

MINUTE ITEM

This Calendar Item No. 32 was approved as Minute Item No. 32 by the State Lands Commission by a vote of 3 to 0 at its 4/24/86 meeting.

CALENDAR ITEM

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S 29

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04/24/96
W 17084
Lammers

FIFTH MODIFICATION OF THE 1985-86
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY
REVISING ECONOMIC PROJECTIONS

The City of Long Beach has submitted to the Commission the Fifth Modification of the 1985-86 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Fifth Modification revises Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through December 31, 1985. 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 or transfer funds within the existing budget.

The average oil production rate during the second quarter of the 1985-86 Plan Year was 71,626 barrels per day, 1,974 barrels per day less than originally estimated. The water production rate was 536,700 barrels per day, 25,900 barrels per day more than estimated and the water injection rate was 672,000 barrels per day, 4,800 barrels per day more than estimated. In the revised exhibit C-3 presented by the City, it is estimated that the oil production rate for the year will be 71,704 barrels per day, 1,900 barrels per day less than originally estimated. The water production rate is estimated at 533,900 barrels per day and the water injection rate 663,800 barrels per day for the year, an increase of 20,900 barrels per day and a decrease of 6,000 barrels per day respectively.

It is now apparent that the estimated oil rate for 1985-86 was overly optimistic. A lower oil rate response than in previous years from the drilling and re-drilling expenditures and a lower water flood efficiency are the principal reasons for the decline. Projections for the current and the final quarters continue to be somewhat high.

Expenditures through the first half were \$98.6 million, when adjusted for a mining rights tax credit of \$2.4 million. Expenditures are \$8.8 million or approximately eight percent less than originally estimated, excluding carry over funds. The reduction in expenditures is about equally distributed between the Development Drilling Program and the Oil and Gas Production Program. Waste disposal costs continue to remain substantially higher than budget because of inability to obtain permits for the dumping of the major part of drill cuttings and mud at sea and the lack of local disposal sites, funding is available however, from elsewhere in the budget.

Based on the above and allowing for less significant adjustments, expenditures against the 1985-86 budget are expected to be approximately \$197.5 million excluding the tax credits of \$2.4 million. Carry-over is estimated at \$7 million, leaving a surplus of \$27.2 million, including the credit, in the \$229.3 adjusted budget for the year.

Total Unit income for the 1985-86 fiscal year has been adjusted downward because of the decrease in estimated oil rate. Oil and gas prices were also slightly lower in the first quarter than originally estimated. The City estimated net income to be \$366 million, at the revision date of February 5, 1986 using an average oil price of \$19.97 for the last half of the year. With recent crude oil price decrease it is obvious that these figures are much too high. The original estimate in the current Plan and Budget was \$411 million.

The Commission's staff has reviewed the Fifth Modification and the estimated production, injection, expenditures and revenue show in the revised exhibits. When actual information through the second quarter of the 1985-86 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

CALENDAR ITEM NO. 32 (CONT'D)

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C.: 21065 and 14 Cal. Adm. Code 15378.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.
2. APPROVE THE FIFTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1985 THROUGH JUNE 30, 1986.