

Staff Report 50

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, 2022, through June 30, 2023), 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 2022 – 2023 (Report), covering the period July 1, 2022, through June 30, 2023, 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 required under the statute or various Long Beach Unit agreements, the City of Long Beach has requested the Commission's acceptance of the Report by letter dated September 13, 2023 (Exhibit C, attached). This Report provides the actual performance for the full fiscal year 2022 – 2023 (FY 2022-23).

Total expenditures for the Long Beach Unit were \$296.5 million, which is \$13.8 million less than the approved budget of \$310.3 million for FY 2022-23. The decrease in planned expenditures was primarily the result of less than anticipated operating, facilities, unit field labor, and administrative costs for the fiscal year.

Net profits for FY 2022-23 were \$180.5 million, which was \$25.0 million more than the approved amended budget estimate of \$155.5 million. The higher than planned net profit was the result of higher oil prices compared to the oil price used in the Annual Plan.

The FY 2022-23 original budget was \$320.7 million and was modified to \$310.3 million, which modification was accepted by the Commission in April 2023 ([Item 64, April 7, 2023](#)). The actual expenditure was \$296.5 million, or 96 percent of the budget. As oil prices fluctuated, the City and the Operator proactively managed the costs and were selective in choosing discretionary activities to match the current environment, resulting in fiscal year profit of \$180.5 million.

The average oil and gas rates for FY 2022-23 were 14,672 barrels (bbls)/day of oil (670 bbls/day less than the Plan estimate) and 6,455 thousand cubic feet (MCF)/day of gas (696 MCF/day more than the Plan estimate).

The approved budget forecast used an oil price of \$60/bbl and a gas price of \$4.52/MCF, whereas the actual price averaged \$84.03/bbl for oil and \$11.49/MCF for gas for the fiscal year. See the tables below for additional details.

Table 1. Actual Oil and Gas Prices, Expenditures, and Net Profit for Fiscal Year 2022-2023 (All Figures in Millions of Dollars)

	First Quarter FY 22/23	Second Quarter FY 22/23	Third Quarter FY 22/23	Fourth Quarter FY 22/23	Total FY 22/23
Oil Revenue	131.88	116.72	102.45	98.95	450.00
Gas Revenue	5.12	4.63	15.11	2.22	27.08
Expenditures	74.63	72.30	81.74	67.89	296.56
Net Profit	62.37	49.04	35.83	33.29	180.53
Oil Price \$/BBL	96.50	86.03	77.90	75.14	83.89 (Average)
Gas Price \$/MCF	8.78	7.61	26.19	3.78	11.59 (Average)

Table 2. Actual Net Profit and Change for Fiscal Year 2022 – 2023 (In Millions of Dollars)

	Actual First Quarter FY 22/23	Actual Second Quarter FY 22/23	Actual Third Quarter FY 22/23	Actual Fourth Quarter FY 22/23	Actual Total FY 22/23	Amended Budget FY 22/23
Actual Net Profit	62.37	49.04	35.83	33.29	180.53	155.50

Staff has reviewed the Report, including production, injection, expenditures, and revenue figures, and has prepared Exhibits A and B, attached, to graphically represent 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 2022 – 2023, Modified Annual Plan vs. Actual
- B. LBU Oil Rate Performance, FY 2022 – 2023, Modified Annual Plan vs. Actual
- C. Letter from the City of Long Beach dated September 13, 2023

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Accept for filing the Final Report and Closing Statement for the Long Beach Unit Annual Plan for the period July 1, 2022, through June 30, 2023, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

EXHIBIT A

W 17166

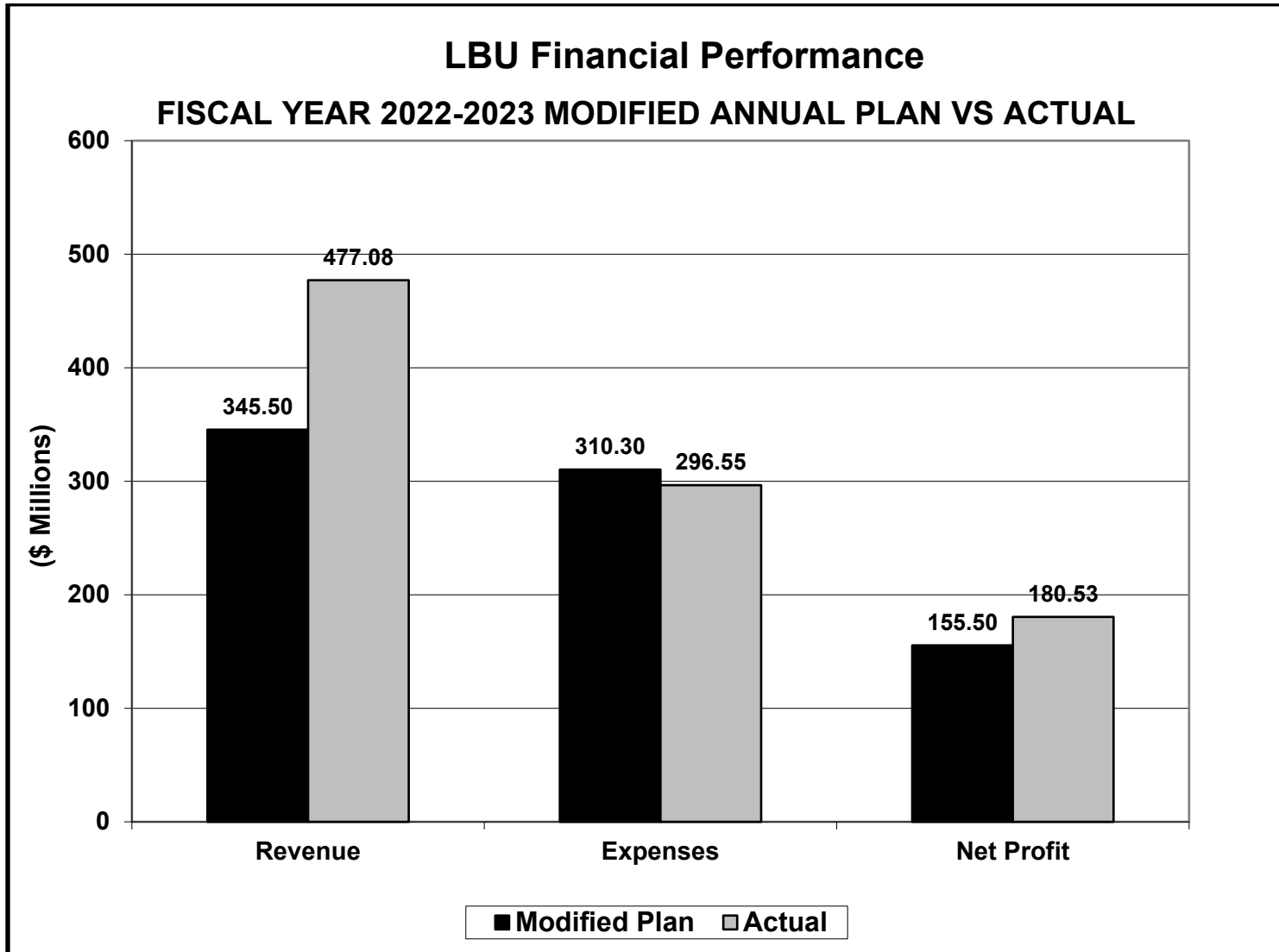


EXHIBIT B

W 17166

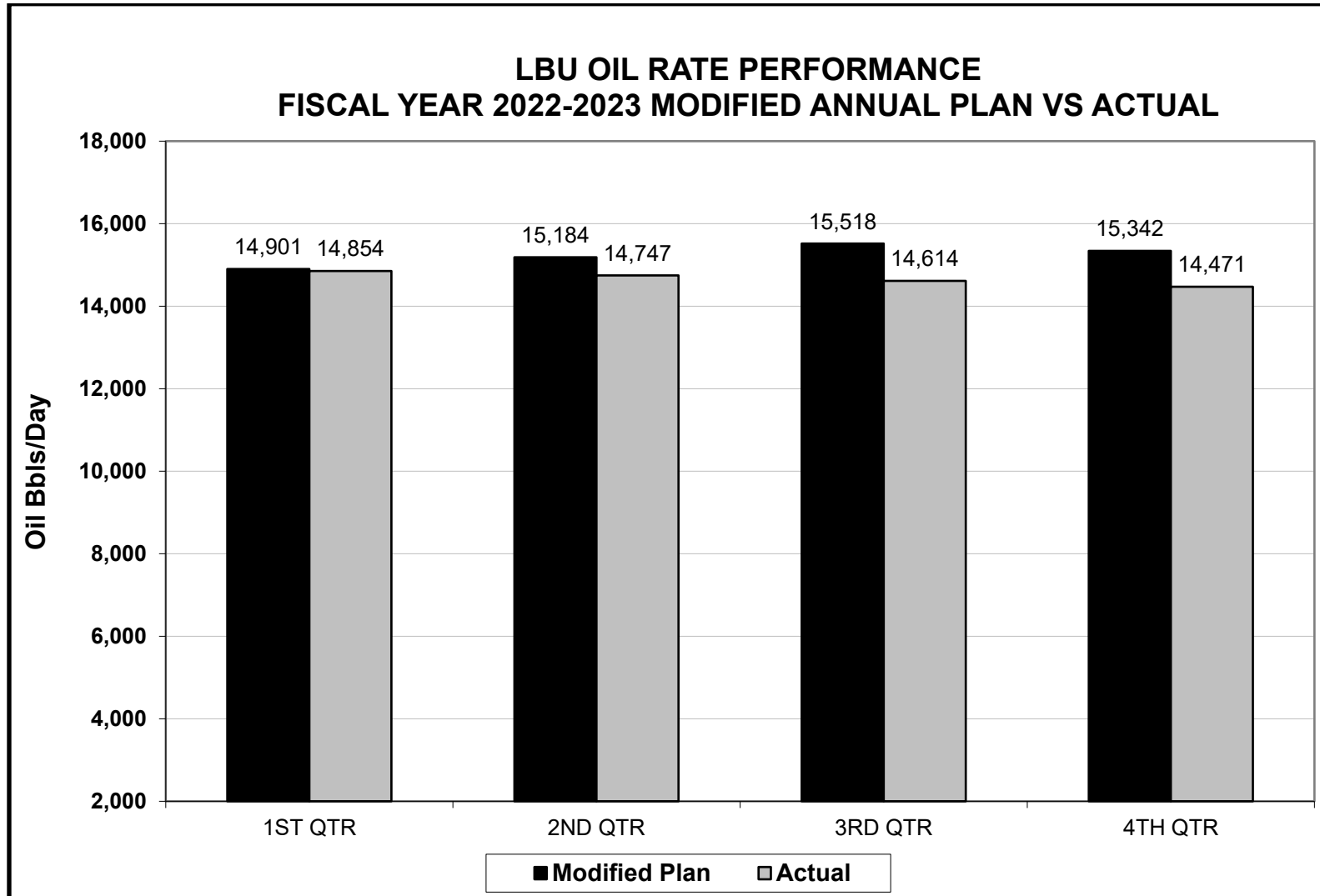


Exhibit C

W 17166

September 13, 2023

Mr. Peter Regan, Assistant Chief
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, 2022 THROUGH JUNE 30, 2023) CORRECTED

Dear Mr. Regan:

In accordance with provisions of Part IV, Section C, of the Annual Plan, attached for your approval is the corrected final report and closing statement to the Annual Plan covering the period July 1, 2022 through June 30, 2023. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2023 budget was \$320.7 million and was modified to \$310.3 million in March 2023. The actual expenditure was \$296.5 million, or 96 percent of budget. As oil prices fluctuated, costs were proactively managed and discretionary activities were high-graded to match the current environment, resulting in fiscal year profit of \$180.5 million.

Funding Category	Modified Budget	Actual	Variance
Development Drilling	45.7	48.5	A total of 21 wells were drilled compared to 36 wells originally planned; the budget was later modified and revised downward.
Operating Expense	141.9	132.8	Spending for this category was slightly lower due to reduced activity level.
Facilities, Maintenance, and Plant	51.1	45.8	Spending for this category was lower due to reduced activity level.
Unit Field Labor and Administrative	43.4	40.5	Spending for this category was lower due to reduced activity level.
Taxes, Permits, and Administrative Overhead	28.2	28.8	Spending for this category was in line with the budgeted amount.
Total	310.3	296.5	

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



September 13, 2023

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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 black ink, appearing to be "RD" followed by a stylized flourish, with the word "for" written in small text to the right.

Robert Dowell
Director

Attachment: Final Report and Closing Statement – Annual Plan (July 1, 2022 - June 30, 2023)
prepared by California Resources Corporation, September 6, 2023.

CONCURRENCE:

Peter Regan, Assistant Chief
Mineral Resources Management Division
California State Lands Commission



September 06, 2023

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

Subject: 28-23 Thums Approval Request
 Final Report and Closing Statement
 Annual Plan (July 1, 2022 - June 30, 2023)

Dear Mr. Dowell:

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, 2022 through June 30, 2023 (FY2023). This report contains a reconciliation of Unit activities by category. Our dedicated workforce consists of 136 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 5.3 million barrels of oil to our local economy and provided our stakeholders with over \$180 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

FY2023 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 FY2023 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 0.9 rig pace. A total of 21 wells were drilled and 20 completed during the period. The following is a listing of both new completions and redrills by zone:

Table 1, New Completions and Redrills by Zone for Production and Injection

Zone	New Completion Production	New Completion Injection	New Completion Total	Redrills Production	Redrills Injection	Redrills Total
Tar	0	0	0	0	0	0
Ranger	3	0	3	14	0	14
Terminal	0	0	0	3	0	3
UP-Ford	0	0	0	1	0	1
237	0	0	0	0	0	0
Total	3	0	3	18	0	18



On June 30, 2023, the total number of wells in the Unit was 1,530, of which 677 were active producers, 391 were active injectors, and 462 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 36 redrilled wells that were to be drilled with a drilling pace equivalent to 1.5 full-time drilling rigs. The approved modified budget for the Development Drilling Category was \$45.7 million, while actual spend was \$48.5 million or 106% 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, for all electric power costs, and for abandonment costs.

Operations Review

- Unit oil production during the Plan period averaged 14,672 bbls/day, which was 670 bbls/day lower than the Plan estimate, mainly driven by a decrease in drilling activity as compared to plan.
- Gas production averaged 6,455 mcf/day, which was 696 mcf/day better than the Plan estimate.
- Water injection averaged 1,041,070 bbls/day, which was 4,428 bbls/day lower than the Plan estimate. Water production averaged 992,090 bbls/day, which was 2,145 bbls/day higher than the Plan estimate.
- The average price for Unit crude was \$84.03/bbl during the Plan period. The Plan was based on \$60.00/bbl crude. The average price for Unit gas was \$11.49/mcf and the Plan was based on \$4.52/mcf.

Budget to Actual Variance

Total spending for the Operating Expense Category was \$132.8 million, compared to \$141.9 million in the approved modified budget. This resulted in 94% of the amended budgeted amount being spent. The lower spending level was primarily related to changes in activity related to downhole maintenance and workovers.

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 AQMD Compliance
- Pier G Barge Landing Fender Replacement
- Crew Boat Engine Replacement for CARB Compliance
- Chaffee SCE Transformer #5 Replacement

Budget to Actual Variance

The Facilities, Maintenance and Plant Category had an approved modified budget of \$51.1 million, of which \$45.8 million, or 90% of the amended budgeted amount was spent. The lower spending level was primarily related to changes 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 \$43.4 million. Actual spend was 7% lower than budget for a total of \$40.5 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 \$28.2 million, while actual spend was \$28.8 million which is in line with the budgeted amount.

SUMMARY

The Long Beach Unit FY2023 approved modified budget was \$310.3 million, of which \$296.5 million, or 96%, was spent. Costs were proactively managed along with high grading



discretionary activities to match the current environment. Oil price averaged \$84.03 for the year, providing \$450 million of oil revenue. Gas provided an additional \$27 million in revenue. Fiscal year profit was \$180.5 million compared to an estimated profit outlook of \$155.5 million in the amended Plan.

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:
Dean Persinger
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Dean Persinger
VP Coastal Operations
California Resources Corporation

APPROVED:

Robert Dowell

for

9/13/2023

Date

JMR

Attachments

cc:

Dean Persinger
Bryan Hanley
Ashley Godbey
John Robles



Economic Projections

Data in Thousands of \$	ACTUAL FIRST QUARTER FY23	ACTUAL SECOND QUARTER FY23	ACTUAL THIRD QUARTER FY23	ACTUAL FOURTH QUARTER FY23	ACTUAL TOTAL FISCAL YEAR FY23	AMENDED BUDGET FISCAL YEAR FY23	% ACTUAL OVER/UNDER (-) BUDGET FY23
ESTIMATED REVENUE							
Oil Revenue	\$ 131.876	\$ 116.716	\$ 102.453	\$ 98.953	\$ 449.997	\$ 335.998	33.9%
Gas Revenue	\$ 5.118	\$ 4.631	\$ 15.109	\$ 2.223	\$ 27.082	\$ 9.506	184.9%
TOTAL REVENUE	\$ 136.994	\$ 121.347	\$ 117.562	\$ 101.175	\$ 477.079	\$ 345.504	38.1%
ESTIMATED EXPENDITURES							
Development Drilling	\$ 14.199	\$ 9.203	\$ 10.965	\$ 14.160	\$ 48.527	\$ 45.700	6.2%
Operating Expense	\$ 31.655	\$ 30.740	\$ 41.117	\$ 29.340	\$ 132.853	\$ 141.900	-6.4%
Facilities, Maintenance & Plant	\$ 12.096	\$ 11.103	\$ 11.586	\$ 11.021	\$ 45.806	\$ 51.100	-10.4%
Unit Field Labor & Admin	\$ 8.676	\$ 14.770	\$ 9.705	\$ 7.389	\$ 40.540	\$ 43.400	-6.6%
Taxes, Permits & Admin Overhead	\$ 8.002	\$ 6.487	\$ 8.363	\$ 5.975	\$ 28.827	\$ 28.200	2.2%
TOTAL EXPENDITURES	\$ 74.628	\$ 72.303	\$ 81.737	\$ 67.886	\$ 296.554	\$ 310.300	-4.4%
NET PROFIT	\$ 62.367	\$ 49.044	\$ 35.825	\$ 33.290	\$ 180.525	\$ 35.204	

Major Planning Assumptions

	ACTUAL FIRST QUARTER FY23	ACTUAL SECOND QUARTER FY23	ACTUAL THIRD QUARTER FY23	ACTUAL FOURTH QUARTER FY23	ACTUAL TOTAL FISCAL YEAR FY23	BUDGET TOTAL FISCAL YEAR FY23	% ACTUAL OVER/UNDER (-) BUDGET FY23
OIL PRODUCTION :							
QUARTERLY (1,000 BBL)	1,367	1,357	1,315	1,317	5,355	5,600	
AVERAGE B/D	14.854	14.747	14.614	14.471	14.672	15.342	-4.4%
GAS PRODUCTION :							
QUARTERLY (MMCF)	583	608	577	588	2,356	2,102	
AVERAGE MCF/D	6,339	6,611	6,411	6,459	6,455	5,758	12.1%
WATER PRODUCTION :							
QUARTERLY (1,000 BBL)	91,814	91,834	88,380	90,084	362,113	361,330	
AVERAGE B/D	997,979	998,198	982,000	989,938	992,090	989,945	0.2%
WATER INJECTION :							
QUARTERLY (1,000 BBL)	96,046	96,403	93,817	93,725	379,991	381,607	
AVERAGE B/D	1,043,980	1,047,857	1,042,406	1,029,946	1,041,070	1,045,499	-0.4%
AVG. OIL PRICE (\$/BBL)	96.50	86.03	77.90	75.14	84.03	60.00	40.0%
AVG GAS PRICE (\$/MCF)	8.78	7.61	26.19	3.78	11.49	4.52	154.1%

**Oil Production**

Location	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/22 - 6/30/23	6/30/2023	7/1/22 - 6/30/23	6/30/2023
Grissom	3,639	209,360	937	34,738
White	2,582	190,865	1,521	54,848
Chaffee	3,984	238,071	2,183	81,483
Freeman	2,741	293,441	1,155	99,039
Pier J	1,726	157,369	659	29,983
Total	14,672	1,089,106	6,455	300,092

Gas Production

Reservoir				
TAR	131	2,613	77	1,154
RANGER	11,369	810,795	5,071	196,963
TERMINAL	2,113	159,817	776	34,067
Union-pac-ford	1,059	111,596	531	62,913
237	-	4,285	-	4,995
Total	14,672	1,089,106	6,455	300,092

Water Production

Location	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/22 - 6/30/23	6/30/2023	7/1/22 - 6/30/23	6/30/2023
Grissom	259,865	3,148,138	249,798	3,681,018
White	188,351	2,495,411	163,581	2,797,731
Chaffee	213,316	2,229,921	211,489	3,009,343
Freeman	204,061	2,901,928	255,988	3,247,652
Pier J	126,496	1,897,409	160,214	2,299,476
Total	992,090	12,672,807	1,041,070	15,035,220

Water Injection

Reservoir				
TAR	3,831	21,877	10,224	50,403
RANGER	793,899	10,414,241	841,553	12,360,268
TERMINAL	145,284	1,622,995	148,122	1,909,434
Union-pac-ford	49,075	608,531	41,171	715,117
237	-	5,163	-	-
Total	992,090	12,672,807	1,041,070	15,035,222



Number of wells
As of June 30, 2023

By Location	Producer	Injectors	Total
Grissom	267	81	348
White	236	99	335
Chaffee	236	110	346
Freeman	229	100	329
Pier J	115	57	172
Total	1,083	447	1,530

By Reservoir			
SHALLOW GAS	3	0	3
TAR	16	3	19
RANGER	818	330	1,148
TERMINAL	161	65	226
UP-Ford	82	49	131
237	3	0	3
Total	1,083	447	1,530