oil Revenue	\$ 60,118	\$ 61,862	\$ 83,327	\$ 94,052	\$ 299,358	\$ 347,793	-13.9%
Gas Revenue	\$ 1,020	\$ 1,778	\$ 1,933	\$ 1,795	\$ 6,526	\$ 5,060	29.0%
TOTAL REVENUE	\$ 61,138	\$ 63,640	\$ 85,260	\$ 95,847	\$ 305,884	\$ 352,853	-13.3%
ESTIMATED EXPENDITURES							
Development Drilling	\$ 56	\$ (19)	\$ 2	\$ 888	\$ 927	\$ 76,869	-98.8%
Operating Expense	\$ 10,818	\$ 23,086	\$ 17,831	\$ 14,811	\$ 66,546	\$ 90,235	-26.3%
Facilities & Maintenance	\$ 8,020	\$ 11,516	\$ 9,613	\$ 10,542	\$ 39,690	\$ 56,355	-29.6%
Unit Field Labor & Admin	\$ 6,758	\$ 14,897	\$ 8,900	\$ 8,979	\$ 39,535	\$ 39,745	-0.5%
Taxes, Permits & Admin Overhead	\$ 7,214	\$ 3,641	\$ 7,668	\$ 4,966	\$ 23,488	\$ 26,205	-10.4%
TOTAL EXPENDITURES	\$ 32,866	\$ 53,120	\$ 44,013	\$ 40,186	\$ 170,185	\$ 289,410	-41.2%
NET PROFIT	\$ 28,273	\$ 10,519	\$ 41,246	\$ 55,661	\$ 135,699	\$ 63,443	113.9%

Major Planning Assumptions

	ACTUAL FIRST QUARTER FY21	ACTUAL SECOND QUARTER FY21	ACTUAL THIRD QUARTER FY21	ACTUAL FOURTH QUARTER FY21	ACTUAL TOTAL FISCAL YEAR FY21	BUDGET TOTAL FISCAL YEAR FY21	% ACTUAL OVER/UNDER (-) BUDGET FY21
OIL PRODUCTION :							
QUARTERLY (1,000 BBL)	1,503	1,461	1,412	1,408	5,784	6,324	
AVERAGE B/D	16,332	15,879	15,690	15,474	15,845	17,325	-8.5%
GAS PRODUCTION :							
QUARTERLY (MMCF)	641	628	625	616	2,509	2,530	
AVERAGE MCF/D	6,966	6,821	6,940	6,768	6,874	6,931	-0.8%
WATER PRODUCTION :							
QUARTERLY (1,000 BBL)	91,718	89,016	87,219	90,392	358,345	405,521	
AVERAGE B/D	996,935	967,562	969,098	993,321	981,766	1,111,016	-11.6%
WATER INJECTION :							
QUARTERLY (1,000 BBL)	96,100	93,777	92,906	94,959	377,741	422,058	
AVERAGE B/D	1,044,561	1,019,312	1,032,288	1,043,506	1,034,907	1,156,324	-10.5%
AVG. OIL PRICE (\$/BBL)	40.01	42.35	59.01	66.79	51.76	55.00	-5.9%
AVG GAS PRICE (\$/MCF)	1.59	2.83	3.09	2.91	2.60	2.00	30.1%

**Oil Production**

Location	Average B/D 7/1/20 - 6/30/21	Cumulative Mbbls 6/30/2021	Average MCF/D 7/1/20 - 6/30/21	Cumulative MMCF 6/30/2021
Grissom	4,317	206,593	1,116	34,040
White	2,930	188,955	1,734	53,745
Chaffee	3,399	235,267	1,918	79,968
Freeman	3,323	291,374	1,400	98,188
Pier J	1,877	156,140	707	29,527
Total	15,845	1,078,329	6,874	295,467

Gas Production

Reservoir	Average B/D 7/1/20 - 6/30/21	Cumulative Mbbls 6/30/2021	Average MCF/D 7/1/20 - 6/30/21	Cumulative MMCF 6/30/2021
SHALLOW GAS	-	-	-	-
TAR	142	2,517	83	1,099
RANGER	12,073	802,455	5,277	193,336
TERMINAL	2,498	158,226	923	33,493
Union-pac-ford	1,129	110,847	565	62,544
237	2	4,285	25	4,995
Total	15,845	1,078,329	6,874	295,467

Water Production

Location	Average B/D 7/1/20 - 6/30/21	Cumulative Mbbls 6/30/2021	Average B/D 7/1/20 - 6/30/21	Cumulative Mbbls 6/30/2021
Grissom	269,041	2,957,780	264,118	3,498,228
White	188,812	2,359,669	166,053	2,679,964
Chaffee	186,133	2,078,162	193,708	2,857,946
Freeman	208,245	2,755,849	256,398	3,063,081
Pier J	129,535	1,806,084	154,629	2,182,949
Total	981,766	11,957,545	1,034,907	14,282,169

Water Injection

Reservoir	Average B/D 7/1/20 - 6/30/21	Cumulative Mbbls 6/30/2021	Average B/D 7/1/20 - 6/30/21	Cumulative Mbbls 6/30/2021
SHALLOW GAS	-	-	-	-
TAR	3,582	19,173	7,793	43,602
RANGER	781,554	9,840,245	836,747	11,749,242
TERMINAL	146,277	1,519,619	152,625	1,803,314
Union-pac-ford	50,349	573,345	37,743	686,011
237	5	5,163	-	-
Total	981,766	11,957,545	1,034,907	14,282,169



Number of wells
As of June 30, 2021

By Location	Producer	Injectors	Total
Grissom	238	105	343
White	213	120	333
Chaffee	211	134	345
Freeman	217	113	330
Pier J	107	62	169
Total	986	534	1,520

By Reservoir			
SHALLOW GAS	3	0	3
TAR	16	3	19
RANGER	734	400	1,134
TERMINAL	147	80	227
UP-Ford	83	51	134
237	3	0	3
Total	986	534	1,520