

MINUTE ITEM

This Calendar Item No. 23
was approved as Minute Item
No. 23 by the State Lands
Commission by a vote of 2
to 0 at its 11/21/83
meeting.

CALENDAR ITEM

23

11/21/83
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SEVENTH MODIFICATION OF THE
1983-1984 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY
REVISING ECONOMIC PROJECTIONS

The Commission's staff, together with representatives of the City of Long Beach, have prepared the Seventh Modification of the 1983-1984 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Seventh Modification revises Exhibits C-3 and C-4 in PART V of the subject Plan and Budget based on data available through September 30, 1983. PART IV, 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 does not augment the Budget, nor transfer funds within the existing budget.

The average oil production rate during the first quarter of the 1983-1984 Plan Year was 64,131 barrels per day, 2,861 barrels per day more than the originally estimated rate. Actual gas production averaged 12,860 MCF per day, 1,954 MCF per day above the originally estimated rate due to the higher oil rate. The water injection rate of 514,575 barrels per day was 54,325 barrels per day below the projected figure primarily as a result of higher than estimated plant downtime and injection well shut-ins to avoid pressure problems while drilling offset wells.

Estimated Expense expenditures by the end of the first quarter, excluding mining rights taxes which are paid in the second and fourth quarters, were nearly one-fourth of the budgeted amount. With increased water injection rates, possibly two major expense expenditures not funded in the budget being added to the Plan and if there is only a small inflation rate during the balance of the year, it appears unlikely that there will be any surplus funds this year in the expense area. Since it is now apparent that an additional \$5,000,000 will have to be budgeted for mining rights taxes.

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Current estimates indicate that there will be a surplus of \$8,000,000 in the Drilling and Development Program as a result of over estimating carry-over requirements and over funding for new well drilling in the original budget. Carry-over into the 1964-1965 budget is now estimated at \$11,000,000 for development wells and \$4,500,000 for other investment projects.

Based on these estimates total expenditures for the year will be \$240,200,000 with a carry-over of \$15,500,000 and a surplus of \$3,000,000.

The adjusted total budget as of September 30, 1983, was \$258,657,500. The original budget, at \$235,127,000 had been reduced by the First Modification for Investment, Expense and Administrative Overhead in the amount of \$13,300,000 which was a condition of budget approval and increased \$29,850,500 by carry-in and \$7,000,000 by the Second Modification.

Total Unit income for the 1983-1984 Fiscal Year has been adjusted upward because of the higher than estimated oil rate. Long Beach Unit Net income is now indicated to be \$304 million. The original estimate in the 1983-84 Plan and Budget approved by the Commission was \$266,699,000. The difference represents approximately \$42 million due to the higher oil rate less the difference in carry-in and estimated carry-out and the Second Modification. The figures do not reflect the reduction due to the Federal Oil Tax imposed on the individual participants in the Unit.

The Commission's staff has reviewed the Seventh Modification and finds that the estimated production, injection, expenditures and revenue shown in the revised exhibits are reasonable. When actual information through the second quarter of the 1983-1984 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE SEVENTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1983 THROUGH JUNE 30, 1984.