

Staff Report 47

GRANTEE:

City of Long Beach

PROPOSED ACTION:

Acceptance of the Long Beach Unit Program Plan (July 1, 2025, through June 30, 2030), and the Annual Plan (July 1, 2025, through June 30, 2026), Long Beach Unit, Wilmington Oil Field, Los Angeles County.

BACKGROUND:

The City of Long Beach (City), as the Unit Operator and Trustee for the State, submitted the Long Beach Unit (Unit) Program Plan for the period of July 1, 2025, through June 30, 2030, and the Annual Plan for the period of July 1, 2025, through June 30, 2026, to the Commission. These submissions fulfill requirements from Chapter 138, Statutes of 1964, 1st Extraordinary Session; Chapter 941, Statutes of 1991; and the Optimized Waterflood Program Implementation Agreement (OWPA). The Field Contractor responsible for operations within the Unit is California Resources Long Beach, Inc. The Unit's operations are governed by Chapters 138 and 941, the OWPA, the Long Beach Unit Agreement, and the Long Beach Unit Operating Agreement.

On February 18, 2025, the Long Beach City Council voted to adopt and submit both the Long Beach Unit Annual Plan (July 1, 2025 to June 30, 2026) and Program Plan (July 1, 2025 to June 30, 2030) to the Commission. These Plans were submitted by the City to staff the following day, February 19. The Plans, along with the City's Staff Report and attachments including a Sea Level Rise Vulnerability Assessment and an Environmental Justice Report, are hosted on the City's website ([See Item 15, City of Long Beach Council Meeting Agenda, February 18, 2025](#)). Under the authorities cited above, the Commission may review the Program Plan and the Annual Plan within 45 days of submittal; if the Commission does not direct any

changes made during that time, the Plans are deemed to be reviewed and accepted by default.

Pursuant to Section 3 (a) of Chapter 941, the Commission's authority is limited to a review of whether the Program Plan:

1. Is Consistent with good oil field practice.
2. Is Consistent with the OWPA.
3. Is Consistent with the Long Beach Unit and Unit Operating Agreements; or
4. Does not involve significant safety or environmental risks.

The Commission reviews the Program Plan to ensure consistency with the four categories listed above. Pursuant to the OWPA, any changes ordered by the Commission must be in writing and set forth, with specificity, the reasons for the required changes. Similarly, the Commission's authority is limited to reviewing whether the Annual Plan is consistent with the Program Plan.

The City and the contractor must "revise the plan to incorporate the changes ordered by the Commission where the Commission has found the changes to be necessary to assure that the plan (1) is consistent with good oil field practice, (2) is consistent with the optimized waterflood program, (3) is consistent with the Long Beach Unit and Unit Operating Agreements, or (4) does not involve significant safety or environmental risks. The contractor or the city, or both, may apply to a court of competent jurisdiction for review of the changes ordered by the Commission."¹

PROGRAM PLAN:

The proposed Program Plan is a 5-year plan prepared by the City's Energy Resources Department covering Fiscal Years 2025 through 2030. Preparation and submittal of the Program Plan began in 1991 as required by Chapter 941 and the OWPA. The purpose of the Program Plan is to describe how the OWPA, the Unit Agreement, and the Operating Agreement will be implemented during the upcoming 5-year period. The Program Plan addresses ongoing reservoir management, objectives, results and performance of the prior year's development activities, methods of continuing field development, economic projections, and anticipated drilling schedules for the 5-year period. The Program Plan also includes

¹ Section 3a, Chapter 941, Statutes of 1991

anticipated rates of production, Unit revenue, Unit expenditures, and Unit net income as projected by the City. The Program Plan covers strategies for meeting operational goals without providing any new authorizations. The Program Plan is prepared every 2 years and modified as necessary to reflect changes in actual field performance, economic factors, and reservoir management practices. As a forecasting document, it does not prescribe specific production levels or authorize specific projects. The previous Program Plan was accepted by the Commission at its April 7, 2023 meeting ([Item 71, April 7, 2023](#)).

As presented by the City, in the Long Beach Unit Program Plan, the economic projections for the period July 1, 2025, through June 30, 2030, are shown on the following table:

Table 1, Economic Projections based on the City's Crude Oil Price Forecast of \$75 per Barrel for July 1, 2025, through June 30, 2030. All Figures are in Millions of Dollars.

| PERIOD | TOTAL REVENUE | EXPENDITURES | NET INCOME |
|---------------|----------------------|---------------------|-------------------|
| FY 2025-26 | 329 | 280 | 49 |
| FY 2026-27 | 321 | 270 | 51 |
| FY 2027-28 | 303 | 236 | 67 |
| FY 2028-29 | 276 | 225 | 51 |
| FY 2029-30 | 253 | 216 | 37 |
| Total | 1,482 | 1,227 | 255 |

ECONOMIC PROJECTIONS IN PROGRAM PLAN:

For Fiscal Years 2025-30, the City estimates the Long Beach Unit net income will be \$255 million after total expenditures of \$1.23 billion. This net income projection is based on the City's crude oil price forecast of \$75 per barrel (bbl) in Fiscal Years 2025-30, and a natural gas price of \$3 per thousand cubic feet. Most of the net income will be from oil revenues. The City forecasts oil production to range from an average of 11,817 bbls/day in Fiscal Year 2025-26 to 9,077 bbls/day in Fiscal Year 2029-30. These rates assume the continuation of development activity to involve re-drilling a total of 30 wells from existing wellbores over the Program Plan 5-year period. Expenditure levels and the types of development projects may be adjusted as necessary to respond to fluctuations in oil price and other economic conditions. Pursuant to article 2, paragraph 2.07 of the OWPA, the Field Contractor may exceed any budget category in the Program Plan budget up to 20 percent without obtaining additional authority from the City and the Commission.

ANNUAL PLAN:

The proposed Annual Plan is a 1-year plan submitted by the City covering Fiscal Year 2025-26. The previous Annual Plan was accepted by the Commission at its April 4, 2024 meeting ([Item 53, April 4, 2024](#)). The Annual Plan is an itemized budget of anticipated expenditures needed to carry out the Program Plan objectives. There are five expenditure categories in the Annual Plan: Development Drilling; Operating Expense; Facilities Maintenance and Plant; Unit Field Labor and Administrative; and Taxes, Permits and Administrative Overhead. The proposed Annual Plan's total budgeted expenditure of \$280.1 million represents about a 7.8 percent decrease from the current Annual Plan for Fiscal Year 2024-25 budget of \$303.8 million.

OIL PRICE FORECAST:

In planning the expenditures needed to accomplish Long Beach Unit proposed activities, and the revenues needed to fund those expenditures, the City has used a crude oil price forecast of \$75/bbl for Fiscal Year 2025-26. The City's approach for planning purposes ensures that revenues are sufficient to pay for the Long Beach Unit's proposed expenditures and still provide net income to the State and the City's Field Contractor, California Resources Long Beach, Inc. and its agent, THUMS Long Beach Company, and the other working interest owners.

The \$75/bbl oil price basis in the proposed plan, which is above the current actual price realized in recent months, yields a realistic projection of net income under the current oil price environment. The price of Long Beach Unit crude during the last week of February 2025 was \$70.6/bbl. At an average oil price of \$75/bbl, staff estimate \$49 million net income for the Unit in Fiscal Year 2025-26 based on the proposed expenditures.

REVIEW OF PROGRAM AND ANNUAL PLANS:

As directed by Section 3 of Chapter 941, Statutes of 1991, staff have reviewed the proposed Program Plan and Annual Plan submitted by the City and find that the economic basis upon which the Plans were prepared will support and provide an engineering framework to meet the objectives of the Agreements. Staff believe the Program Plan is consistent with good field practice. The Plan is based on all engineering and geologic information available at the time of preparation. Further, to support the conclusion that the Program Plan was prepared to ensure good oil field practice, staff maintain direct involvement in ongoing Long Beach Unit development activities and the planning of future projects. Staff's involvement

include, among other things, monthly meetings of an engineering committee, on-site inspector presence in the field, reservoir management consultation with the City and the Field Contractor, analysis of drilling safeguards involving blowout prevention equipment certification, oil spill prevention exercises, and subsidence monitoring and prevention.

In addition, Commission staff believe the Program Plan is consistent with the OWPA, the Unit Agreement, and the Unit Operating Agreement, as they pertain to development and operations, subsidence prevention, preparation and submittal of plans of development and expenditures, re-pressuring operations, and drilling schedules. Further, Commission staff have concluded that the Annual Plan is consistent with the Program Plan.

Staff also find that the Field Contractor adheres to industry codes and standards, including the American Petroleum Institute's recommended practices, state oil and gas regulations, and safety and environmental regulations of all state and local governmental agencies having jurisdiction over Unit Operations. This finding is supported by the improved condition of field operations and processes, which Commission staff determine from the regular safety audits.

ENVIRONMENTAL AND SAFETY REVIEW:

Commission staff conduct two programs to ensure adequate environmental and safety standards are maintained within Long Beach Unit production operations. Safety and Oil Spill Prevention Inspections test the alarm sensors and safety devices that activate each island's automatic shutdown system. These inspections are conducted monthly and ensure maintaining the reliability of the alarm systems and emergency equipment. Safety and Oil Spill Prevention Audits complement the monthly inspection program by performing technical analyses of safety system design, equipment specifications and conditions that are impracticable to inspect or evaluate on a monthly basis. Safety management programs, oil spill contingency plans, and emergency response plans are also reviewed for adequacy as part of the audits. Together, the monthly inspection and safety audit programs ensure that the facilities meet the Best Achievable Protection standard mandated by Public Resources Code section 8755. These audits are repeated at 5-year intervals by staff engineers on all state oil and gas production facilities.

The last audit report on the Long Beach Unit was completed in July 2020, with the next one scheduled for 2025. The safety audit included a Safety Assessment of Management Systems. The Safety Assessment of Management Systems was first

developed in 1997 as a joint industry project intended to bridge the existing research on human and organizational error factors to a practical field application of safety and environmental protection practices. The procedure assesses the degree of integration of corporate safety management programs throughout the organization through a series of interviews of a cross section of company and contract field workers, engineers, and management. Topics in nine areas of safety management, guided by sets of structured questions, are discussed with each interviewee, and a ranking of the degree of integration and maturity of corporate programs is constructed from the responses. Results of both the physical and human factors audit demonstrated a high degree of corporate commitment to conducting operations safely and protecting the environment.

Overall, past Safety and Pollution Prevention Inspections and Audits have found the Long Beach Unit facilities, safety systems, and equipment to be of safe design and in satisfactory condition.

INJECTED WATER SOURCES

Having a reliable source of water for injection is crucial for the success of the Unit. The water injected into the formations has two main purposes: 1) controlling subsidence and 2) enhancing oil recovery. To achieve voidage targets, the Unit buys additional water from external sources. The main sources of the water used for injection is produced water from Tidelands Oil Production Company and reclaimed water from the Long Beach Water Department. The composition of the water used for injection is roughly 44 percent reclaimed water, 36 percent oilfield water, 17 percent from aquifer wells designated for industrial use, and 3 percent from various other sources like Port Toe Drains, Harbor Cogen, and stormwater. Fresh drinking water is not used as a make-up injection water source.

SENATE BILL 1137

California Senate Bill No. 1137 establishes a minimum setback of 3,200 feet between new oil and natural gas production wells and sensitive receptors, including homes, schools, and publicly accessible businesses. The bill also imposes various requirements for impact analysis, mitigation, and reporting. The bill's requirements are currently fully in effect and affect Island Grissom, Island White, and Pier J, where drilling new oil wells is no longer permitted. In contrast, Island Freeman and Island Chaffee are not impacted. Furthermore, incremental operating costs are expected due to the enhanced monitoring requirements mandated by the law.

INJECTION REDUCTION WORKPLAN

On December 21, 2023, the California Geologic Energy Management Division issued a directive requiring a gradual reduction in injection well pressure. In compliance, the Long Beach Unit initiated an Injection Reduction Work Plan. The first phase, which began on July 1, 2024, targets lowering pressure gradients in zones operating at higher approved injection levels. The California Resources Corporation is actively collaborating with California Geologic Energy Management Division to evaluate the Work Plan, including assessing subsidence risks, and the Work Plan may be subject to further adjustments. Due to this uncertainty, it is challenging to predict the precise impact on production and reserves. However, based on the current Work Plan, preliminary estimates suggest a potential production reduction of 1,000 barrels of oil equivalent per day by the end of the 5-year work plan.

ASSEMBLY BILL 1866

On September 25, 2024, AB 1866 (Gregg Hart) was signed into law. This law raises idle well fees and requires operators to reduce their idle well numbers, at a faster pace each year based on the number of wells they have. The impact of AB 1866 on these plans will be minimal because the Unit already has strong idle well management practices in place.

SEA LEVEL RISE AND SOCIAL IMPACT ANALYSIS UPDATE

In February 2024, the Commission requested further analysis to augment the FY 2023-28 Program Plan. In response, City of Long Beach and CRC tasked Padre Associates Inc. to develop two key studies: the Sea Level Rise Vulnerability Assessment, and the Assessment of Environmental Justice and Social Costs. The findings of these assessments are included in the FY 2025-30 Program Plan.

The Sea Level Rise Vulnerability Assessment indicates that THUMS Islands and Pier J are likely to withstand coastal flooding risks posed by extreme storm waves (characterized by a 100-year return period) and high-water levels (also with a 100-year return period) across various sea level rise scenarios from the Ocean Protection Council's [2024 Sea Level Rise Guidance](#) (Intermediate, Intermediate-High, and High) up until 2075. Under all three sea level rise scenarios, flood water from storm waves could reach up to 40 feet inland on Island Freeman and 29 feet inland on Island Chaffee. However, only temporary or movable equipment and infrastructure are currently in these flood zones, while the fixed oil and gas facilities are farther back, 180 to 200 feet inland. Padre Associates Inc. recommended a

minimum setback of 50 feet from the predicted flood zones for all temporary or fixed structures, monitoring flooding from future storm events, and raising the height of the shoreline revetments.

The Environmental Justice study reveals that the percentage of minority populations within the Unit Health Protection Zone is 37 percent, which is lower than the average in Los Angeles County (60.3 percent) and the City of Long Beach (56.1 percent). Furthermore, the percentage of families living below the poverty threshold in this zone is 4.4 percent, compared to 10.2 percent in the county and 11.1 percent in the city.

The Social Cost of Oil Production is evaluated through various methods, primarily based on production volumes to estimate emissions. The Long Beach Unit has seen a reduction in production volumes over the past 5 years, a trend expected to continue as part of the Long Beach Climate Action Plan. Operational improvements have been made as well, including the adoption of more efficient pump motors that lower energy use and enhancements that have significantly cut power plant emissions. In FY 2025-2026, the Long Beach Unit is forecasted to emit 136 thousand metric tons of CO₂e from its upstream operations and 2.7 million metric tons of CO₂ from upstream, midstream, and downstream emissions, which represents a 49 percent reduction from 2015.

OTHER PERTINENT INFORMATION:

1. This action is consistent with the “Meeting Evolving Public Trust Needs” Strategic Focus Area of the Commission’s 2021-2025 Strategic Plan.
2. Since 1964, California law, through Chapter 138 and its required agreements, has required oil and gas production in Long Beach. By the following year, the State and Long Beach had studied, evaluated, and authorized the scope of the Unit’s activities that continue to this day. By August 1967, all four production islands (the THUMS islands), and all necessary oil and water pipelines, were constructed as part of the overall Long Beach Unit. Production for the Unit Peaked in 1969 at nearly 150,000 barrels of oil per day. Oil production since then has continued but declined naturally over time.

Because the oil and gas operations at issue occur on lands granted by the California Legislature to the City of Long Beach, over which the Commission lacks direct authority, the Commission does not have discretion to “use its subjective judgment to decide whether and how to carry out” the City’s oil and

gas operations; instead, the Commission reviews Annual Plans and Program Plans for consistency with the statutes and contracts that direct the larger operations. The Commission's review of the Plans does not authorize oil and gas operations, which were already authorized by the Legislature through Chapter 138, Statutes of 1964; Chapter 941, Statutes of 1991; and the associated contracts. Further, the California Environmental Quality Act (CEQA) does not apply to the Commission's examination of the Program Plan and Annual Plan, as the review does not constitute a discretionary approval under CEQA.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5).

3. In September 2023, the Center for Biological Diversity filed a Petition for Writ of Mandate and Complaint for Declaratory and Injunctive Relief in the Los Angeles Superior Court, case 23STCP03581, contending that the previous Program Plan covering 2023-2028 ([Item 71, April 7, 2023](#)) called for expanded oil and natural gas extraction and a new practice for enhanced oil recovery, and that environmental review of that Program Plan was required under the California Environmental Quality Act (CEQA). In January 2025, the Los Angeles Superior Court issued its decision, finding that environmental review is not required because the 2023-2028 Plan is statutorily exempt from CEQA under the ongoing project exemption (which applies to a project being carried out by a public agency that was approved prior to November 23, 1970). As such, application of the ongoing project exemption remains appropriate to the Plans being considered as part of this Commission Action.

The Commission's review and acceptance of the Plans is a normal, intrinsic part of the ongoing Unit operation, which was approved prior to CEQA, and is statutorily exempt from CEQA as part of an ongoing project. Because Commission review of Program and Annual Plans is squarely within the scope of the pre-CEQA original project, the Commission's review and ordered revisions or acceptance of the Program Plan and Annual Plan is statutorily exempt from CEQA, pursuant to the California Code of Regulations, title 14, section 15261. Notwithstanding the stance that the Commission's actions involve no discretionary approval, in the alternative, review of the Program Plan and Annual Plan is further categorically exempt as pertaining to existing facilities, pursuant to the California Code of Regulations, title 14, section 15301.

Authority: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15261, subdivision (a), and 15301.

RECOMMENDED ACTION:

It is recommended that the Commission:

CEQA FINDING:

Find that the activity is exempt from the requirements of CEQA pursuant to California Code of Regulations, title 14, section 15061 as a statutorily or categorically exempt project through either of the following exemptions: Public Resources Code section 21169 and California Code of Regulations, title 14, section 15261, subdivision (a), an activity involving an ongoing project, or Class 1, Existing Facilities; California Code of Regulations, title 14, section 15301. This finding only becomes relevant if it is determined that this action is subject to CEQA.

AUTHORIZATION:

Accept the Long Beach Unit Program Plan (July 1, 2025, through June 30, 2030) and the Annual Plan (July 1, 2025, through June 30, 2026), Long Beach Unit, Wilmington Oil Field, Los Angeles County.