

Staff Report 53

GRANTEE:

City of Long Beach

PROPOSED ACTION:

Acceptance of the Final Report and Closing Statement for the Long Beach Unit Annual Plan (July 1, 2021, through June 30, 2022), Long Beach Unit, Wilmington Oil Field, Los Angeles County

BACKGROUND:

The City of Long Beach submitted its Final Report and Closing Statement for the Annual Plan, Long Beach Unit for Fiscal Year 2021–2022 (Report), covering the period July 1, 2021, through June 30, 2022, 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 September 21, 2022 (Exhibit C, attached). This Report provides the actual performance for the full Fiscal Year 2021 – 2022.

Total expenditures for the Long Beach Unit were \$235.4 million, which was \$23.9 million less than the approved modified budget for Fiscal Year 2021–2022. The lower than planned expenditures were primarily the result of less than anticipated facilities, maintenance, plant, labor, and administrative category costs for the fiscal year. The Facilities, Maintenance and Plant Category had an approved modified budget of \$53.6 million, of which \$43.6 million, or 81 percent of the modified budgeted amount, was spent. The lower spending level was primarily related to changes to the planned activities. The Unit Field Labor and Administrative Category had a budget of \$40.4 million. Actual spending was 19 percent lower at \$32.6 million.

The Unit's net profit for the Fiscal Year 2021–2022 was \$252.4 million, which was \$93.7 million more than the approved modified budget estimate. The higher than

modified planned net profit was the result of higher oil prices. Prices continued their upward trend throughout Fiscal Year 2021–2022, positively impacting revenues for the year; costs were proactively managed along with high-grading discretionary activities to match the current environment.

There was one modification to the original budget of \$259.3 million during the fiscal year, which was accepted by the Commission in April 2022 ([Item 50, April 26, 2022](#)). The Development Drilling category required an increase of \$5.6 million due to greater drilling activity than originally planned. The Operating Expenses category required an increase of \$14.2 million due to higher gas prices for the fuel required at the Long Beach Unit gas plant. The Facilities Maintenance and Plant categories combined required an increase of \$20.4 million due to additional costs incurred for the fiscal year.

The average oil and gas rates for the fiscal year were reported to be 14,854 barrels (bbls)/day of oil (238 bbls/day more than the Modified Plan estimate) and 6,216 thousand cubic feet (MCF)/day of gas (327 MCF/day less than the Plan estimate). The cumulative recoveries and injection through June 2022 are as follows:

Oil Production	1,083,750,000 barrels
Gas Production	297,736,000 thousand cubic feet (MCF)
Water Production	12,310,694,000 barrels
Water Injection	14,655,231,000 barrels

Cumulative Injection to Gross Production Water Ratio is 1.19 bbls/bbl.

The approved budget forecast assumed an oil price of \$45/bbl and a gas price of \$2.90/MCF, whereas the actual price averaged \$87.68/bbl for oil and \$5.49/MCF for gas for the fiscal year. See the tables below for additional details.

Table 1. Actual Oil and Gas Prices, Revenues, Expenditures, and Net Profit for Fiscal Year 2021-2022 (All Figures in Millions of Dollars)

	First Quarter FY 21/22	Second Quarter FY 21/22	Third Quarter FY 21/22	Fourth Quarter FY 21/22	Total FY 21/22
Oil Revenue	97.07	105.42	127.35	145.53	475.37
Gas Revenue	2.31	3.05	4.08	3.02	12.46
Expenditures	52.16	51.58	57.97	73.71	235.42
Net Profit	47.22	56.89	73.46	74.84	252.41

Oil Price \$/BBL	70.13	76.39	94.14	110.09	87.68
Gas Price \$/MCF	3.92	5.42	7.36	5.28	5.49

**Table 2. Modified Budget Net Profit and Change for Fiscal Year 2021– 2022
(In Millions of Dollars)**

	First Quarter FY 21/22	Second Quarter FY 21/22	Third Quarter FY 21/22	Fourth Quarter FY 21/22	Total FY 21/22
Modified Budget Net Profit	33.44	45.34	36.27	43.64	158.68
Actual Net Profit	47.22	56.90	73.47	74.84	252.43

Staff has reviewed the Report, including production, injection, expenditures, and revenue figures, and has prepared Exhibits A and B, attached, to represent graphically the actual fiscal year performance compared to the approved modified 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 of the Final Report and Closing Statement 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 2021– 2022, Modified Annual Plan vs. Actual
- B. LBU Oil Rate Performance, FY 2021– 2022, Modified Annual Plan vs. Actual
- C. Letter from the City of Long Beach dated September 21, 2022

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, 2021, through June 30, 2022, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

EXHIBIT A

W 17166

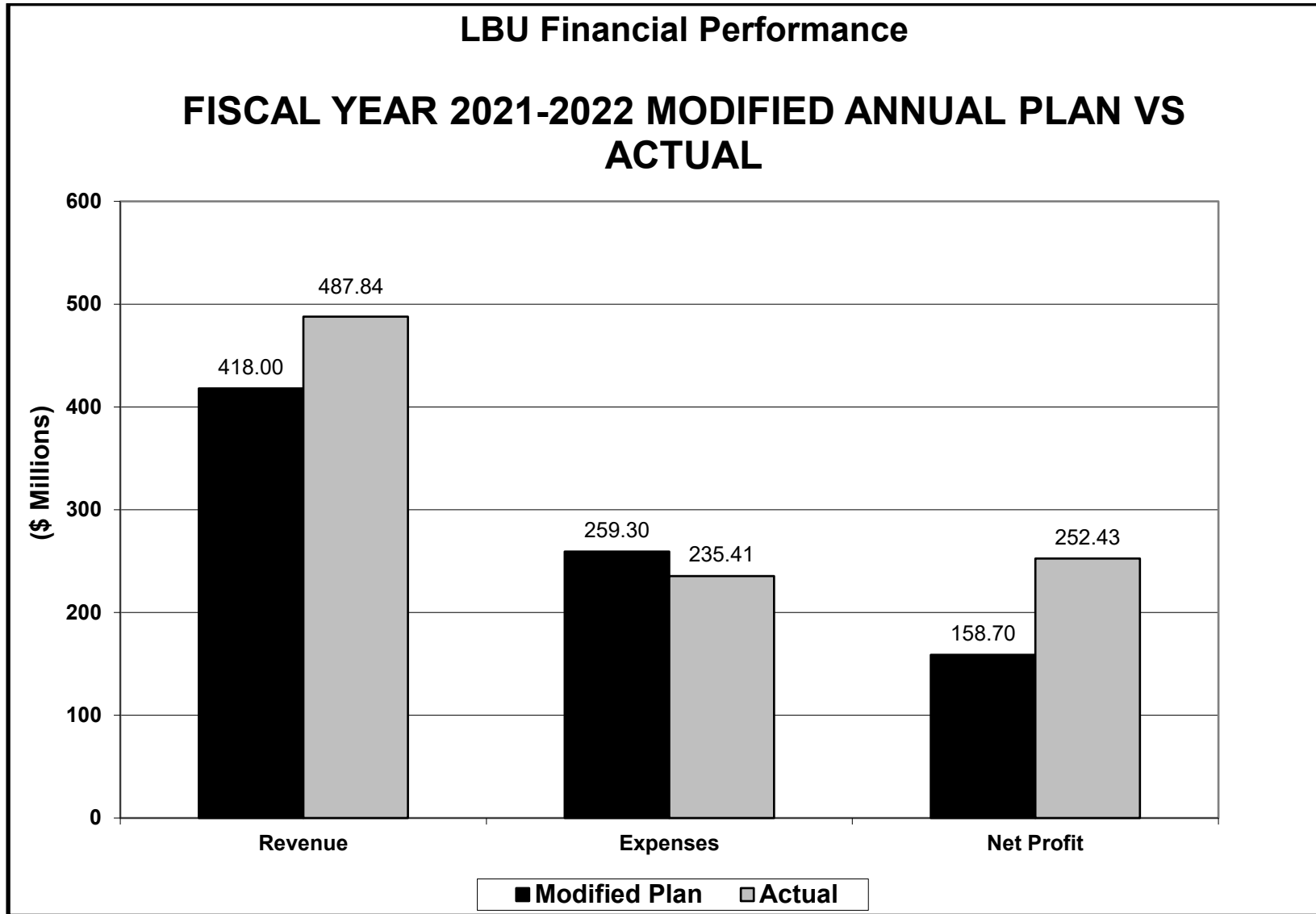


EXHIBIT B

W 17166

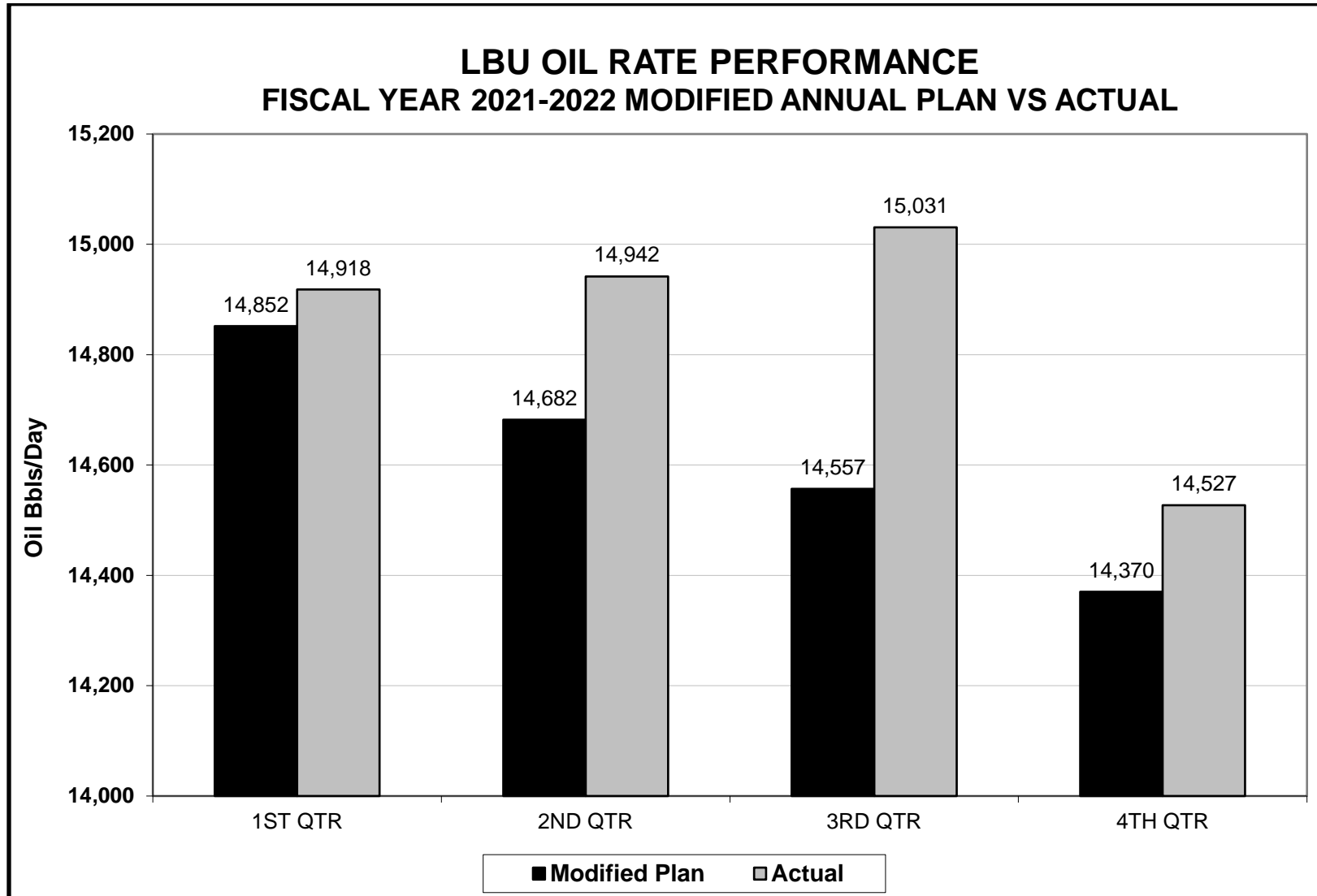


Exhibit C

September 21, 2022

W 17166

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, 2021 THROUGH JUNE 30, 2022)

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, 2021 through June 30, 2022. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2022 budget was \$219.1 million and was modified to \$259.3 million in March 2022. The actual spent was \$235.4 million or 91 percent of budget. As oil prices trended higher, costs were proactively managed and discretionary activities were high-graded to match the current environment, resulting in fiscal year profit of \$252.4 million.

Funding Category	Budget	Actual	Variance
Development Drilling	39.2	38.7	A total of 20 wells were drilled compared to 22 wells planned; drilling costs were higher than anticipated.
Operating Expense	98.4	98.5	Spending for this category was on target.
Facilities, Maintenance, and Plant	53.6	43.6	Lower spending level because of reduced activity level.
Unit Field Labor and Administrative	40.4	32.6	Lower spending level because of reduced activity level.
Taxes, Permits, and Administrative Overhead	27.7	21.7	Lower spending primarily due to lower assessment of property taxes.
Total	259.3	235.4	

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



September 21, 2022

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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 successfully implemented and optimized for capital investment, cash flow, and commodity 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,

A handwritten signature in blue ink, appearing to read "Robert Dowell".

Robert Dowell
Director

Attachment: Final Report and Closing Statement – Annual Plan (July 1, 2021 - June 30, 2022)
prepared by California Resources Corporation, September 21, 2022.

CONCURRENCE:

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



September 21, 2022

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

Dear Mr. Dowell:

Subject: 23-22 Thums Approval Request
 Final Report and Closing Statement
 Annual Plan (July 1, 2021 - June 30, 2022)

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, 2021 through June 30, 2022 (FY2022). This report contains a reconciliation of Unit activities by category. Our dedicated workforce consists of 132 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 5.4 million barrels of oil to our local economy and provided our stakeholders with over \$252 million in proceeds from operations.

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

FY2022 reflects the successful implementation of the Unit's operation strategy that has attempted to manage the wide fluctuations in the oil price environment. During the FY2022 Plan period, operations activities adapted to manage persistent commodity price fluctuations while maximizing return to the Unit. During the period, the Unit operated at a 0.8 rig pace (1 full-time rig September 2021-June 2022). A total of 20 wells were drilled and completed during the period. The following is a listing of both new completions and re-drills by zone:

Zone	New Completions			Re-drills		
	Prod	Inj	Total	Prod	Inj	Total
Tar	0	0	0	0	0	0
Ranger	0	0	0	19	1	20
Terminal	0	0	0	0	0	0
UP-Ford	0	0	0	0	0	0
237	0	0	0	0	0	0
Total	0	0	0	19	1	20



On June 30, 2022, the total number of wells in the Unit was 1,525, of which 634 were active producers, 388 were active injectors, and 503 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 18 redrilled wells that were to be drilled with a drilling pace equivalent to 0.75 full-time drilling rigs. The approved modified budget for the Development Drilling Category was \$39.2 million, while actual spend was \$38.7 million or 99% of the amended 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 14,854 bbls/day, which was 238 bbls/day higher than the Plan estimate, mainly driven from increased drilling activity.
- Gas production averaged 6,216 mcf/day, which was 327 mcf/day lower than the Plan estimate.
- Water injection averaged 1,022,090 bbls/day, which was 51,536 bbls/day higher than originally estimated in the Plan. Water production averaged 967,533 bbls/day, which was 48,261 bbls/day higher than the Plan estimate.
- The average price for Unit crude was \$87.68/bbl during the Plan period. The Plan was based on \$45.00/bbl crude. The average price for Unit gas was \$5.49/mcf and the Plan was based on \$2.90/mcf.

Budget to Actual Variance

Total spending for Operating Expense Category was \$98.5 million, compared to \$98.4 million approved modified budget. The spending was on target for the amended Plan.



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:

- L400-L500 Injection Distribution
- JL-1 Rehab
- Crew Boat Ranger Upgrade

Budget to Actual Variance

The Facilities, Maintenance and Plant Category had an approved modified budget of \$53.6 million, of which \$43.6 million, or 81% of the amended 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 \$40.4 million. Actual spend was 19% lower at total \$32.6 million.

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 \$27.7 million, while actual spend was \$21.7 million which is 21% lower than budgeted amount. The reduction was driven by the updated assessment of property taxes from Los Angeles County.



Economic Projections

Data in Thousands of \$	ACTUAL FIRST QUARTER FY22	ACTUAL SECOND QUARTER FY22	ACTUAL THIRD QUARTER FY22	ACTUAL FOURTH QUARTER FY22	ACTUAL TOTAL FISCAL YEAR FY22	AMENDED BUDGET FISCAL YEAR FY22	% ACTUAL OVER/UNDER (-) BUDGET FY22
ESTIMATED REVENUE							
Oil Revenue	\$ 97,074	\$ 105,422	\$ 127,352	\$ 145,528	\$ 475,376	\$ 240,075	98.0%
Gas Revenue	\$ 2,305	\$ 3,053	\$ 4,083	\$ 3,024	\$ 12,464	\$ 6,926	80.0%
TOTAL REVENUE	\$ 99,378	\$ 108,475	\$ 131,435	\$ 148,552	\$ 487,840	\$ 247,001	97.5%
ESTIMATED EXPENDITURES							
Development Drilling	\$ 2,819	\$ 9,577	\$ 13,871	\$ 12,493	\$ 38,760	\$ 39,200	-1.1%
Operating Expense	\$ 25,074	\$ 18,156	\$ 19,746	\$ 36,010	\$ 98,986	\$ 98,400	0.6%
Facilities, Maintenance & Plant	\$ 9,158	\$ 11,925	\$ 10,841	\$ 11,305	\$ 43,228	\$ 53,600	-19.4%
Unit Field Labor & Admin	\$ 6,887	\$ 9,228	\$ 8,863	\$ 7,696	\$ 32,674	\$ 40,400	-19.1%
Taxes, Permits & Admin Overhead	\$ 8,218	\$ 2,692	\$ 4,647	\$ 6,209	\$ 21,766	\$ 27,700	-21.4%
TOTAL EXPENDITURES	\$ 52,156	\$ 51,578	\$ 57,967	\$ 73,713	\$ 235,414	\$ 259,300	-9.2%
NET PROFIT	\$ 47,223	\$ 56,897	\$ 73,468	\$ 74,839	\$ 252,426	\$ (12,299)	

Major Planning Assumptions

	ACTUAL FIRST QUARTER FY22	ACTUAL SECOND QUARTER FY22	ACTUAL THIRD QUARTER FY22	ACTUAL FOURTH QUARTER FY22	ACTUAL TOTAL FISCAL YEAR FY22	BUDGET TOTAL FISCAL YEAR FY22	% ACTUAL OVER/UNDER (-) BUDGET FY22
OIL PRODUCTION :							
QUARTERLY (1,000 BBL)	1,372	1,375	1,353	1,322	5,422	5,335	
AVERAGE B/D	14,918	14,942	15,031	14,527	14,854	14,616	1.6%
GAS PRODUCTION :							
QUARTERLY (MMCF)	588	553	555	572	2,269	2,388	
AVERAGE MCF/D	6,394	6,012	6,165	6,290	6,215	6,543	-5.0%
WATER PRODUCTION :							
QUARTERLY (1,000 BBL)	89,539	88,971	87,115	87,525	353,149	335,534	
AVERAGE B/D	973,249	967,073	967,943	961,812	967,533	919,272	5.2%
WATER INJECTION :							
QUARTERLY (1,000 BBL)	94,785	94,680	91,713	91,884	373,063	354,252	
AVERAGE B/D	1,030,270	1,029,132	1,019,036	1,009,720	1,022,090	970,554	5.3%
AVG. OIL PRICE (\$/BBL)	70.73	76.69	94.14	110.09	87.68	45.00	94.8%
AVG GAS PRICE (\$/MCF)	3.92	5.52	7.36	5.28	5.49	2.90	89.5%



Oil Production

Location	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/21 - 6/30/22	6/30/2022	7/1/21 - 6/30/22	6/30/2022
Grissom	3,940	208,031	977	34,396
White	2,651	189,923	1,501	54,293
Chaffee	3,700	236,617	1,969	80,686
Freeman	2,923	292,441	1,179	98,618
Pier J	1,640	156,739	590	29,742
Total	14,854	1,083,750	6,216	297,736

Gas Production

Reservoir	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/21 - 6/30/22	6/30/2022	7/1/21 - 6/30/22	6/30/2022
SHALLOW GAS	-	-	-	-
TAR	131	2,565	74	1,126
RANGER	11,480	806,645	4,865	195,112
TERMINAL	2,248	159,046	796	33,784
Union-pac-ford	995	111,210	480	62,719
237	0	4,285	0	4,995
Total	14,854	1,083,750	6,216	297,736

Water Production

Location	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/21 - 6/30/22	6/30/2022	7/1/21 - 6/30/22	6/30/2022
Grissom	261,664	3,053,288	251,003	3,589,843
White	183,544	2,426,663	159,069	2,738,024
Chaffee	202,460	2,152,060	203,297	2,932,150
Freeman	196,156	2,827,446	249,684	3,154,216
Pier J	123,709	1,851,238	159,037	2,240,998
Total	967,533	12,310,694	1,022,090	14,655,231

Water Injection

Reservoir	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/21 - 6/30/22	6/30/2022	7/1/21 - 6/30/22	6/30/2022
SHALLOW GAS	-	-	-	-
TAR	3,576	20,479	8,408	46,671
RANGER	778,694	10,124,468	832,493	12,053,102
TERMINAL	137,937	1,569,966	142,617	1,855,369
Union-pac-ford	47,324	590,619	38,571	700,090
237	1	5,163	-	-
Total	967,533	12,310,694	1,022,090	14,655,231



Number of wells
As of June 30, 2022

By Location	Producer	Injectors	Total
Grissom	262	81	343
White	236	99	335
Chaffee	238	110	348
Freeman	230	100	330
Pier J	112	57	169
Total	1,078	447	1,525

By Reservoir			
SHALLOW GAS	3	0	3
TAR	16	3	19
RANGER	814	328	1,142
TERMINAL	158	66	224
UP-Ford	84	50	134
237	3	0	3
Total	1,078	447	1,525