

Staff Report 58

GRANTEE:

City of Long Beach

PROPOSED ACTION:

Consider acknowledgement of receipt of the Final Report and Closing Statement for the Long Beach Unit Annual Plan (July 1, 2023 through June 30, 2024), 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 (Unit) for Fiscal Year 2023 – 2024 (Report), covering the period July 1, 2023 through June 30, 2024, 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 12, 2024 (Exhibit C, attached). This Report provides the Unit's actual performance for the full fiscal year 2023 – 2024 (FY 2023-24).

Total expenditures for the Long Beach Unit were \$230.1 million, which was \$93.6 million less than the approved budget for FY 2023-24. The decrease in planned expenditures was primarily the result of less than anticipated drilling development; lower operating expenses; lower facilities, maintenance, and plant costs; and lower tax, permits, and administrative overhead costs for the fiscal year.

Net profits for FY 2023-24 were \$190.7 million, which was \$156.7 million more than the approved plan's net profit estimate of \$34.0 million. The higher than planned net profit was the result of lower spending and higher oil prices compared to the spending estimate and the oil price used in the Annual Plan.

The average oil and gas rates for FY 2023-24 were 13,901 barrels (bbls)/day of oil (826 bbls/day less than the Plan estimate) and 6,456 thousand cubic feet (MCF)/day of gas (318 MCF/day less than the Plan estimate). These lower volumes are due to a decrease in drilling activity as compared to the Annual Plan.

The approved budget forecast used an oil price of \$65.0/bbl and a gas price of \$3.00/MCF. The actual price averaged at \$81.26 /bbl for oil and \$3.48/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 2023 – 2024 (Revenue, Expenditure and Net Profit Figures in Thousands of Dollars)

	First Quarter FY 23/24	Second Quarter FY 23/24	Third Quarter FY 23/24	Fourth Quarter FY 23/24	Total FY 23/24
Oil Revenue	111,247	105,272	98,413	97,372	412,304
Gas Revenue	2,512	2,504	2,664	753	8,433
Expenditures	59,141	71,250	62,645	37,028	230,064
Net Profit	54,618	36,527	38,432	61,097	190,674
Oil Price \$/BBL	83.80	80.67	78.27	82.28	81.26 (Average)
Gas Price \$/MCF	4.01	3.99	4.52	1.41	3.48 (Average)

Table 2. Actual Net Profit for Fiscal Year 2023 – 2024 (All Figures in Thousands of Dollars)

	Actual First Quarter FY 23/24	Actual Second Quarter FY 23/24	Actual Third Quarter FY 23/24	Actual Fourth Quarter FY 23/24	Actual Total FY 23/24	Planned FY 23/24
Actual Net Profit	54,618	36,527	38,432	61,097	190,674	34,039

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 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. Acknowledgement of receipt 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 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

EXHIBITS:

- A. LBU Financial Performance, FY 2023 – 2024, Annual Plan vs. Actual
- B. LBU Oil Rate Performance, FY 2023 – 2024, Annual Plan vs. Actual
- C. Letter from the City of Long Beach dated September 12, 2024

RECOMMENDED ACTION:

It is recommended that the Commission:

AUTHORIZATION:

Acknowledge receipt of the Final Report and Closing Statement for the Long Beach Unit Annual Plan for the period July 1, 2023 through June 30, 2024, Long Beach Unit, Wilmington Oil Field, Los Angeles County.

EXHIBIT A

W 17166

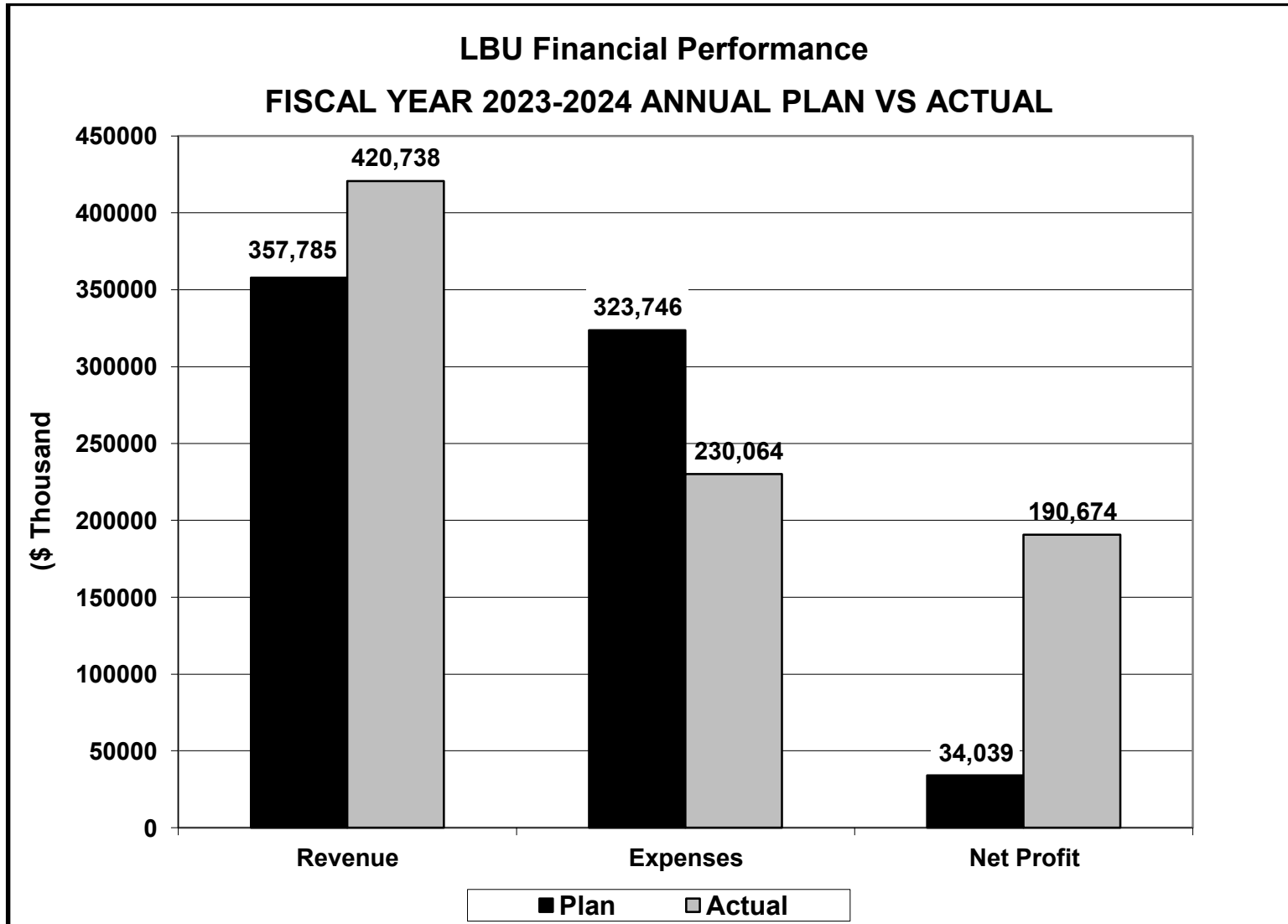


EXHIBIT B

W 17166

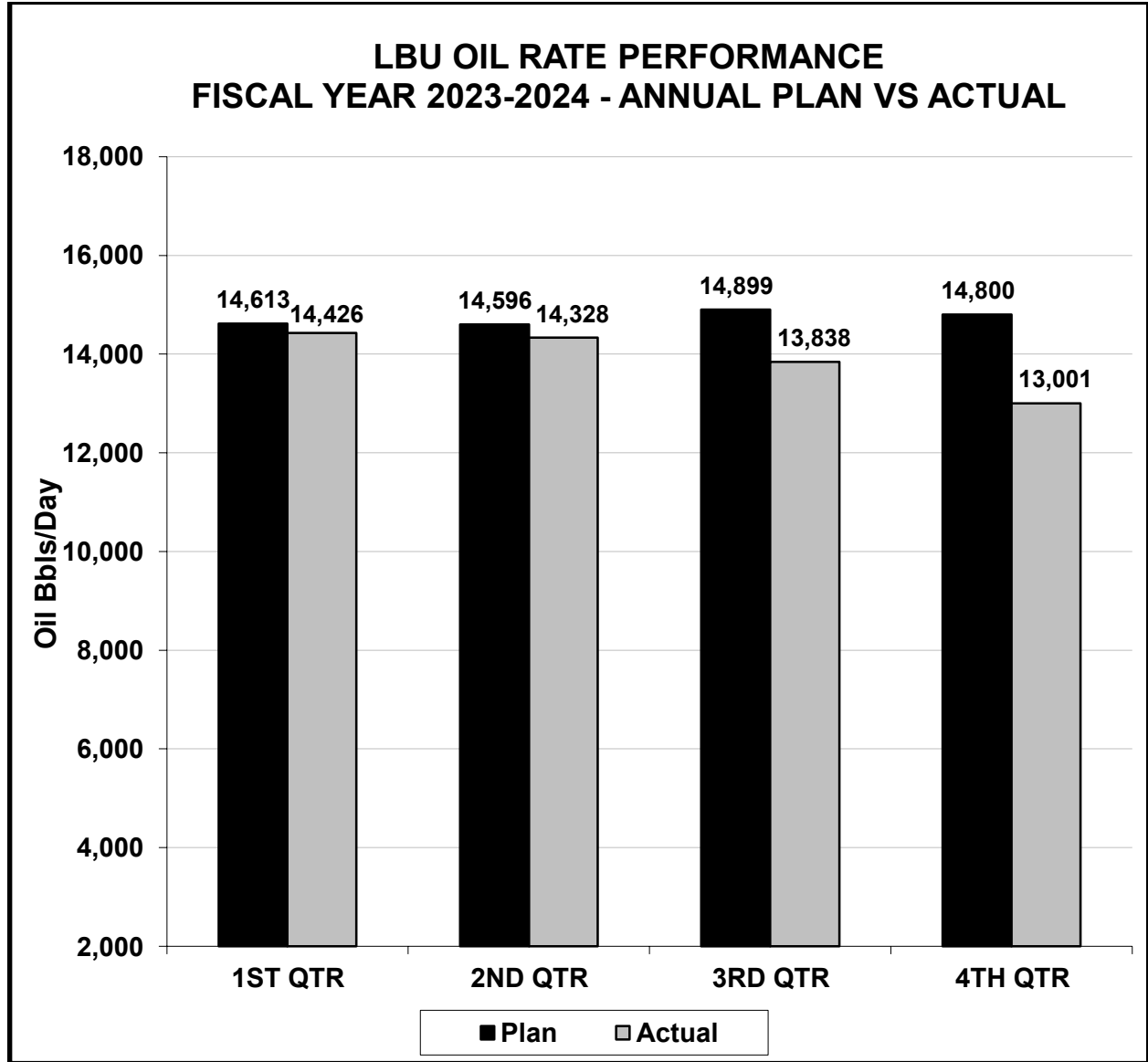


Exhibit C

W 17166

September 12, 2024

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, 2023 THROUGH JUNE 30, 2024)

Dear Mr. Regan:

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, 2023 through June 30, 2024. This report contains a reconciliation of Unit activities by category.

The Long Beach Unit FY2024 budget was \$323.7 million. The actual expenditure was \$230.1 million, or 71 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 \$190.7 million.

Funding Category	Budget	Actual	Variance
Development Drilling	58.3	34.3	A total of 16 wells were drilled compared to 33 wells originally planned.
Operating Expense	138.4	89.8	Spending for this category was lower due to reduced activity and lower energy costs.
Facilities, Maintenance, and Plant	58.1	43.9	Spending for this category was lower due to reduced activity level.
Unit Field Labor and Administrative	38.6	38.9	Spending for this category was in line with the budgeted amount.
Taxes, Permits, and Administrative Overhead	30.3	23.2	Spending for this category was lower due to a property tax refund.
Total	323.7	230.1	

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



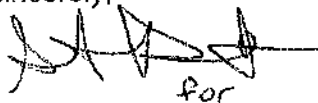
September 12, 2024

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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 read 'RD', with the word 'for' written below it.

Robert Dowell
Director

Attachment: Final Report and Closing Statement – Annual Plan (July 1, 2023 - June 30, 2024)
prepared by California Resources Corporation, September 11, 2024.

CONCURRENCE:

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



September 11, 2024

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

Subject: 35-24 Thums Approval Request
 Final Report and Closing Statement
 Annual Plan (July 1, 2023 - June 30, 2024)

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, 2023 through June 30, 2024 (FY2024). This report contains a reconciliation of Unit activities by category. Our dedicated workforce consists of 131 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 nearly 5.1 million barrels of oil to our local economy and provided our stakeholders with over \$190 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

FY2024 reflects the successful implementation of the Unit’s operation strategy that has attempted to take advantage of the oil price environment. During the FY2024 Plan period, operations activities adapted to manage commodity price fluctuations while maximizing return to the Unit. During the period, the Unit operated at a 0.5 rig pace. A total of 16 wells were drilled and 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	1	0	1	0	0	0
Ranger	9	0	9	1	0	1
Terminal	5	0	5	0	0	0
UP-Ford	0	0	0	0	0	0
237	0	0	0	0	0	0
Total	15	0	15	1	0	1



On June 30, 2024, the total number of wells in the Unit was 1,504, of which 629 were active producers, 381 were active injectors, and 494 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 33 redrilled wells that were to be drilled with a drilling pace equivalent to 1.25 full-time drilling rigs. The budget for the Development Drilling Category was \$58.3 million, while actual spend was \$34.3 million or 59% 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, for all electric power costs, and for abandonment costs.

Operations Review

- Unit oil production during the Plan period averaged 13,901 bbls/day, which was 826 bbls/day lower than the Plan estimate, mainly driven by a decrease in drilling activity as compared to plan.
- Gas production averaged 6,456 mcf/day, which was 318 mcf/day lower than the Plan estimate.
- Water injection averaged 1,025,041 bbls/day, which was 47,403 bbls/day lower than the Plan estimate. Water production averaged 969,583 bbls/day, which was 62,220 bbls/day lower than the Plan estimate.
- The average price for Unit crude was \$81.27/bbl during the Plan period. The Plan was based on \$65.00/bbl crude. The average price for Unit gas was \$3.55/mcf and the Plan was based on \$3.00/mcf.

Budget to Actual Variance

Total spending for the Operating Expense Category was \$89.8 million, compared to \$138.4 million in the budget. This resulted in 65% of the budgeted amount being spent. The lower spending level was primarily related to changes in activity related to downhole maintenance and workovers, as well as lower energy costs.

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:

- Chaffee SCE Transformer #5 Replacement
- Pier J Facility - GJ-6 Onshore Repair
- Freeman Culvert Pipe
- Solid Control Equipment Purchase

Budget to Actual Variance

The Facilities, Maintenance and Plant Category had a budget of \$58.1 million, of which \$43.9 million, or 76% of the 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 \$38.6 million. Actual spend was in line with budget for a total of \$38.9 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 \$30.3 million, while actual spend was \$23.2 million, or 76% of the budgeted amount. The lower spending was related to a property tax refund.

SUMMARY

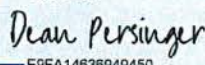


The Long Beach Unit FY2024 budget was \$323.7 million, of which \$230.1 million, or 71%, was spent. Costs were proactively managed along with high grading discretionary activities to match the current environment. Oil price averaged \$81.27 for the year, providing \$412.3 million of oil revenue. Gas provided an additional \$8.4 million in revenue. Fiscal year profit was \$190.7 million compared to an estimated profit of \$34.0 million in the 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,

Signed by:

EGFA14636949450...

Dean Persinger
VP Coastal Operations
California Resources Corporation

APPROVED:

 for

9/12/2024

Robert Dowell

Date

JMR

Attachments

cc:

Dean Persinger
Bryan Hanley
Ashley Godbey
John Robles



Economic Projections

Data in Thousands of \$	ACTUAL FIRST QUARTER FY24	ACTUAL SECOND QUARTER FY24	ACTUAL THIRD QUARTER FY24	ACTUAL FOURTH QUARTER FY24	ACTUAL TOTAL FISCAL YEAR FY24	BUDGET TOTAL FISCAL YEAR FY24	% ACTUAL OVER/UNDER (-) BUDGET FY24
ESTIMATED REVENUE							
Oil Revenue	\$ 111,247	\$ 105,272	\$ 98,413	\$ 97,372	\$ 412,305	\$ 350,347	17.7%
Gas Revenue	\$ 2,512	\$ 2,504	\$ 2,664	\$ 753	\$ 8,433	\$ 7,438	13.4%
TOTAL REVENUE	\$ 113,759	\$ 107,777	\$ 101,077	\$ 98,125	\$ 420,738	\$ 357,785	17.6%
ESTIMATED EXPENDITURES							
Development Drilling	\$ 12,472	\$ 17,666	\$ 3,772	\$ 346	\$ 34,256	\$ 58,271	-41.2%
Operating Expense	\$ 21,329	\$ 25,281	\$ 23,559	\$ 19,602	\$ 89,772	\$ 138,442	-35.2%
Facilities, Maintenance & Plant	\$ 7,504	\$ 12,624	\$ 13,152	\$ 10,671	\$ 43,951	\$ 58,104	-24.4%
Unit Field Labor & Admin	\$ 9,460	\$ 9,341	\$ 12,484	\$ 7,600	\$ 38,886	\$ 38,600	0.7%
Taxes, Permits & Admin Overhead	\$ 8,376	\$ 6,338	\$ 9,678	\$ (1,191)	\$ 23,200	\$ 30,330	-23.5%
TOTAL EXPENDITURES	\$ 59,141	\$ 71,250	\$ 62,645	\$ 37,028	\$ 230,064	\$ 323,746	-28.9%
NET PROFIT	\$ 54,618	\$ 36,527	\$ 38,432	\$ 61,097	\$ 190,674	\$ 34,039	

Major Planning Assumptions

	ACTUAL FIRST QUARTER FY24	ACTUAL SECOND QUARTER FY24	ACTUAL THIRD QUARTER FY24	ACTUAL FOURTH QUARTER FY24	ACTUAL TOTAL FISCAL YEAR FY24	BUDGET TOTAL FISCAL YEAR FY24	% ACTUAL OVER/UNDER (-) BUDGET FY24
OIL PRODUCTION :							
QUARTERLY (1,000 BBL)	1,327	1,318	1,259	1,183	5,088	5,390	
AVERAGE B/D	14,426	14,328	13,838	13,001	13,901	14,727	-5.6%
GAS PRODUCTION :							
QUARTERLY (MMCF)	638	630	571	524	2,363	2,479	
AVERAGE MCF/D	6,937	6,844	6,279	5,753	6,456	6,774	-4.7%
WATER PRODUCTION :							
QUARTERLY (1,000 BBL)	91,367	89,961	87,921	85,619	354,867	377,640	
AVERAGE B/D	993,115	977,839	966,162	940,865	969,583	1,031,803	-6.0%
WATER INJECTION :							
QUARTERLY (1,000 BBL)	95,497	95,501	93,776	90,391	375,165	392,515	
AVERAGE B/D	1,038,015	1,038,055	1,030,502	993,308	1,025,041	1,072,444	-4.4%
AVG. OIL PRICE (\$/BBL)	83.80	80.67	78.27	82.28	81.27	65.00	25.0%
AVG GAS PRICE (\$/MCF)	4.01	3.99	4.52	1.41	3.55	3.00	18.2%



Oil Production

Location	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/23 - 6/30/24	6/30/2024	7/1/23 - 6/30/24	6/30/2024
Grissom	4,053	210,843	1,145	35,157
White	2,350	191,725	1,478	55,390
Chaffee	3,526	239,361	2,086	82,246
Freeman	2,488	294,352	1,122	99,450
Pier J	1,484	157,912	625	30,212
Total	13,901	1,094,194	6,456	302,455

Gas Production

Reservoir	Average B/D	Cumulative Mbbls	Average MCF/D	Cumulative MMCF
	7/1/23 - 6/30/24	6/30/2024	7/1/23 - 6/30/24	6/30/2024
TAR	181	2,679	112	1,195
RANGER	10,683	814,704	5,034	198,805
TERMINAL	2,045	160,566	778	34,352
Union-pac-ford	993	111,960	531	63,107
237	-	4,285	-	4,995
Total	13,901	1,094,194	6,456	302,455

Water Production

Location	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/23 - 6/30/24	6/30/2024	7/1/23 - 6/30/24	6/30/2024
Grissom	257,355	3,242,330	237,576	3,767,973
White	178,226	2,560,641	166,637	2,858,720
Chaffee	217,780	2,309,628	221,727	3,090,495
Freeman	198,909	2,974,729	240,305	3,335,603
Pier J	117,313	1,940,345	158,795	2,357,595
Total	969,583	13,027,674	1,025,041	15,410,387

Water Injection

Reservoir	Average B/D	Cumulative Mbbls	Average B/D	Cumulative Mbbls
	7/1/23 - 6/30/24	6/30/2024	7/1/23 - 6/30/24	6/30/2024
TAR	5,054	23,727	9,988	54,058
RANGER	778,038	10,699,003	827,605	12,663,172
TERMINAL	139,945	1,674,214	145,984	1,962,864
Union-pac-ford	46,547	625,567	41,464	730,293
237	-	5,164	-	-
Total	969,583	13,027,674	1,025,041	15,410,387



Number of wells
As of June 30, 2024

By Location	Producer	Injectors	Total
Grissom	269	80	349
White	232	95	327
Chaffee	234	108	342
Freeman	226	96	322
Pier J	107	57	164
Total	1,068	436	1,504

By Reservoir			
SHALLOW GAS	1	0	1
TAR	15	3	18
RANGER	807	327	1,134
TERMINAL	161	63	224
UP-Ford	81	43	124
237	3	0	3
Total	1,068	436	1,504