



# **2009 Well Amortization Report Inglewood Oil Field**

**Baldwin Hills CSD Conditions  
L.2.f; E.2.n**

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**Prepared for:**

**Plains Exploration & Production Co.  
5640 South Fairfax Avenue  
Los Angeles, CA 90056**

**Prepared by:**

**Arup  
12777 West Jefferson Blvd. Suite 200  
Los Angeles, CA 90066**

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## 1 Introduction

The Baldwin Hills Community Standards District (CSD) was adopted by the Los Angeles Planning Department on October 28, 2008 and became effective on November 28, 2008. Plains Exploration & Production Company (PXP), operator of the Baldwin Hills Oil Field (a.k.a. Inglewood Oil Field) located in the Baldwin Hills District, will comply with the requirements of the CSD. The goal of the CSD is to ensure that oil field operations are conducted in a safe manner and are compatible with the surrounding uses.

The CSD requires that a Well Amortization Report (Report) be provided to the County of Los Angeles within 120 days following the effective date of the CSD, or at such later date as may be approved by the director for good cause shown. The due date is therefore March 26, 2009.

Specifically, section L.2.f. (page 82) of the CSD states the following:

*f. Well Amortization Report. Within 120 days of the following the effective date, or at such later date as may be approved by the director for good cause shown, the operator shall develop and submit to the director a well amortization report that inventories the existing wells that are located within, partially, or wholly, the setback areas specified in subsection E.2.n. The report shall also include an amortization and abandonment schedule for the wells located within the setback areas, based upon useful economic life.*

Well amortization and abandonment activities will conform to the setback requirements contained in the CSD, Section E.2.n (page 19) as follows:

*n. Drilling and Redrilling Setbacks: The following setbacks shall apply within the oil field for drilling and redrilling:*

- i. At least 400 feet from developed areas*
- ii. At least 20 feet from any public roadway*

The term “developed areas” is defined in the CSD as “Any lot or parcel of land containing any residential, commercial, industrial, or office structure, or used for residential, commercial, industrial, or office purposes (provided that no lot or parcel of land on the oil field shall be considered to be developed area solely because of the presence thereon of the Cone Trust House or of a structure used by any operator for administrative functions associated with the oil field); or any lot or parcel of land containing any public park, house of worship, cemetery, school, parking lot, or any recreation area which has been developed and opened for public use.”

There is no definition of “public roadway” in the CSD. PXP has assumed public roadways are Fairfax Avenue, Stocker Street, La Brea Avenue, and La Cienega Boulevard where these roadways run through or directly adjacent to the PXP Inglewood field.

## **2 2009 Well Amortization Report**

### **2.1 Report Overview**

Based upon the requirements and definitions outlined in the Introduction, this Report covers the following topics.

PXP has included an inventory of wells with surface locations within the setback areas, and a map of the locations of these wells. This inventory includes the common well names, X (east) and Y (north) coordinates (Lambert Coordinates) for surface locations, well type, operational well status as of December 31, 2008, the reported amortization date, and the scheduled abandonment date based upon useful life. See Table 1 below.

Also, the process utilized to calculate useful life for these wells is described, both from an amortization and abandonment perspective. Although not defined in the CSD, amortization in this case is an accounting function that allocates the cost of an asset over its economic life. Likewise, abandonment is the plugging and abandonment that is performed on a well once the well's useful economic life has passed, indicating that no further injection or extraction will take place using this well. Plugging and abandonment is performed in accordance with Department of Oil, Gas, and Geothermal Resources (DOGGR) guidelines.

Finally, this Report discusses the factors behind the decisions to abandon wells based on their anticipated remaining useful life.

### **2.2 Setback Well Locations and Inventory**

PXP has conducted a survey of all wells with surface locations in the Setback Areas as defined in the CSD. The first step was to determine the setback areas based upon the definitions of setback and developed areas. The next step was to determine which wells were in the setback areas.

Once it was determined which wells were in the setback areas, a list was created as a subset of all wells in the field. Table 1 below contains information regarding information on this subset of wells.

The information included in this table is comprised of common well names, X and Y location coordinates, well type, 31-Dec-08 status, reported amortization, and schedule abandonment.

Common well names are the names listed both on the topographic map provided as an attachment, as well as in information reported to the U.S. Securities and Exchange Commission (SEC) for accounting reporting and to the County and DOGGR.

X (east) and Y (north) location coordinates are a common and well known coordinate system used to identify specific locations on maps, in this case wells inside the setback areas.

Well types indicate the current use of the well, as of 31-Dec-08, for injection or production.

The 31-Dec-08 Status, is the operational status of the given well as of this date (the end of the year). Status options are active, idle, or P&A'd (plugged and abandoned). An active status means that the well was being used actively for either injection or production on that date. An idle status means that the well was not being used for injection or production, but also has not been plugged or abandoned on that date, and unless indicated otherwise has anticipated useful life remaining. The P&A'd status option, which means "plugged and abandoned", is used to indicate wells within the setback areas which are plugged and abandoned as per DOGGR guidelines.

The reported amortization column contains dates for each well, for which calculated amortization dates were reported to the SEC based upon a third party accounting audit known as the "2008 Reserves Report" by Netherland, Sewell and Associates, Inc. (NSAI).

The data in the scheduled abandonment column is based upon the designated plugging and abandonment date as reported by NSAI to the SEC in their "2008 Reserves Report" for wells in the setback area.

The inventory of wells in the setback areas is presented in Table 1 and includes all wells with surface locations partially or fully contained within the setback areas as defined in the CSD. This inventory list is arranged by the reported amortization date starting at the top with the most recent dates and finishing at the bottom with the wells with amortization dates farthest into the future. This information includes the common well name, X and Y coordinates, well type, and status for end of year 2008.

This table is long, covers three pages and includes information on a total of 127 wells. The one exception is the VIC2\_020 well plugged and abandoned in 2009.

Submitted

**Setback Area Well Inventory, Surface Location, Amortization, and Abandonment Schedule**

Common Well Name	X Coordinates	Y Coordinates	Well Type	31-Dec-08 Status	Reported Amortization	Scheduled Abandonment
BC_75	4178074.82	4112706.49	injector	idle	31-Dec-08	02-Jul-26
BC_76	4178063.86	4112722.74	producer	idle	31-Dec-08	02-Jul-26
BC_77A	4178586.35	4111794.9	producer	active	31-Dec-08	02-Jul-26
BC_172	4179065.76	4111666.64	producer	idle	31-Dec-08	02-Jul-26
BC_632	4178127.45	4112620.79	producer	idle	31-Dec-08	02-Jul-26
BC_636	4178325.82	4112488.9	producer	idle	31-Dec-08	02-Jul-26
BC_643	4178881.00	4111702.00	producer	active	31-Dec-08	02-Jul-26
BUCKLER_COM_1A	4178824.62	4108750.65	producer	idle	31-Dec-08	02-Jul-26
CITRUS_COM_1	4178822.60	4108639.42	producer	idle	31-Dec-08	02-Jul-26
LAI1_BCLW_403	4176492.00	4114289.00	producer	idle	31-Dec-08	02-Jul-26
LAI1_VIC1LW_7	4173691.18	4112776.54	producer	idle	31-Dec-08	02-Jul-26
STK_BCLW_414	4178869.00	4111011.00	producer	idle	31-Dec-08	02-Jul-26
VICKERS1_82	4173780.69	4112783.97	injector	idle	31-Dec-08	02-Jul-26
VICKERS1_101	4173603.70	4113239.68	producer	idle	31-Dec-08	02-Jul-26
VICKERS1_106	4173881.50	4112954.48	producer	idle	31-Dec-08	02-Jul-26
VICKERS1_117A	4173053.21	4113381.57	producer	idle	31-Dec-08	02-Jul-26
VIC1_LAI1IW_2	4174561.54	4112480.83	injector	idle	31-Dec-08	02-Jul-26
VICKERS2_12	4171269.36	4116676.93	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_16	4171256.79	4116581.43	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_20	4170919.74	4116259.40	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_22	4171276.34	4115078.89	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_23	4170770.01	4115678.30	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_24A	4171591.04	4114692.01	injector	idle	31-Dec-08	02-Jul-26
VICKERS2_30	4171163.94	4115455.15	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_32	4171297.81	4115086.68	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_33	4170752.10	4115675.74	producer	idle	31-Dec-08	02-Jul-26
VICKERS2_35	4170783.07	4115599.53	injector	idle	31-Dec-08	02-Jul-26
VICKERS2_36	4170783.25	4115590.00	injector	idle	31-Dec-08	02-Jul-26
LAI1_VIC1LW_4	4175009.24	4112129.49	injector	active	12-Sep-09	02-Jul-26
BC_649	4178921.00	4111985.00	producer	active	19-Oct-09	02-Jul-26
BC_640	4178722.00	4111537.00	producer	active	12-Sep-10	02-Jul-26
BC_102	4177053.90	4114373.73	producer	active	13-Mar-12	02-Jul-26
LAI1_442	4177722.11	4110239.33	injector	active	06-Aug-12	02-Jul-26
BC_STK_2168	4178892.78	4111031.73	producer	active	18-Oct-12	02-Jul-26
STK_654	4179065.13	4110209.02	producer	active	24-Nov-12	02-Jul-26
LAI1_5	4177803.61	4110103.885	producer	active	14-Mar-13	02-Jul-26
STK_653	4179058.00	4110415.00	producer	active	12-Sep-13	02-Jul-26
WH_COMM_2A	4178821.59	4108760.18	producer	active	19-Apr-14	02-Jul-26
LAI1_226	4175073.08	4111692.22	injector	active	06-Feb-15	02-Jul-26
BC_653	4178993.10	4111484.60	injector	active	07-Aug-15	02-Jul-26
VRU_708	4175126.15	4115626.63	producer	active	19-Oct-15	02-Jul-26
BC_STK_283	4179073.00	4111463.00	producer	active	13-Mar-16	02-Jul-26
VICKERS2_7	4171103.36	4116567.37	producer	active	13-Mar-16	02-Jul-26
LAI1_427	4175595.15	4111971.23	producer	active	24-Nov-16	02-Jul-26

**Setback Area Well Inventory, Surface Location, Amortization, and Abandonment Schedule**

Common Well Name	X Coordinates	Y Coordinates	Well Type	31-Dec-08 Status	Reported Amortization	Scheduled Abandonment
VICKERS1_635	4173696.00	4113259.00	producer	active	24-Nov-16	02-Jul-26
VICKERS1_64	4174211.87	4112543.93	injector	active	19-Apr-17	02-Jul-26
VIC1_LAI1LW_1	4174578.38	4112385.32	injector	active	19-Apr-17	02-Jul-26
BC_STKLC_MBLW_1	4179013.20	4111464.00	producer	active	07-Aug-17	02-Jul-26
BC_353	4178085.46	4112689.67	producer	active	13-Sep-18	02-Jul-26
STK_651	4179047.29	4111301.51	injector	active	13-Sep-18	02-Jul-26
VRU_LAI1LW_221	4174159.40	4114612.40	producer	active	31-Dec-18	02-Jul-26
STK_105	4178756.84	4110767.27	producer	active	06-Feb-19	02-Jul-26
STK_BCLW_415	4178821.00	4110680.00	producer	active	25-Nov-19	02-Jul-26
STK_36	4179092.57	4110662.35	producer	active	31-Dec-20	02-Jul-26
BC_LAI1LW_444	4176836.00	4114168.00	producer	active	14-Mar-21	02-Jul-26
VICKERS2_25	4171268.98	4116707.53	producer	active	14-Mar-22	02-Jul-26
WRZU_361	4175694.95	4114779.76	producer	active	25-Nov-23	02-Jul-26
LAI1_433	4175614.25	4111937.47	injector	active	19-Apr-25	02-Jul-26
BC_17	4176876.00	4114190.00	producer	active	01-Jul-25	02-Jul-26
BC_29	4177671.81	4114035.18	producer	active	01-Jul-25	02-Jul-26
BC_38	4177647.415	4114320.769	producer	active	01-Jul-25	02-Jul-26
BC_73	4178974.62	4111929.00	injector	active	01-Jul-25	02-Jul-26
BC_100	4177053.90	4114373.73	injector	active	01-Jul-25	02-Jul-26
BC_134	4177671.83	4112944.78	producer	active	01-Jul-25	02-Jul-26
BC_135	4177745.943	4113299.906	injector	active	01-Jul-25	02-Jul-26
BC_152	4178480.489	4111806.428	producer	active	01-Jul-25	02-Jul-26
BC_204	4178051.51	4112738.66	injector	active	01-Jul-25	02-Jul-26
BC_235	4177724.43	4113029.66	producer	active	01-Jul-25	02-Jul-26
BC_236	4177628.03	4113628.60	injector	active	01-Jul-25	02-Jul-26
BC_254	4178534.03	4112611.67	injector	active	01-Jul-25	02-Jul-26
BC_290	4177745.01	4113663.13	injector	active	01-Jul-25	02-Jul-26
BC_304	4178490.10	4112185.37	injector	active	01-Jul-25	02-Jul-26
BC_305	4178533.22	4112262.16	injector	active	01-Jul-25	02-Jul-26
BC_371	4179029.80	4111464.03	injector	active	01-Jul-25	02-Jul-26
BC_429	4177117.60	4114331.20	injector	active	01-Jul-25	02-Jul-26
BC_642	4178871.00	4111739.00	producer	active	01-Jul-25	02-Jul-26
BC_807	4178982.21	4111498.21	producer	active	01-Jul-25	02-Jul-26
BC_907	4178972.02	4111483.73	injector	active	01-Jul-25	02-Jul-26
BC_LAI1LW_448	4176979.12	4114363.8	injector	active	01-Jul-25	02-Jul-26
BC_LCOM_STK_1	4179085.00	4111543.00	producer	active	01-Jul-25	02-Jul-26
BC_STK_282	4179071.06	4111541.95	producer	active	01-Jul-25	02-Jul-26
BC_STK_LCLW_1	4179084.73	4111543.41	injector	active	01-Jul-25	02-Jul-26
LAI1_17	4176127.92	4114303.46	producer	active	01-Jul-25	02-Jul-26
LAI1_120	4178008.32	4110054.457	producer	active	01-Jul-25	02-Jul-26
LAI1_147	4177978.29	4110143.26	producer	active	01-Jul-25	02-Jul-26
LAI1_223	4176786.13	4109522.91	producer	active	01-Jul-25	02-Jul-26
LAI1_2368	4177702.3	4110254.04	producer	active	01-Jul-25	02-Jul-26
LAI1_242	4176374.43	4109194.99	producer	active	01-Jul-25	02-Jul-26
LAI1_377	4176340.00	4114285.00	injector	active	01-Jul-25	02-Jul-26

**Setback Area Well Inventory, Surface Location, Amortization, and Abandonment Schedule**

Common Well Name	X Coordinates	Y Coordinates	Well Type	31-Dec-08 Status	Reported Amortization	Scheduled Abandonment
LAI1_426	4176321.67	4114293.91	producer	active	01-Jul-25	02-Jul-26
LAI1_428	4175604.33	4111954.93	producer	active	01-Jul-25	02-Jul-26
LAI1_VRU_2	4176324.65	4114313.5	injector	active	01-Jul-25	02-Jul-26
MB_1778	4178893.86	4109838.89	producer	active	01-Jul-25	02-Jul-26
MB_307	4178836.23	4108699.41	producer	active	01-Jul-25	02-Jul-26
STK_7	4179101.004	4109689.667	injector	active	01-Jul-25	02-Jul-26
STK_14B	4178869.24	4109992.47	producer	active	01-Jul-25	02-Jul-26
STK_16RD	4179071.45	4110329.51	producer	active	01-Jul-25	02-Jul-26
STK_106	4178925.21	4111030.01	injector	active	01-Jul-25	02-Jul-26
STK_107	4178850.20	4111004.40	injector	active	01-Jul-25	02-Jul-26
STK_109	4179071.92	4110627.15	producer	active	01-Jul-25	02-Jul-26
STK_208	4179082.85	4110609.78	producer	active	01-Jul-25	02-Jul-26
STK_209	4179122.37	4110644.59	injector	active	01-Jul-25	02-Jul-26
STK_309	4179120.98	4110634.48	injector	active	01-Jul-25	02-Jul-26
STK_504	4179074.50	4110385.63	injector	active	01-Jul-25	02-Jul-26
STK_652	4178866.00	4109917.00	injector	active	01-Jul-25	02-Jul-26
STK_655	4179054.00	4110229.00	injector	active	01-Jul-25	02-Jul-26
STK_BCLW_23	4178886.538	4111015.044	injector	active	01-Jul-25	02-Jul-26
STK_BCLW_413	4178671.80	4110786.06	producer	active	01-Jul-25	02-Jul-26
VICKERS1_48A	4173564.59	4113289.30	injector	active	01-Jul-25	02-Jul-26
VICKERS1_91	4173699.12	4113213.76	injector	active	01-Jul-25	02-Jul-26
VICKERS1-846	4173907.06	4112993.82	producer	active	01-Jul-25	02-Jul-26
VRU_191A	4175410.73	4115036.55	producer	active	01-Jul-25	02-Jul-26
VRU_193	4175759.71	4115020.24	injector	active	01-Jul-25	02-Jul-26
VRU_196	4175179.18	4115399.47	producer	active	01-Jul-25	02-Jul-26
VRU_199	4175459.331	4115133.496	producer	active	01-Jul-25	02-Jul-26
VRU_258	4175486.49	4115181.28	producer	active	01-Jul-25	02-Jul-26
VRU_259	4175415.59	4115426.03	injector	active	01-Jul-25	02-Jul-26
VRU_262	4175708.73	4114708.10	producer	active	01-Jul-25	02-Jul-26
VRU_263	4175465.38	4114709.15	producer	active	01-Jul-25	02-Jul-26
VRU_275	4175179.00	4116044.00	producer	active	01-Jul-25	02-Jul-26
VRU_302	4175759.40	4114663.00	producer	active	01-Jul-25	02-Jul-26
VRU_507	4175122.80	4115646.99	producer	active	01-Jul-25	02-Jul-26
VRU_609	4175128.06	4115607.62	injector	active	01-Jul-25	02-Jul-26
VRU_LAI1LW_215	4174159.40	4114629.57	injector	active	01-Jul-25	02-Jul-26
VRU_LAI1LW_219	4174159.40	4114625.10	injector	active	01-Jul-25	02-Jul-26
WRZU_362	4175161.84	4115441.23	injector	active	01-Jul-25	02-Jul-26
BC_641	4178688.00	4111612.00	producer	active	01-Jul-25	02-Jul-26
STK_LAI1LW_502	4178729.00	4110754.00	producer	active	01-Jul-25	02-Jul-26
STK_39	4179085.00	4110645.00	injector	active	01-Jul-25	02-Jul-26
VICKERS1_57	4174557.00	4112375.00	producer	active	01-Jul-25	02-Jul-26
LAI1_368	4175901.00	4114159.00	producer	active	01-Jul-25	02-Jul-26

Note: Reported Amortization from Estimated Active Life End per NSAI 31-Dec-08 to SEC

Note: Scheduled Abandonment from Designated P&A Date per NSAI 31-Dec-08 to SEC

Note: Designated P&A Date per Previous NSAI 31-Dec-07 SEC Reserves Report - 27-May-54

**Table 1 2009 Setback Area Well Surface Location Inventory**

The 2009 PXP Baldwin Hills Setback Area Well Location Drawing map (Attachment 1) illustrates the surface locations of the wells located within the CSD setback areas.

The setback areas for roadways and developed areas are clearly marked, with all wells also shown. The identity and data for these marked well locations corresponds with the Table 1 inventory. The wells are also marked with their respective common well name, and based upon the legend used indicate the well type and operational status.

This location map was split into two halves to enlarge the area and improve the legibility of the information.

### **2.3 Current Amortization Schedule and Useful Life Calculation**

In addition to the inventory of setback area wells listed in Table 1, this table also includes the reported amortization and scheduled abandonment dates for these wells as per the CSD. This information was derived from a combination of accounting, geological and economic analyses conducted and partly reported to the SEC as explained above.

Reported amortization dates were derived via a third party audit by NSAI. These dates were calculated for most wells in the field based on field and economic conditions as of 31-Dec-08 and reported to the SEC via the "2008 Reserves Report", an audit and reporting procedure mandated for all U. S. corporation's oil and gas reserves. Amortization dates are simply an accounting function that allocates the cost of an asset over its economic life. Amortization dates do not indicate the actual economic life of wells based on geologic and economic conditions, but are rather a tool for evaluating tax liability and corporate value for shareholders.

In addition to the reported amortization dates, Table 1 provides the dates for the scheduled abandonment of wells in the setback area. These dates were also calculated initially by NSAI for most of the wells in the field. However, there was additional input to these dates by PXP.

PXP internally re-evaluates well abandonment dates when current conditions vary considerably from the year end situation (in this case 31-Dec-08), when future potential use of a well bore is anticipated, or when the well is not evaluated by the third party auditor, in this case NSAI.

Although this year's scheduled abandonment date for the wells is 02-Jul-26, the bottom note at the end of Table 1 indicates that the previous year's NSAI 2007 Reserves Report lists the scheduled abandonment date as 02-Jul-54, a full 28 years, or about 150% longer than the 2008 scheduled abandonment date. Why did this time frame for abandonment change so considerably from 2007 to 2008?

Well economic lives are primarily determined by the anticipated decline of production of oil and gas for each individual well over time compared to the current economic costs to operate the well and current price for the produced units. The current year end price for oil and gas therefore greatly impact the scheduled date for abandonment.

For example, the benchmark oil price on 31-Dec-07 was about \$100 per barrel. On 31-Dec-08, the benchmark price for oil was about \$40 per barrel. So oil prices at the end of 2007 were about 150% higher than year end 2008. This product price is in line with the trend for a significantly longer estimated economic lifetime for the PXP Baldwin Hills oilfield wells for 2007 versus a much shorter timeframe for 2008. What this example indicates is that the useful economic life of a given well is a moving target partly due to current and future oil and gas prices.

Although recent changes in reserves recognition rules by the SEC are expected to reduce such year to year volatility in estimated reserve life and value, these rule changes don't begin until 2009, so do not impact this report.

In addition to product price fluctuation, an individual well may have several distinct active time periods within its overall life since multiple layers of oil bearing intervals are often associated with each well. These oil bearing intervals may produce or be injected individually or in groups over sequential time periods. The same well can be used for production or injection multiple times over its life, and can remain inactive (idle) for multiple periods throughout its useful life.

Therefore, it must be reiterated that the actual date of abandonment for individual wells is not only a function of individual well and area geology, but more importantly oil and gas prices and production quantities versus the costs to produce the oil and gas. Short term dips in otherwise steadily rising oil and gas prices will not necessarily cause wells to be abandoned. No well will be abandoned until it is no longer viable.

**2.4 Current Abandonment Schedule, Processes, and Requirements**

As reported in the 2009 Drilling Plan submitted to the Los Angeles County Planning Department on January 30, 2009, well plugging and abandonment activities will occur over the course of the 2009 calendar year after approval of the Drilling Plan by the Los Angeles County Planning Director and upon permit approval for plugging and abandonment from DOGGR and County of Los Angeles.

PXP will not be drilling or re-drilling any wells within the setback areas in 2009. PXP will be abandoning five wells in 2009 in the field as reported in the 2009 Drilling Plan. Of those five wells, only one is in the setback area as described in Table 2 below. This well is also included in Table 1 and the Attachment 1 location map.

2009 PXP Setback Area Well Abandonment Proposed Locations				
Common Well Name	X Coordinates	Y Coordinates	Well Type	31-Dec-08 Status
VIC2_20	4,170,919.74	4,116,259.40	producer	idle

**Table 2 - 2009 Setback Area Well Abandonment Location Table**