

MINUTE ITEM

This Calendar Item No. 42
was approved as Minute Item
No. 12 by the State Lands
Commission by a vote of 3
to 0 at its 5/29/80
meeting.

CALENDAR ITEM

42.

5/80
Thompson

EIGHTH MODIFICATION OF THE 1979-1980 PLAN OF DEVELOPMENT
AND OPERATIONS BUDGET, LONG BEACH UNIT,
WILMINGTON OIL FIELD.

The Commission's staff, together with representatives of the City of Long Beach, have prepared the Eighth Modification of the 1979-1980 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditures information, together with revised economic projections.

The Eighth Modification revises Exhibits C-3 and C-4 in Part V of the subject Plan and Budget based on data available through March 31, 1980. Part V, PROCEDURES, of the Plan and Budget provides that exhibits showing estimated oil, gas and water production rates, water injection rates, expenditures and resulting Long Beach Unit net revenue shall be reviewed quarterly by the Commission's staff and the City, and modified as necessary. This modification satisfies that provision.

It is now estimated that the average oil production rate for the year will be 65,410 B/D. The originally estimated rate was 65,943 B/D. The average gas production rate is expected to be 14,374 MCF/D, which is 849 MCF/D above the originally-estimated rate of 13,525 MCF/D. This is due to a slightly higher than anticipated gas-oil ratio. The water injection rate is estimated at 484,585 B/D which is 56,645 B/D below the originally-estimated rate of 541,230 B/D. This is largely the result of an unusual amount of work performed on injection wells, and due to adjacent wells requiring reduction of injection rates while the work was being done. In addition, some injection pumps were down for extensive repairs.

Unit budget funds for investment, expense and overhead, as adjusted, totalled \$113,461,000 at the end of the third quarter. The original budget of \$80,449,000 was increased to \$82,778,000 on July 1, 1980 to include investment funds carried over from the prior fiscal year. This adjusted budget was augmented in October, 1979 for increased drilling, redrilling and workover activity, in January, 1980 for an electrical rectifier unit for drilling rig T-1 and in March, 1980 for the installation of additional well cellars.

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CALENDAR ITEM NO. 42 (CONTD)

Based on information available at the end of the Third Quarter of the 1979-1980 Fiscal Year, about \$21.5 million of the budget will remain unexpended at the end of the present fiscal year, and most of this amount will be carried over to 1980-1981, to fund the completion of the budgeted projects. On this basis, Long Beach Unit net income for the current year is expected to be \$351 million, before consideration of any potential federal excise tax on crude oil. The original estimate of net income was \$97.6 million, stated in the Plan and Budget approved by the Commission at its April, 1979 meeting. The increase is due to higher oil prices resulting primarily from the decontrol of heavy crude oil.

The Commission's staff recommends approval of the Eighth Modification which revises the estimated production, injection and expenditures and revenue as shown in the revised exhibits. When actual information through the Fourth Quarter of the 1979-1980 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE EIGHTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS BUDGET, LONG BEACH UNIT, JULY 1, 1979 THROUGH JUNE 30, 1980.