

# Staff Report 56

## **GRANTEE:**

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City of Long Beach

## **PROPOSED ACTION:**

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Acceptance of the Long Beach Unit Annual Plan (July 1, 2026, through June 30, 2027), Long Beach Unit, Wilmington Oil Field, Los Angeles County.

## **BACKGROUND:**

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The City of Long Beach (City), as the Operator and Trustee for the State, submitted the Long Beach Unit (Unit) Annual Plan for the period of July 1, 2026, through June 30, 2027, to the Commission on February 23, 2026. This submission fulfills the 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 10, 2026, the Long Beach City Council voted to adopt and submit, to the Commission, the Long Beach Unit Annual Plan (July 1, 2026, to June 30, 2027). The Commission received the Plan on February 23, 2026. The Annual Plan along with the City's Staff Report are hosted on the City's website ([Item 5, City of Long Beach Council Meeting Agenda, February 10, 2026](#)).

As provided by Chapter 941, the Commission has 45 days to review the Annual Plan for consistency with the budget parameters of the 5-Year Program Plan, accepted by the Commission on April 2, 2025 ([Item 47](#)). The Commission may order changes in the Annual Plan budget where necessary to ensure consistency with the 5-Year Program Plan. If the Commission orders no changes within 45 days, the Annual Plan

is deemed to be reviewed and accepted by the Commission. The Commission's 45-day review period ends on April 9, 2026.

**PROGRAM PLAN CONSISTENCY:**

Pursuant to Section 3 of Chapter 941, the Annual Plan, as submitted, is subject to review by the Commission for consistency with the budget of the current Program Plan ([Item 15, City of Long Beach Council Meeting Agenda, February 18, 2025](#)). The proposed Annual Plan is a 1-year plan submitted by the City covering Fiscal Year 2026-27. It 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 \$272.2 million is only 0.8 percent more than the Fiscal Year 2026-2027 estimated budget of \$270.1 million set forth in the Program Plan, reflecting no substantive change between the Program Plan and the Annual Plan. Based on the analysis below, staff believe that the proposed Annual Plan is consistent with the Program Plan. Recent volatility in the oil market requires monitoring the impact on the Unit operations and may require future revisions to the Program Plan.

**ENVIRONMENTAL AND SAFETY REVIEW:**

The adequacy of the safety and environmental protection of the Unit is monitored and evaluated by staff by conducting monthly Safety and Pollution Prevention inspections and periodic Safety and Pollution Prevention audits. The monthly inspections verify the performance of the alarm, control, and automatic shutdown sensors and systems, and the spill response and life safety equipment and systems. The safety audits augment the inspections with an analysis of the technical design of a facility's automatic shutdown and alarm and control safety systems to confirm compliance with Commission regulations, review of maintenance practices and schedules, vessel and piping condition assessment inspections, training and certification programs, operating procedures and emergency response manuals. Staff also conduct a human error factor evaluation through a series of interviews with a cross-section of the Unit and contractor employees using the Safety Analysis of Management Systems process. This analysis assesses the degree of integration of established safety and spill prevention programs and the maturity of corporate management safety culture.

After field work for the audit is completed, the Safety Audit Engineers evaluate the data gathered to determine compliance with Commission regulations and industry codes. Staff then develop an action item matrix that prioritizes the findings into three ranks by risk of accident or pollution and prepares a final report for the Unit management describing the audit procedures and findings, with the action item matrix attached. The report includes time periods to resolve the action items according to the risk presented by the item. During the follow-up phase, Safety Audit Engineers verify and track the completion of the action items.

**ECONOMIC PROJECTIONS IN ANNUAL PLAN:**

The economic projections within the Annual Plan are consistent with the projected operations identified in the 2025-30 Program Plan. For Fiscal Year 2026-27, the City estimates that the Unit net income will be \$9.5 million after deducting the total expenditures of \$272.2 million. This net income projection is based on the City’s crude oil price forecast of \$65.0 per barrel (bbl.) and a natural gas price of \$3.0 per thousand cubic feet (mcf). Most of the net income will be from oil revenues. The City forecasts oil production to average 11,600 bbl./day in Fiscal Year 2026-2027. This rate assumes the continuation of development activity to include a total of 25 wells re-drilled from existing wellbores over the Annual Plan period.

Fluctuations in oil price, variations in production, and other economic conditions all may cause adjustment to expenditure levels and the types of planned development projects. Pursuant to article 2, paragraph 2.07 of the OWPA, the Field Contractor may exceed any budget category in the approved Annual Plan budget up to 120 percent without obtaining additional authority from the City and the Commission.

**Table 1. Annual Plan vs. Program Plan (Fiscal Year 2026-2027)  
Expenditure, Revenue & Net Profit Figures are in Millions of Dollars (\$MM)**

<b>Key Factors</b>	<b>Annual Plan Fiscal Year 2026-2027</b>	<b>Program Plan Fiscal Year 2026-2027</b>	<b>Percent of Change</b>
Average Oil Rate (BBL/day)	11,600	11,500	+0.9%
Expenditure	272.2	270.1	+0.8%
Revenue	281.7	278.6	+1.1%
Net Profit	9.5	8.5	+11.8%
Oil Price (\$/BBL)	65.0	65.0	0.0%

**REVIEW OF ANNUAL PLAN:**

Because of the significant effects that increased oil prices may have on the Unit's budget, capital expense, and drilling program, and on net revenues, staff plan to work closely with the City and the Field Contractor over the next year to monitor and assess the impacts on the Unit operations. This close collaboration may result in recommended changes to the next Annual Plan and the Program Plan when they are considered by the Commission during next year's mid-program update.

Staff's review indicates that the Annual Plan is consistent with the budget objectives outlined in the Program Plan and that the Annual Plan is consistent with good oil field practices. The Annual Plan is based on all available engineering and geologic information at the time of preparation. To ensure that the Annual Plan provides good oil field practice, staff remains involved in ongoing Unit development activities and the planning of future activities. Staff's involvement includes, among other things, monthly meetings of an engineering committee, voting parties, reservoir management consultation with the City and the Field Contractor, on-site inspector presence in the field, analysis of drilling safeguards involving blowout prevention equipment certification, oil spill prevention exercises, and subsidence monitoring and prevention.

In addition, staff believe the Annual 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.

Staff, through field inspections, also find that the Field Contractor adheres to industry codes and standards, including the American Petroleum Institute recommended practices, State oil and gas regulations, and safety and environmental regulations of all State and local governmental agencies having jurisdiction over The Unit operations.

**OIL PRICE FORECAST:**

In planning the expenditures needed to accomplish LBU objectives, and the revenues needed to fund those expenditures, the City has used a crude oil price forecast of \$65.0/bbl. This oil price forecast is appropriate for planning as the price for the Unit crude oil in February 2026 averaged \$68.3/bbl. The City's approach for planning purposes is intended to ensure that revenues will be sufficient to pay for the Unit proposed expenditures and still provide net income to the State, Field Contractor, Operator, and the other working interest owners. Estimates prepared

by staff for State revenue projections for Fiscal Year 2026-2027 use an oil price forecast that reflects the current commodity price environment.

## **OTHER PERTINENT INFORMATION:**

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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 implementing 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.

3. The Commission’s review of the Annual Plan does not independently authorize oil and gas operations or cause physical changes to the environment; it implements the applicable portion of the current Program Plan for a single year period. As such, the Annual Plan review does not constitute a “project” requiring further environmental analysis, nor does it involve a discretionary approval under the California Environmental Quality Act (CEQA).

Additionally, if the Annual Plan review constituted a project subject to CEQA, the Long Beach Unit and its oil and gas operations were approved before the enactment of CEQA. Therefore, the Commission’s review and acceptance of the Plan is a normal, intrinsic part of the ongoing Unit operation. In January 2025, the Los Angeles Superior Court confirmed this framework, finding that the 2023-

2028 Program Plan is statutorily exempt from CEQA under the ongoing project exemption, which applies to projects carried out by a public agency that were approved prior to November 23, 1970. (*Center for Biological Diversity v. City of Long Beach* (Super. Ct. L.A. County, No. 23STCP03581).) The court found that the activities outlined in the Plan did not expand or significantly modify the Unit's operational footprint and that neither exception to the ongoing project exemption applied. That decision is now final. The ongoing project exemption applies with at least equal force to the Annual Plan, which is narrower in scope and derived from the already-reviewed Program Plan. Accordingly, the Commission review is statutorily exempt from CEQA pursuant to the California Code of Regulations, title 14, section 15261. In the further alternative, review of the Annual Plan is categorically exempt as pertaining to existing facilities, pursuant to the California Code of Regulations, title 14, section 15301.

Authorities: Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15060, subdivision (c)(3), and 15378, subdivision (b)(5); Public Resources Code section 21065 and California Code of Regulations, title 14, sections 15261, subdivision (a), and 15301.

## **EXHIBITS:**

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- A. Letter from the City of Long Beach submitting the Long Beach Unit Annual Plan (July 1, 2026 – June 30, 2027) to the California State Lands Commission.
- B. Oil Price Comparison (Graph and Average Price Chart 2020-2026).

## **RECOMMENDED ACTION:**

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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. Authorization:

1. Accept the Long Beach Unit Annual Plan (July 1, 2026, through June 30, 2027), Long Beach Unit, Wilmington Oil Field, Los Angeles County.
2. Direct staff to work with the City and Field Contractor to monitor and assess the impacts of fluctuating oil prices on the Long Beach Unit and to recommend changes, if appropriate, to the next Annual Plan and the Program Plan when they are considered by the Commission during next year's mid-program update.

# Exhibit A

February 23, 2026

Mr. Peter Regan  
Division of Mineral Resources Management  
California State Lands Commission  
301 E. Ocean Blvd., Suite 550  
Long Beach, CA 90802-4331

**SUBJECT: SUBMISSION OF THE LONG BEACH UNIT ANNUAL PLAN (JULY 1, 2026 - JUNE 30, 2027)**

Dear Mr. Regan,

The City of Long Beach, as Unit Operator of the Long Beach Unit, and in accordance with Chapter 138, Section 5, Chapter 941, Section 3, and the Agreement for Implementation of an Optimized Waterflood Program for the Long Beach Unit, Article 2, submits one copy of the Long Beach Unit Annual Plan (July 1, 2026 through June 30, 2027).

The Plan was adopted by the Long Beach City Council on February 10, 2026. If you have any questions, please contact Mr. Scott Biagiotti at (562) 570-3947.

Sincerely,



Robert Dowell  
Director  
Energy & Environmental Services Department

BD:seb

Enclosures

cc: M. Dumlao, California State Lands Commission  
D. Persinger, California Resources Long Beach, Inc.  
A. Jacobs, City of Long Beach

# Exhibit B

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## Oil Price Comparison

City of Long Beach – Energy & Environmental Services

