

C-8

March 22, 2022

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach

California

RECOMMENDATION:

Approve and adopt the Long Beach Unit Annual Plan (July 1, 2022 to June 30, 2023). (Citywide)

DISCUSSION

In accordance with Chapter 138 of the Statutes of 1964, First Extraordinary Session, an Annual Plan of Development and Operations and Budget for the Long Beach Unit (LBU) must be adopted by the City of Long Beach (City) and approved by the State Lands Commission (SLC).

Chapter 941, California Legislature, 1991 Sessions, amended Chapter 138 and requires the City and the Field Contractor, California Resources Long Beach, Inc. (CRLBI), to prepare a one-year Annual Plan (Plan), which includes an itemized budget of intended expenditures.

The Plan provides for the further development of the LBU through the Agreement for Implementation of an Optimized Waterflood Program that was entered into in November 1991 as part of the above legislation. Preparation of the Plan is a joint effort by City staff of the City's Energy Resources Department (Unit Operator), CRLBI (Field Contractor), and THUMS Long Beach Company (Agent for Field Contractor). A copy of the Plan is attached.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on February 22, 2022 and by Revenue Management Officer Geraldine Alejo on March 4, 2022.

TIMING CONSIDERATIONS

Chapter 941, California Legislature, 1991 Sessions, also requires that the City submit formal copies of the Plan to the SLC for approval no later than March 23, 2022. To meet that requirement, City Council approval is requested on March 22, 2022.

FISCAL IMPACT

There is no net fiscal impact associated with this recommendation. Expenditures related to the plan are incurred in the Tidelands Oil Revenue Fund Group in the Energy Resources Department and are fully offset by net revenues from operations. Annual expense and revenue will be based on actual realized oil prices. If needed, the

HONORABLE MAYOR AND CITY COUNCIL

March 22, 2022

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department will return to City Council with a request to increase appropriation offset by revenue. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL
DIRECTOR OF ENERGY RESOURCES

Attachment: Long Beach Unit Annual Plan

APPROVED:



THOMAS B. MODICA
CITY MANAGER

Long Beach Unit

THUMS Long Beach Company (Agent for Field Contractor)



ANNUAL PLAN

July 1, 2022 through June 30, 2023



ANNUAL PLAN

July 1, 2022 through June 30, 2023

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Part I

Introduction

This Annual Plan (“Plan”) was developed to reflect anticipated activity levels during the fiscal period from July 1, 2022 through June 30, 2023 (“FY23”). It is being submitted as required by Section 5(a) of Chapter 138, Statutes of 1964, First Extraordinary Session, and as revised by passage of Assembly Bill 227 (Chapter 941, Statutes of 1991) and the Optimized Waterflood Program Agreement executed by the State of California, the City of Long Beach, and California Resources Long Beach, Inc. (“CRC”), the Field Contractor.

This Plan provides for drilling, producing, water injection, and other associated activities from offshore and onshore locations. The budget for these activities is grouped into the following five major categories:

Plan Category	Fiscal Year 2023 (\$ Million)
Development Drilling	\$ 92.6
Operating Expense	\$ 98.2
Facilities, Maintenance, and Plant	\$ 62.5
Unit Field Labor and Administrative	\$ 37.9
Taxes, Permits, and Administrative Overhead	\$ 29.5
Total	\$320.7

A. Plan Basis

This Plan was developed based on the parameters outlined in the draft Program Plan for the period July 2021 through June 2026 and provides current and updated estimates of volumes, activity levels and expenditures for FY23.

Volumes

Oil and gas production volumes are predicted to average 15.3 Mbopd and 5.8 MMcfpd, respectively, in FY23. Water production for the period is expected to average 990 Mbwpd and water injection is expected to average 1,045 Mbwpd.

Revenue and Expenses

A projected realized oil price of \$60/bbl and gas price of \$4.52/mcf are projected to result in revenues of \$345.5 million. Budgeted expenses for FY23 total \$320.7 million. Projected net profit in FY23 is \$24.8 million.

Drilling

This Plan is based upon 36 producing replacement wells planned from existing cellars. The Plan sets a drilling pace equivalent to approximately 1.5 drilling rig over the fiscal year. The rig utilization could potentially change due to variations in oil price and program performance and additional funding might be required during the fiscal year. Workover rigs will perform drilling preparation and completion work.

The locations of production and injection wells are consistent with those given in the Program Plan (see attached Part II, Schedule 2B). Injection support for the drilling program will be provided through a combination of capital workovers (add pays and conversions), return to injection of idle injectors, and 4 drill injectors. As per current operational and regulatory practices, injection support will continue to maintain adequate Injection-to-Gross (I/G) ratios to prevent subsidence and improve waterflood sweep efficiency.

Maintenance

The majority of the facility projects anticipated during the Plan period are required to maintain current equipment capabilities or to increase efficiency of current operations. Other projects are planned to take advantage of technological and other improvement opportunities and to address changes in the oil field operating environment.

CRC has a Mechanical Integrity and Quality Assurance (“MIQA”) program to assess and maintain facility equipment and piping in order to ensure safety of personnel, operations, and/or the environment. The MIQA program is designed to meet internal and regulatory requirements and provide a high level of equipment integrity to reduce risk and increase reliability. Key elements include:

- Identification, evaluation, and determination of what equipment and/or process components are critical (i.e. their failure or malfunction could adversely affect the safety of personnel, operations, and/or the environment).
- A process to ensure equipment and components comply with material specifications, design and construction codes or standards thus providing a measure of safety and reliability.
- Methodologies for inspecting, testing and maintaining the equipment and documenting such action.

The MIQA program is an integral piece of the overall flow of maintenance, from inspection/testing through maintenance and, when necessary, repairs or replacement. The program is supported through the use of a comprehensive database and work order system that provides control and management of all maintenance activities.

Projects will be undertaken to repair or replace equipment that is nearing its useful life. Items needing to be repaired or replaced include, but are not limited to, facilities piping, tanks, and vessels. These projects are consistent with past activities to keep the Long Beach Unit (“Unit”) facilities in safe operating condition.

Abandonment

Wells and facilities with no further economic use will be abandoned to reduce the long-term Unit liability. This Plan provides funds for plugging wells to surface, in-zone, and conditional abandonments to maintain compliance with the CalGEM Idle Well Management Plan program (PRC 3206).

Safety, Environmental, and Regulatory Compliance

CRC is committed to conducting all aspects of its business in a manner that provides for the safety and health of employees, contractors and the public, and safeguards the environment in which it operates. In 2020, the National Safety Council awarded CRC THUMS Operations with an Occupational Excellence Achievement Award for achieving a lost workday case incident rate better than 50 percent of the industry average.

The National Safety Council also awarded CRC THUMS the Perfect Record Award which recognizes an operating area completing at least 12 consecutive months without a company employee receiving an occupational injury or illness that resulted in days away from work. These achievements are further demonstrated in the key safety programs, which include incident reporting and investigation, safety meetings and training, Management of Change (MOC), Process Hazard Reviews (PHR's), emergency response planning and drills, and a behavior-based safety observation program.

Key aspects of the environmental program include compliance with applicable laws and regulations, including South Coast Air Quality Management District ("SCAQMD") requirements, waste management and minimization, spill prevention plans and Business Emergency Plans (BEP's).

The effectiveness and compliance of the above programs are assessed through various internal audit programs. In addition, numerous agencies conduct periodic audits, including the CA State Lands Commission, Department of Transportation, State Fire Marshal, South Coast AQMD, Environmental Protection Agency, Long Beach Fire and Health Departments, Port of Long Beach and City of Long Beach Energy Resources Department. CRC THUMS participated in the re-occurring 5-year Safety and Oil Spill Audit, the main objective of which is to ensure that oil and gas

production facilities are operated in a safe and environmentally sound manner. The audit, which started in 2017, was completed July 15, 2020 and showed that CRC THUMS has had continuous improvement in reducing findings and risk from previous audits and embraces the responsibility to provide and maintain a safe and healthy work environment for all employees, and the community.

Emergency response planning and preparedness is bolstered by partnering with Marine Spill Response Corporation (MSRC). MSRC is an independent, non-profit, national spill response company dedicated to rapid response to environmental incidents. MSRC has a major west coast base of operations in the Port of Long Beach and its equipment and expertise are readily available for emergencies and are incorporated in onsite training exercises. The training exercises also involve a close working relationship with the United States Coast Guard and the California Department of Fish and Wildlife.

Environmental and community outreach is also a fundamental part of operations and each of the Islands received a Conservation Certification in 2021 by the Wildlife Habitat Council (“WHC”). This certification is awarded to facilities that provide for public education and involvement through wildlife related projects and learning opportunities on the facilities. The certifications received by the WHC demonstrate the Unit’s continuing commitment to environmental stewardship and habitat conservation.

Projects relating to safety, environmental issues, or other situations necessary for meeting compliance with code, permit, or regulatory requirements will continue to be implemented under this Plan in accordance with all Unit agreements. In addition, CRC places additional emphasis on risk and system reviews and operational safeguards to assure reliable and compliant environmental performance.

Economic Review

Project expenditures during the Plan period are subject to economic review through the Determination and Authority for Expenditure (“AFE”) processes. All existing wells are frequently reviewed in light of changing crude prices to determine if they are economic to operate. Well servicing work is justified on economics and other conditions consistent with good engineering, business, and operating practices.

CRC remains committed to careful prevention of subsidence through strict adherence to existing regulations and voidage-driven injection requirements.

B. Economic Projections

(Data in Millions of Dollars)

	BUDGET FIRST QUARTER FY23	BUDGET SECOND QUARTER FY23	BUDGET THIRD QUARTER FY23	BUDGET FOURTH QUARTER FY23	BUDGET TOTAL FY23
<u>ESTIMATED REVENUE</u>					
Oil Revenue	\$82.3	\$83.8	\$83.8	\$86.1	\$336.0
Gas Revenue	\$2.6	\$2.6	\$2.5	\$1.9	\$9.5
TOTAL REVENUE	\$84.8	\$86.4	\$86.3	\$88.0	\$345.5
<u>ESTIMATED EXPENDITURES</u>					
Development Drilling	\$16.5	\$14.9	\$31.8	\$29.3	\$92.6
Operating Expense	\$24.7	\$22.6	\$26.4	\$24.6	\$98.3
Facilities & Maintenance	\$16.4	\$15.4	\$15.9	\$14.8	\$62.5
Unit Field Labor & Administration	\$8.8	\$9.0	\$10.4	\$9.7	\$37.9
Taxes, Permits & Overhead	\$8.2	\$5.9	\$8.8	\$6.5	\$29.5
TOTAL EXPENDITURES	\$74.6	\$67.9	\$93.4	\$84.9	\$320.7
<u>NET PROFIT</u>	\$10.3	\$18.5	(\$7.1)	\$3.1	\$24.8

C. MAJOR PLANNING ASSUMPTIONS

	BUDGET FIRST QUARTER <u>FY23</u>	BUDGET SECOND QUARTER <u>FY23</u>	BUDGET THIRD QUARTER <u>FY23</u>	BUDGET FOURTH QUARTER <u>FY23</u>	BUDGET TOTAL <u>FY23</u>
<u>OIL PRODUCTION</u>					
PRODUCED (1000 BBL)	1,371	1,397	1,397	1,436	5,600
(AVERAGE B/D)	14,901	15,184	15,518	15,776	15,342
<u>GAS PRODUCTION</u>					
PRODUCED (1000 MCF)	535	536	520	511	2,102
(AVERAGE MCF/D)	5,819	5,821	5,775	5,617	5,758
<u>WATER PRODUCTION</u>					
PRODUCED (1000 BBL)	89,543	89,654	89,347	92,785	361,330
(AVERAGE B/D)	973,298	974,503	992,747	1,019,614	989,945
<u>WATER INJECTION</u>					
INJECTED (1000 BBL)	94,551	94,693	94,374	97,989	381,607
(AVERAGE B/D)	1,027,727	1,029,275	1,048,596	1,076,805	1,045,499
OIL PRICE (\$/BBL)	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00
GAS PRICE (\$/MCF)	\$4.80	\$4.80	\$4.80	\$3.66	\$4.52

Part II

Program Plan Schedules

Schedule 2A

Range of Production and Injection

Fiscal Year 23

Long Beach Unit Program Plan, July 2021-June 2026

FISCAL YEAR	RANGE OF PRODUCTION AND INJECTION RATES											
	OIL MBOPD			WATER MBWPD			GAS MMCFPD			INJECTION MBWPD		
2023	13.1	-	14.8	808	-	912	5.8	-	6.5	852	-	962

FISCAL YEAR	RANGE OF INJECTION PRESSURES			
	TAR PSI	RANGER PSI	TERMINAL PSI	U. P./FORD PSI
2023	1500	2500	2500	2500

Schedule 2 B
Anticipated New Completions & Redrills
Fiscal Year 23
Long Beach Unit Program Plan, July 2021-June 2026

Reservoir	CRB	Producers					Injectors					
		Grissom Min - Max	White Min - Max	Chaffee Min - Max	Freeman Min - Max	Pier J Min - Max	Grissom Min - Max	White Min - Max	Chaffee Min - Max	Freeman Min - Max	Pier J Min - Max	
SG												
Tar		0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
Ranger West	1	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	2	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	3	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	4	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	5	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	6	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	7	0 - 0	0 - 0	0 - 0	0 - 2	0 - 0	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0
	8	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	9	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	10	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	11	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	12	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	13	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	36	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	37	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
Ranger East	14	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	15	0 - 0	0 - 0	0 - 0	0 - 2	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	16	0 - 0	0 - 1	0 - 0	0 - 3	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0	0 - 0
	17	0 - 0	0 - 0	0 - 11	0 - 0	0 - 0	0 - 0	0 - 0	0 - 2	0 - 0	0 - 0	0 - 0
	18	0 - 0	0 - 0	0 - 2	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	20	0 - 0	0 - 0	0 - 2	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	21	0 - 0	0 - 0	0 - 4	0 - 4	0 - 0	0 - 0	0 - 0	0 - 1	0 - 1	0 - 0	0 - 0
	22	0 - 0	0 - 0	0 - 0	0 - 2	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	33	0 - 0	0 - 0	0 - 3	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
Terminal	24	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	38	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	39	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	40	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	41	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	42	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	43	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	47	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
UP Ford	26	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	27	0 - 0	0 - 0	0 - 1	0 - 2	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0	0 - 0
	30	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	31	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	44	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	45	0 - 0	0 - 1	0 - 1	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
	46	0 - 0	0 - 0	0 - 6	0 - 1	0 - 0	0 - 0	0 - 0	0 - 1	0 - 0	0 - 0	0 - 0
237	30	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0	0 - 0
		Total					Total					
		0 - 51					0 - 8					

Part III

Itemized Budget of Expenditures

A. Development Drilling **\$92.6MM**

The Development Drilling category of expenditures encompasses all replacement well drilling activity, as well as maintenance and replacement of drilling equipment within the Unit. Funds for development drilling are based on the assumption that 36 wells will be developed during the Plan year using a drilling pace equivalent to approximately 1.5 drilling rig. Additional funding might be required during the year for any incremental drilling activity.

Drilling and completing wells account for majority of the funding provided in this Category. Included in these activities is funding for rig move-in, drilling and casing, completion activities, drilling rig in-zone plugs and conditional abandonments, and unscheduled activity (fishing operations, cement squeezing, special logging, contract drilling services).

Exact specifications regarding the distribution of wells, bottom hole locations, and completion intervals will be determined by CRC. These decisions will be influenced by contributions from reservoir engineering personnel, results from ongoing engineering studies, and well performance. This information will be reviewed and approved in accordance with the various unit agreements during regularly scheduled meetings.

B. Operating Expense **\$98.2MM**

The Operating Expense category of expenditures encompasses the ongoing costs of day-to-day well production and injection operations necessary for producing,

Approximately 54 percent of the funding in this Category is for facility repair and minor projects. The majority of the facility repair and project investment is on the Tank and Vessel maintenance program and the remaining investment is focused on inspection, maintenance and repair in support of the MIQA program. This work includes regulated pipeline inspection surveys and evaluation, inspection and repair of cathodic protection systems, and infrastructure piping integrity inspections not covered by regulatory control. Projects include expenditures related to replacement, relocation, or minor expansion of existing injection piping, oil and water pumps and other infrastructure related investments.

D. Unit Field Labor and Administrative \$37.9MM

The Unit Field Labor and Administrative category of expenditures encompasses costs for Unit personnel and other Unit support activities.

Funding for Unit personnel includes costs of salaries, wages, benefits, training, and expenses of CRC employees. These costs represent approximately 89 percent of the Category total.

Funding for Unit support activities includes, but is not limited to, costs for professional and temporary services necessary for the completion of support activities; charges for data processing; computer hardware and software; communications; office rent; general office equipment and materials; drafting and reprographic services; DOT drug and alcohol testing; special management projects; and other miscellaneous support charges.

E. Taxes, Permits, and Administrative Overhead \$29.5 MM

The Taxes, Permits, and Administrative Overhead category of expenditures includes funds for specific taxes, permits, licenses, land leases, and all administrative overhead costs for the Unit.

Funding is provided for taxes levied on personal property, mining rights, and oil production; for the Petroleum and Gas Fund Assessment; annual well permits and renewals; Conservation Committee of California Oil and Gas Producers Assessment; California Oil Spill Response, Prevention, and Administration fee; land leases; and pipeline right-of-way costs. These costs represent approximately 60 percent of the Category total.

Funding is also provided in this Category for all Administrative Overhead (including Unit Operator billable costs and CRC billable costs) as called for in Exhibit F of the Unit Operating Agreement.

PART IV

Definitions

This Annual Plan may be Modified or Supplemented after review by the State Lands Commission for consistency with the current Program Plan. All Modifications and Supplements to this plan will be presented by the Long Beach Energy Resources Department, City of Long Beach, acting with the consent of CRC, to the State Lands Commission in accordance with Article 2.06 of the Optimized Waterflood Program Agreement.

In addition, on or before October 1, 2023 the City of Long Beach shall present to the State Lands Commission a final report and closing statement of the FY23 Annual Plan, in accordance with the provision in Section 10 of Chapter 138.

A. Modifications

The City of Long Beach, acting with the consent of CRC, has the authority to cause the expenditures of funds for Unit Operations in excess of the amount set forth in the budget included in the Annual Plan, provided, however, that no such expenditure shall be incurred that would result in any category of expenditures set forth in the budget to exceed 120 percent of the budgeted amount for that category. A budget modification would be required for any expenditures which would cause a budget category to exceed its budgeted amount by 120 percent.

Any transfer of funds between budget categories or an augmentation or decrease of the entire budget may be accomplished by a budget modification in accordance with section 5(g) of Chapter 138 and Article 2.06 of the Optimized Waterflood Program Agreement.

Investment, facilities, and management expense projects commenced in prior budget periods, which are to be continued during the current budget period, may be added to this budget by a modification in accordance with Article 2.06 of the Optimized Waterflood Program Agreement.

B. Supplements

This Annual Plan contains all the investment and expense projects reasonably anticipated at the time the Plan was drafted and for which adequate detailed studies existed. Any significant and uncommon expenses not originally contemplated may be added to this budget or transferred by a supplement in accordance with Article 2.06 of the Optimized Waterflood Program Agreement. The amount of the supplement shall include sufficient funds to complete the projects.

C. Final Report and Closing Statement

The final report and closing statement for FY23 shall contain a reconciliation by category as finally modified and the actual accomplishments, including:

1. Redrill completions by zone.
2. Facilities and capital projects.
3. Production by zone.
4. Injection by zone.