

MINUTE ITEM

This Calendar Item No. 30
was approved as Minute Item
No. 30 by the State Lands
Commission by a vote of 5
to 0 at its 5:30 PM
meeting.

CALENDAR ITEM

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06/26/86
W 17089
Lammers

FIRST MODIFICATION OF THE 1986-87
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY

The City of Long Beach has submitted to the Commission the First Modification of the 1986-87 Plan of Development and Operations and Budget, Long Beach Unit. This modification provides for the economic effect of the sharp reduction in crude oil prices which occurred while the 1986-87 Plan and Budget was in the final stages of preparation and the approval process. The First Modification reduces the budget by \$39,321,000 to \$147,467,000 and adjusts the economic projections in line with current oil and gas production and price forecasts. Attachments 1-8 show program and sub-program past expenditures, estimated 1985-86 expenditures and proposed expenditures for 1986-87.

Because of the Plan changes and the many Budget Item funding changes, the First Modification is presented in the same format and as a revision of the original 1986-87 Plan and Budget. Part I, the Introduction, Part II, the Plan and Part III, the Budget have been changed or modified where appropriate or necessary.

The only significant increase in any Budget Item is the \$1,785,000 provided in Budget Item E.1.b.(2), Management and Administrative Salaries and Benefits for the field contractor's employee separation program. The net increase in the Budget Item is \$1,439,000.

A new rate schedule has been made with the Southern California Edison Company for electrical energy which could result in a savings of 25 percent or \$9 million a year by accepting interruptible service. It is not expected that such service will appreciably curtail production. Attachments 9 and 10 are

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annual electrical energy charges and monthly electrical energy rates for the Long Beach Unit and reflect the recent major cost reduction program.

As a result of the drop in oil price of over 50 percent, ninety-five high water cut Long Beach Unit producing wells have been shut in as uneconomic during the past three months. This represents about 13 percent of the active wells. The oil production rate for the year is now projected at an average of 62,900 barrels per day with a gross production rate of 433,000 barrels per day. Water injection is estimated to average 471,300 barrels per day. Attachments 11 and 12 show historical and estimated oil and gross production rates, water injection volumes and water cut for the Long Beach Unit. They show the reduction in oil, gross production and water injection rates and lower water cut resulting from those shut-ins.

The lower volumes of fluid to be handled will result in a significant reduction in energy requirements and chemical costs. Overall equipment maintenance requirements should also be less. With fewer active producing wells, well maintenance cost will be reduced.

Drilling rig activity in the 1986-87 budget year has been reduced to two rigs from the previously planned four rigs. A greater percentage of rig activity may be devoted to workovers and abandonments.

Based on a value of \$10.00 per barrel for oil, the Unit Operator has forecast a net income for the unit of \$95,489,000. Exhibits A and B show historical and estimated 1986-87 oil revenue and total costs on a dollar per month and dollar per barrel basis. These exhibits illustrate the large and rapid drop in oil price and resulting revenue in early 1986 that has necessitated the Seventh Modification of the 1985-86 Plan and Budget and this First Modification of the 1986-87 Plan and Budget.

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.

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AB 884: N/A.

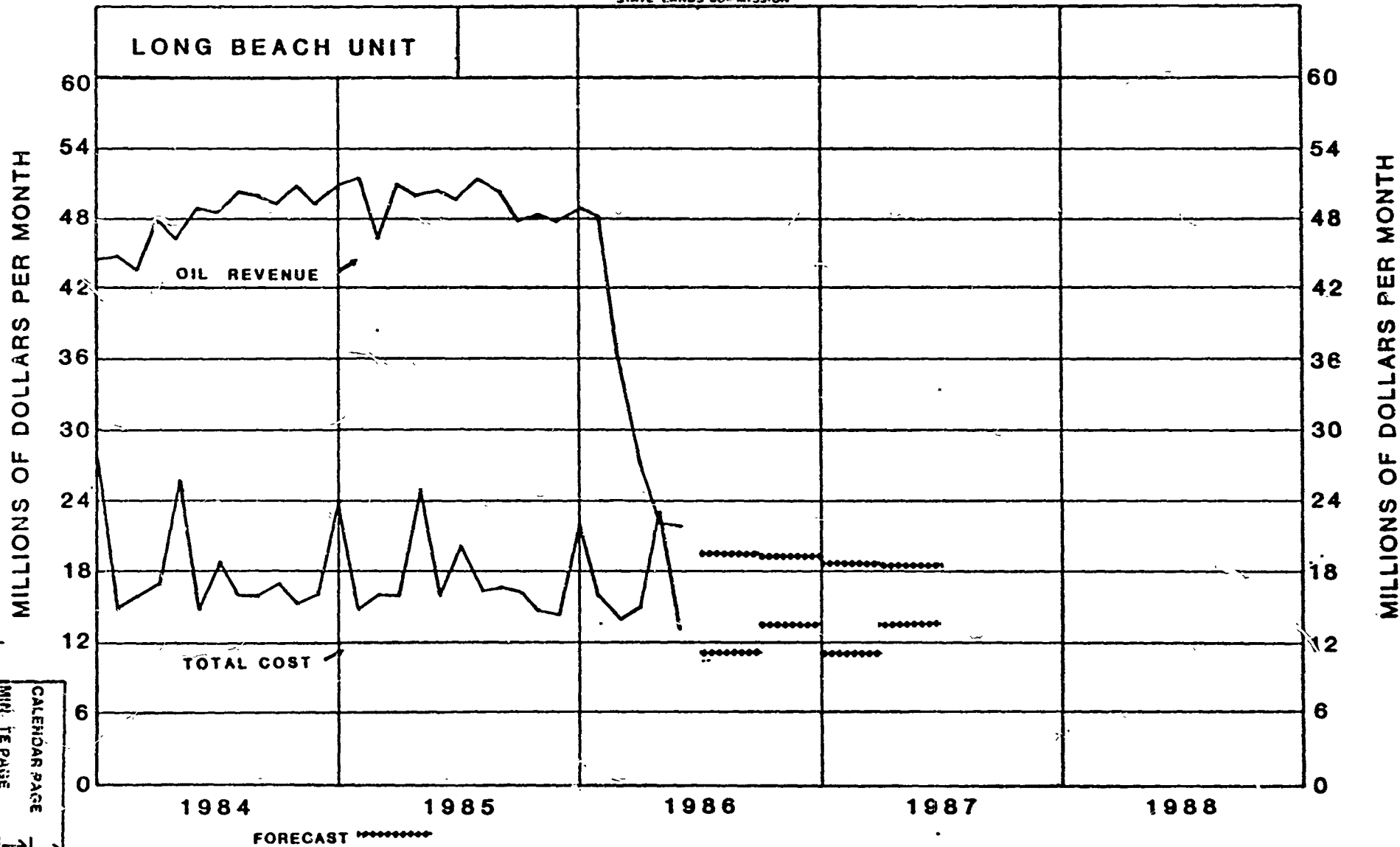
EXHIBITS: A. Exhibit A.
B. Exhibit B.
C. Attachments 1-12.

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 FIRST MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1986 THROUGH JUNE 20, 1987.

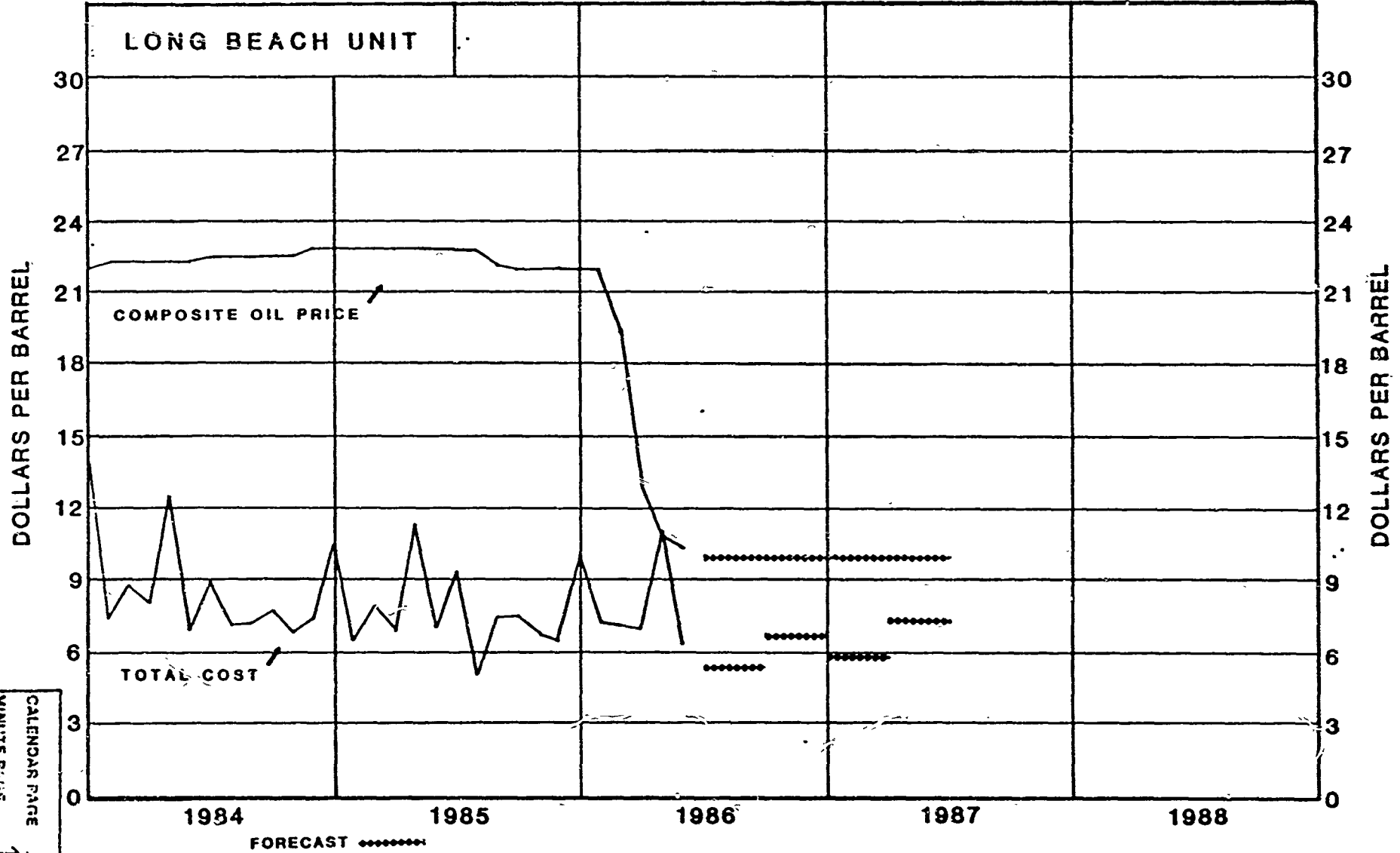
STATE OF CALIFORNIA
STATE LANDS COMMISSION

EXHIBIT A

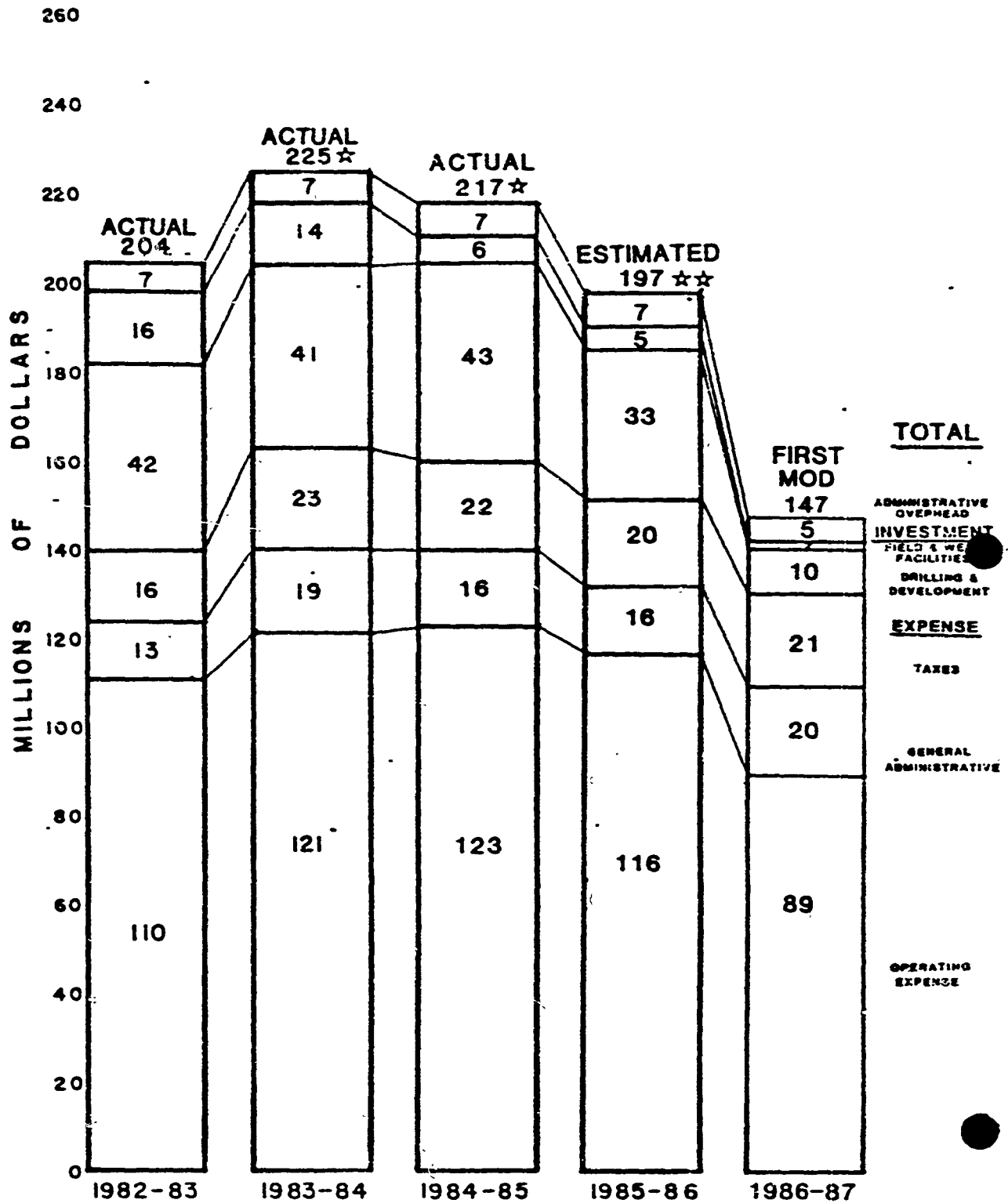


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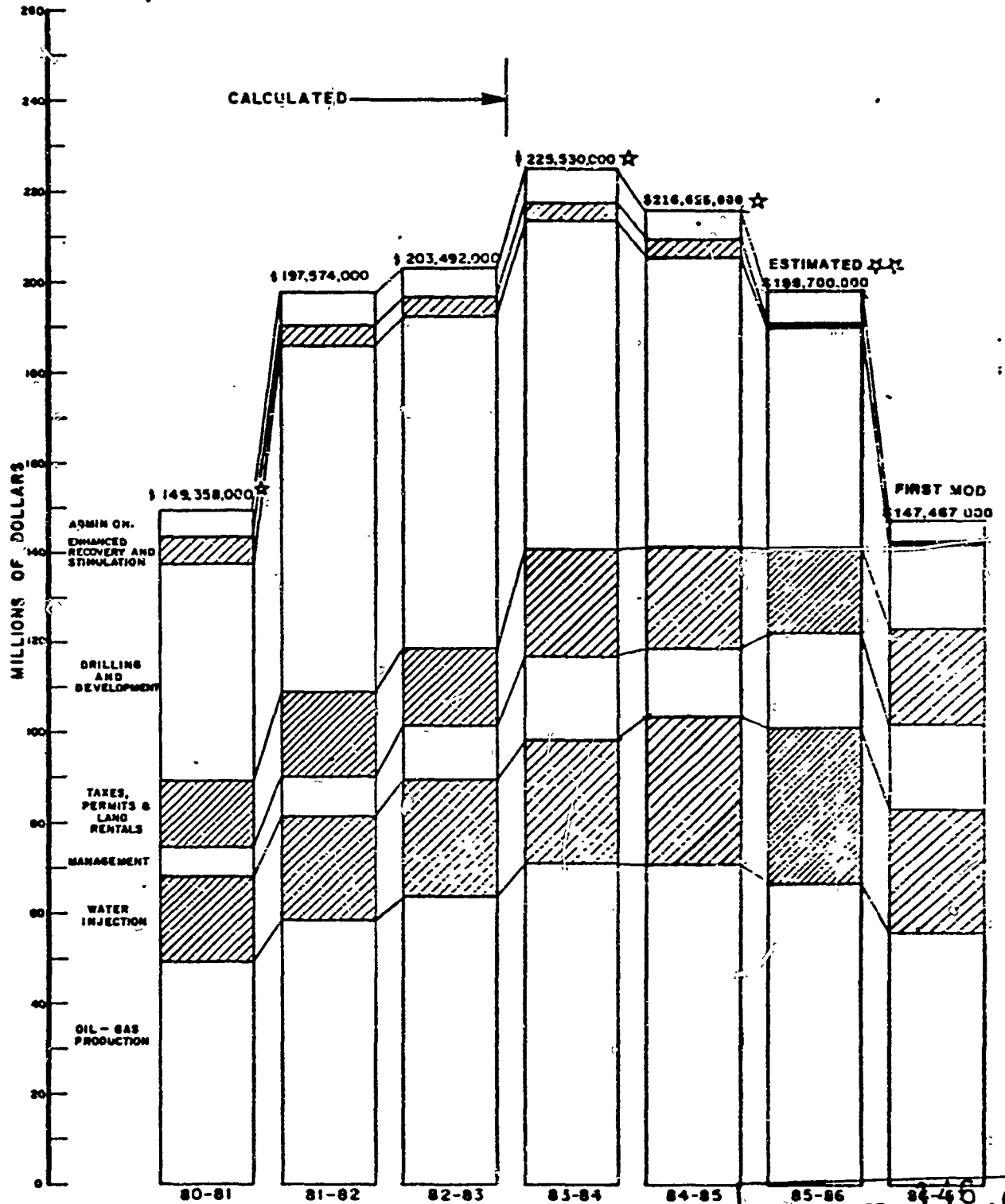
LONG BEACH UNIT EXPENDITURES

☆ EXCLUDES CREDIT FOR CAUST.C
 ☆ ☆ INCLUDES CREDIT FOR M/R TAXES

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LONG BEACH UNIT
BUDGET

ALL PROGRAMS

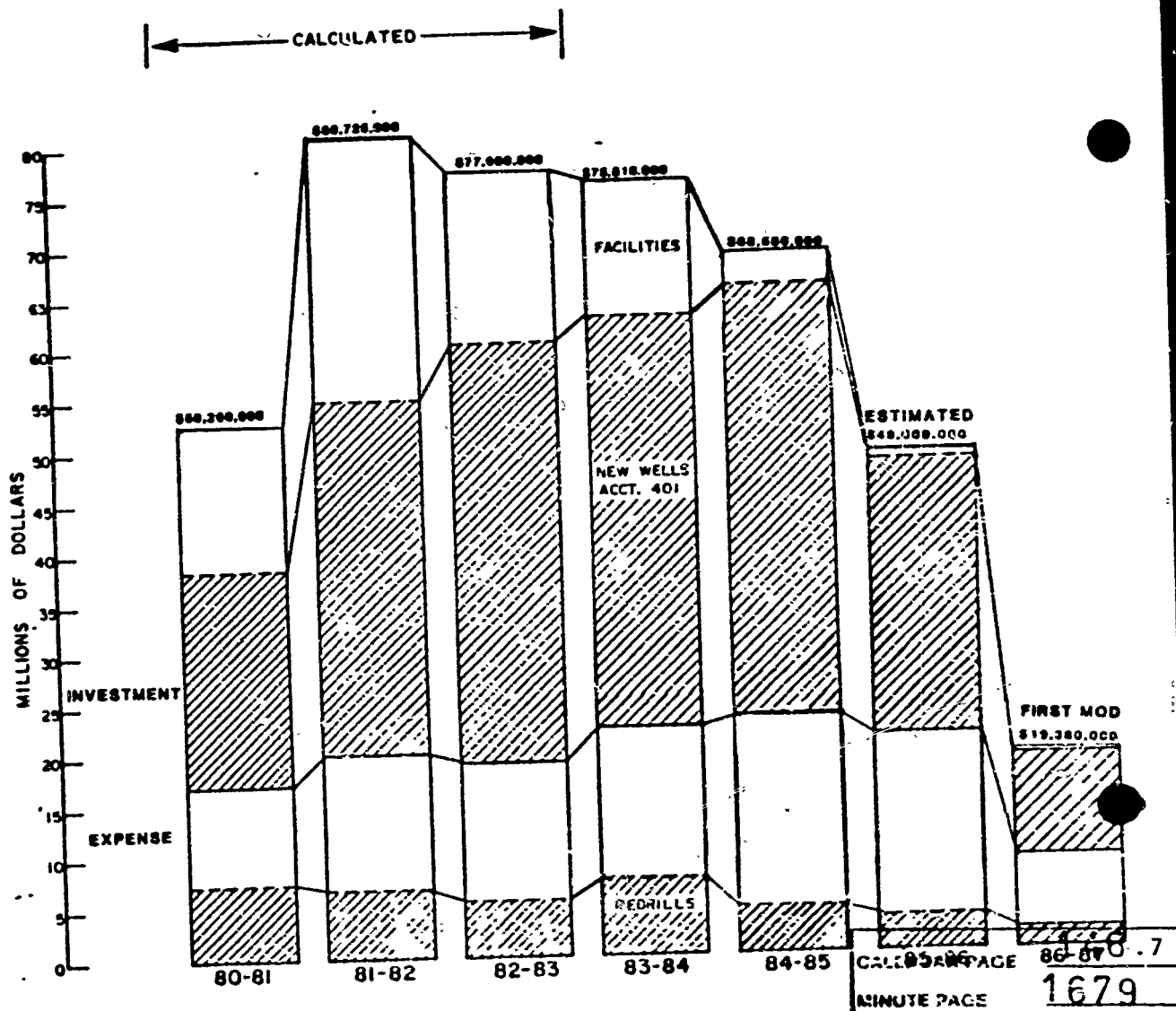


★ CAUSTIC NOT INCLUDED
★★ INCLUDES CREDIT FOR M/R TAXES

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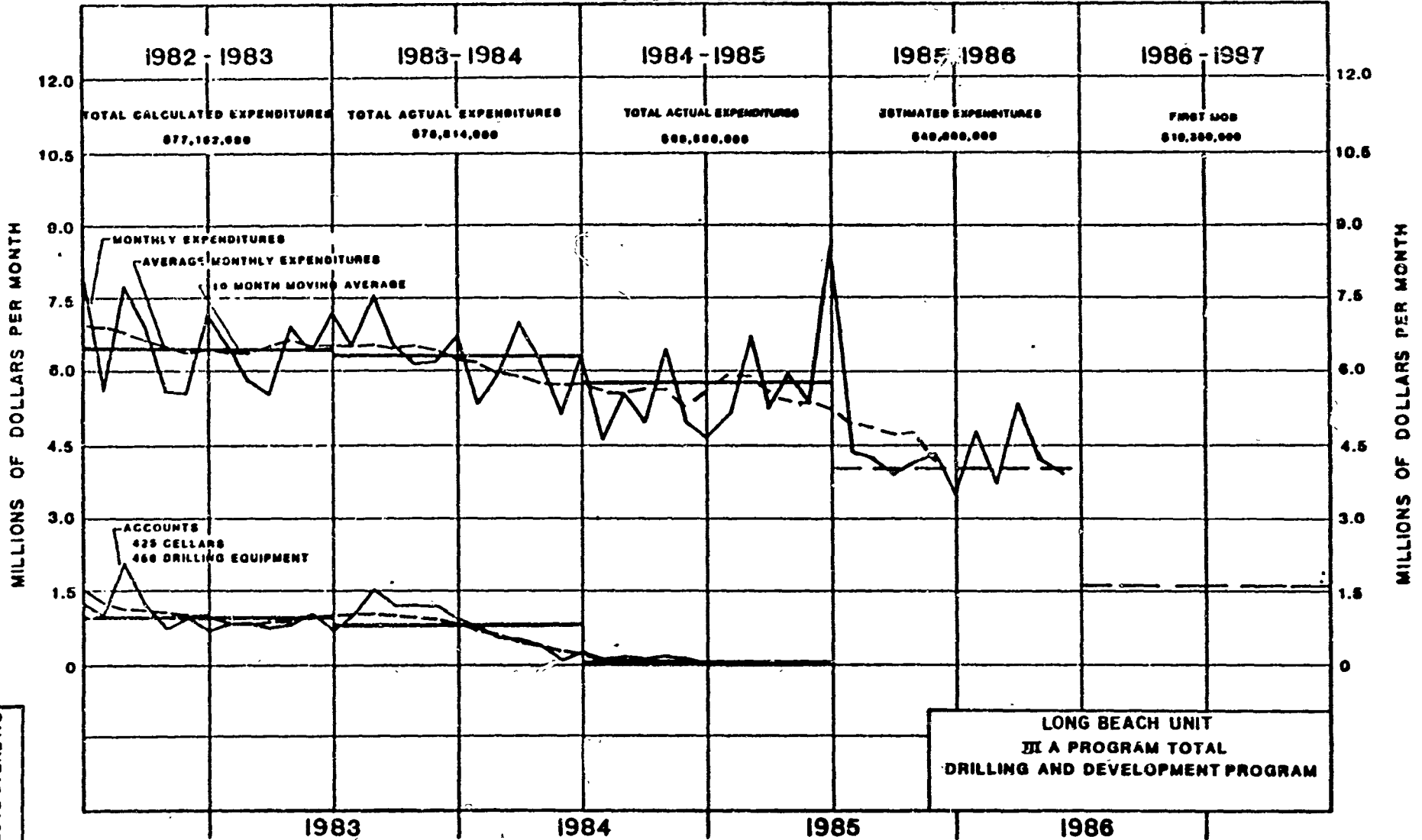
LONG BEACH UNIT

DRILLING AND DEVELOPMENT
PROGRAM



STATE OF CALIFORNIA
STATE LANDS COMMISSION

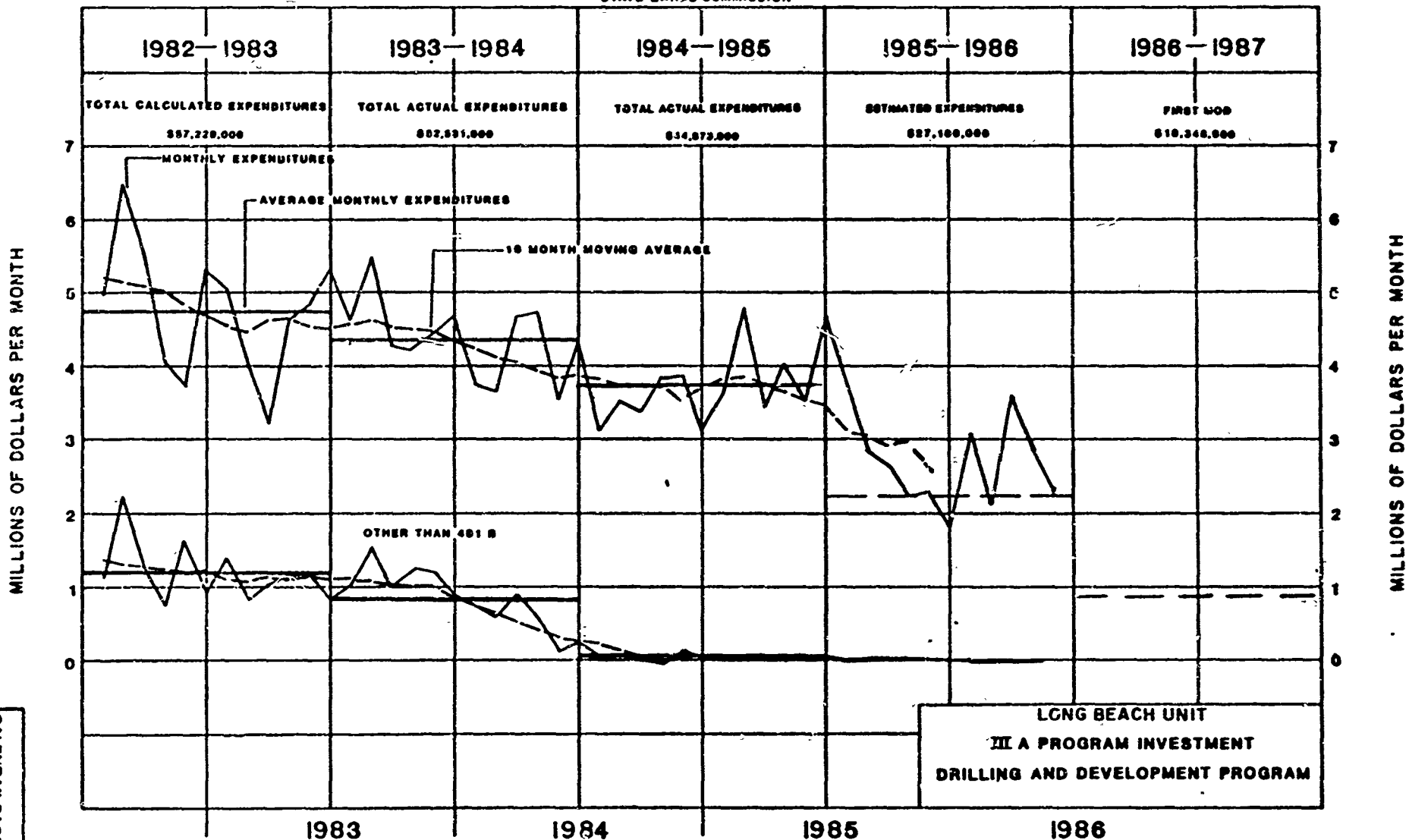
ATTACHMENT 3A



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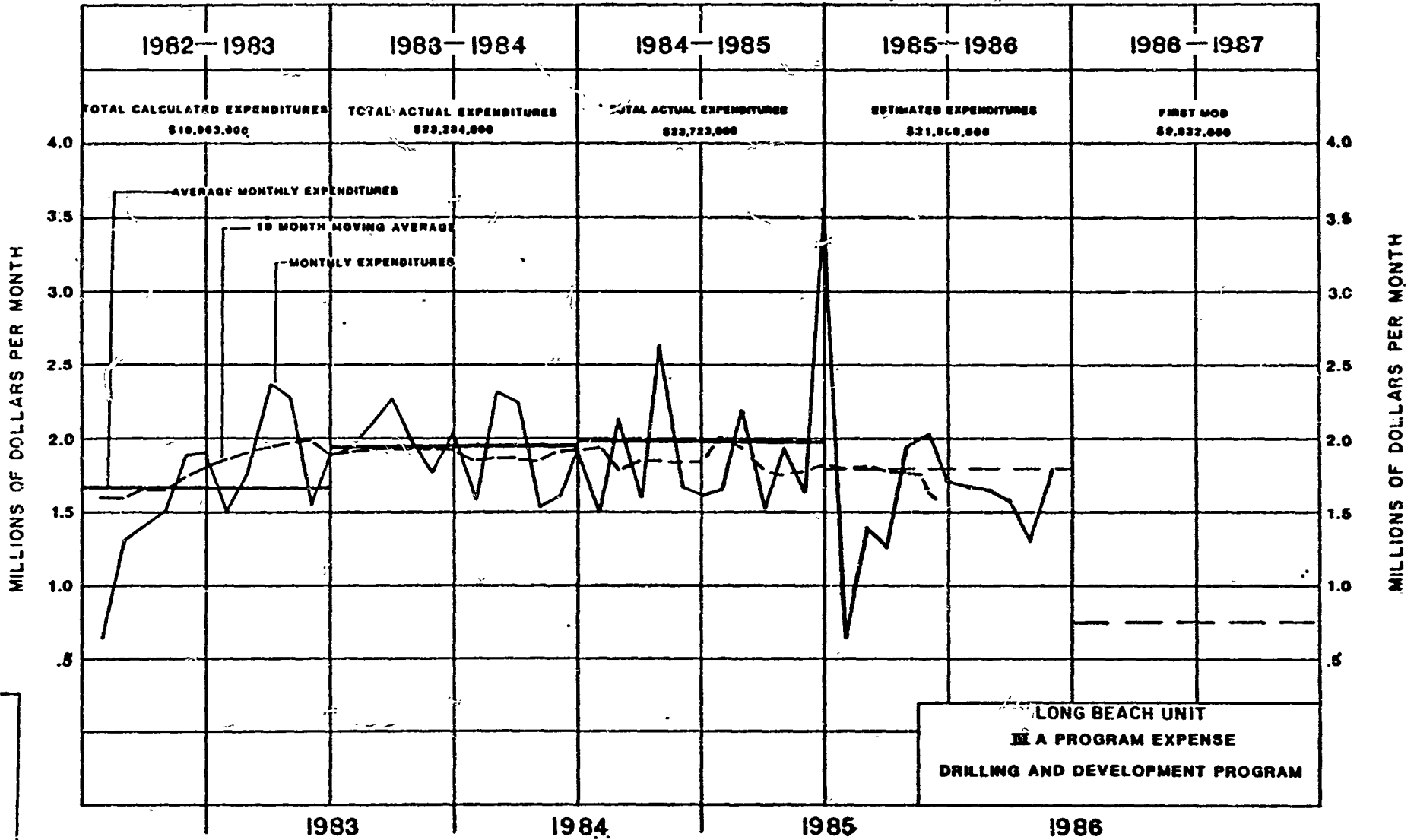
STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 3B



STATE OF CALIFORNIA
STATE LANDS COMMISSION

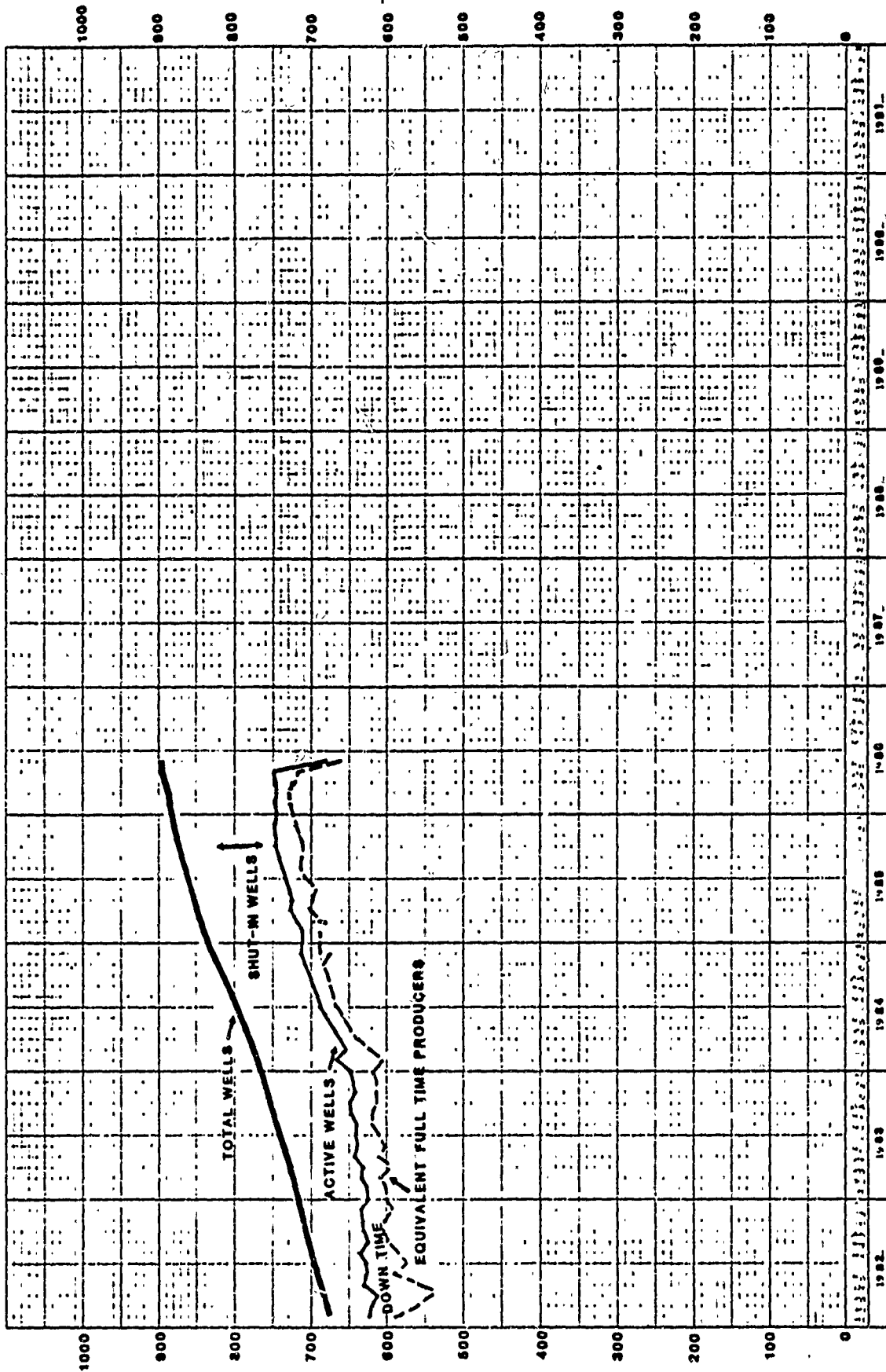
ATTACHMENT 3C



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LONG BEACH UNIT
PRODUCING WELLS

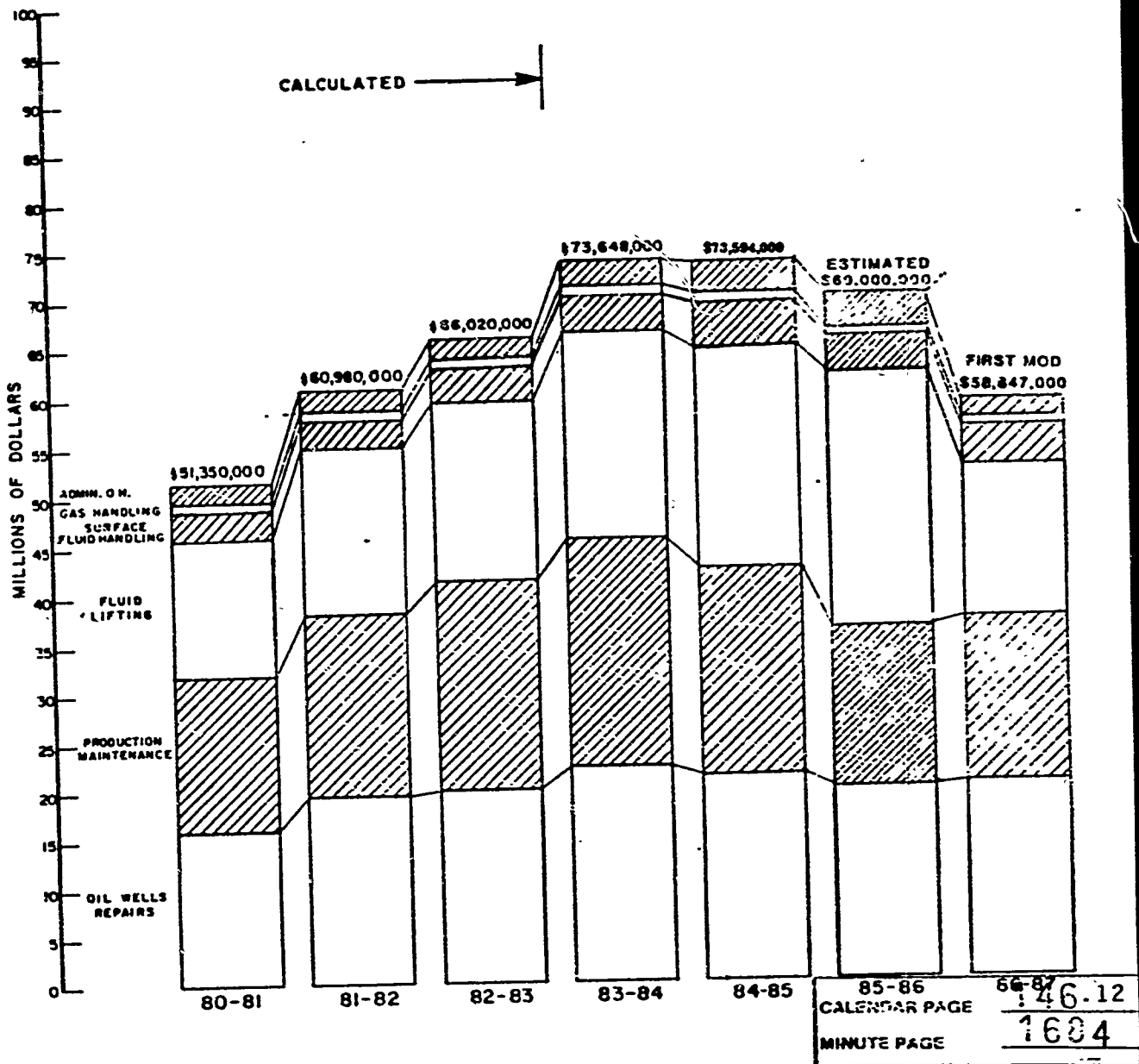


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H-E 15 YEARS OF HISTORY & 112 OPERATING WELLS

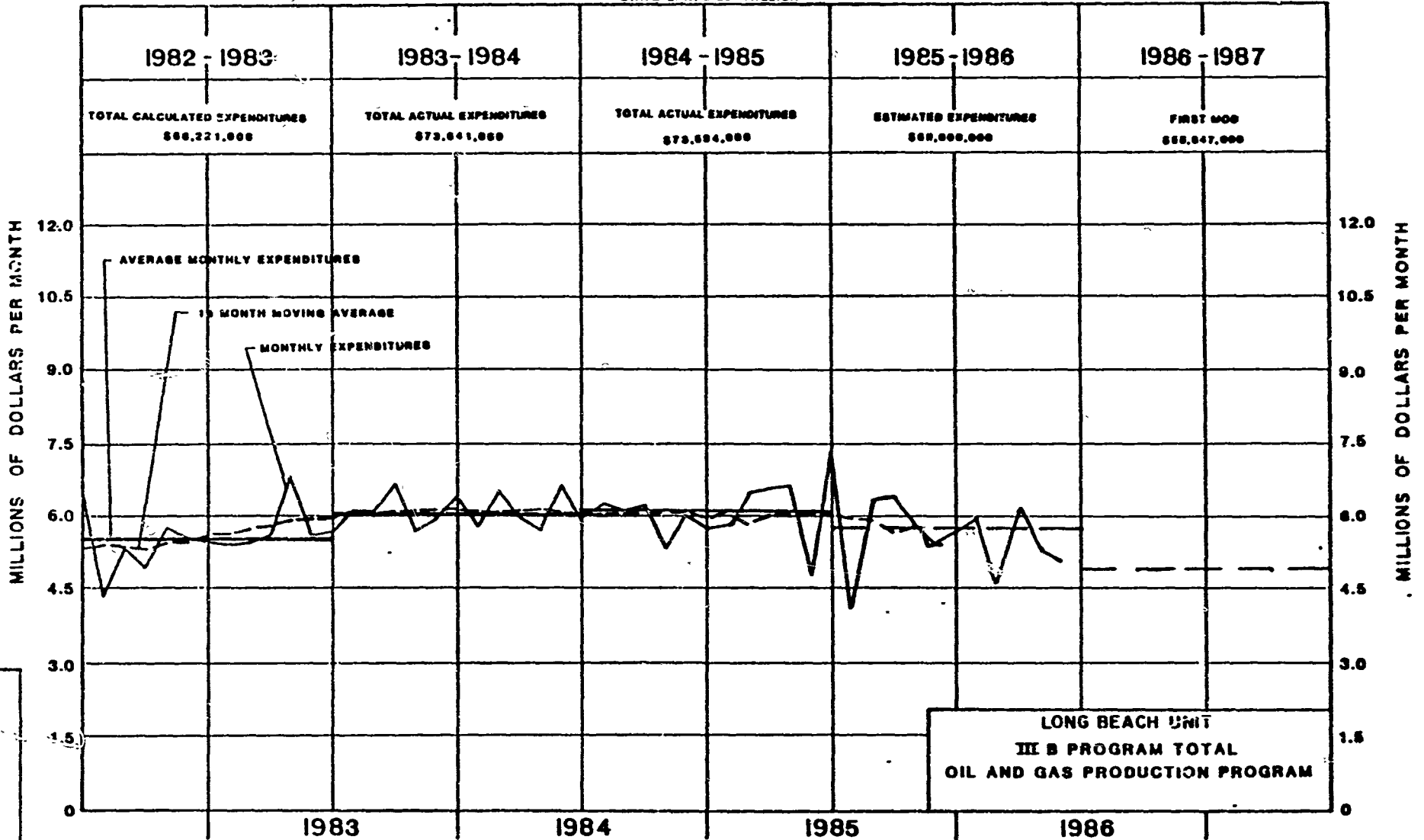
LONG BEACH UNIT

OIL AND GAS PRODUCTION
PROGRAM



STATE OF CALIFORNIA
STATE LANDS COMMISSION

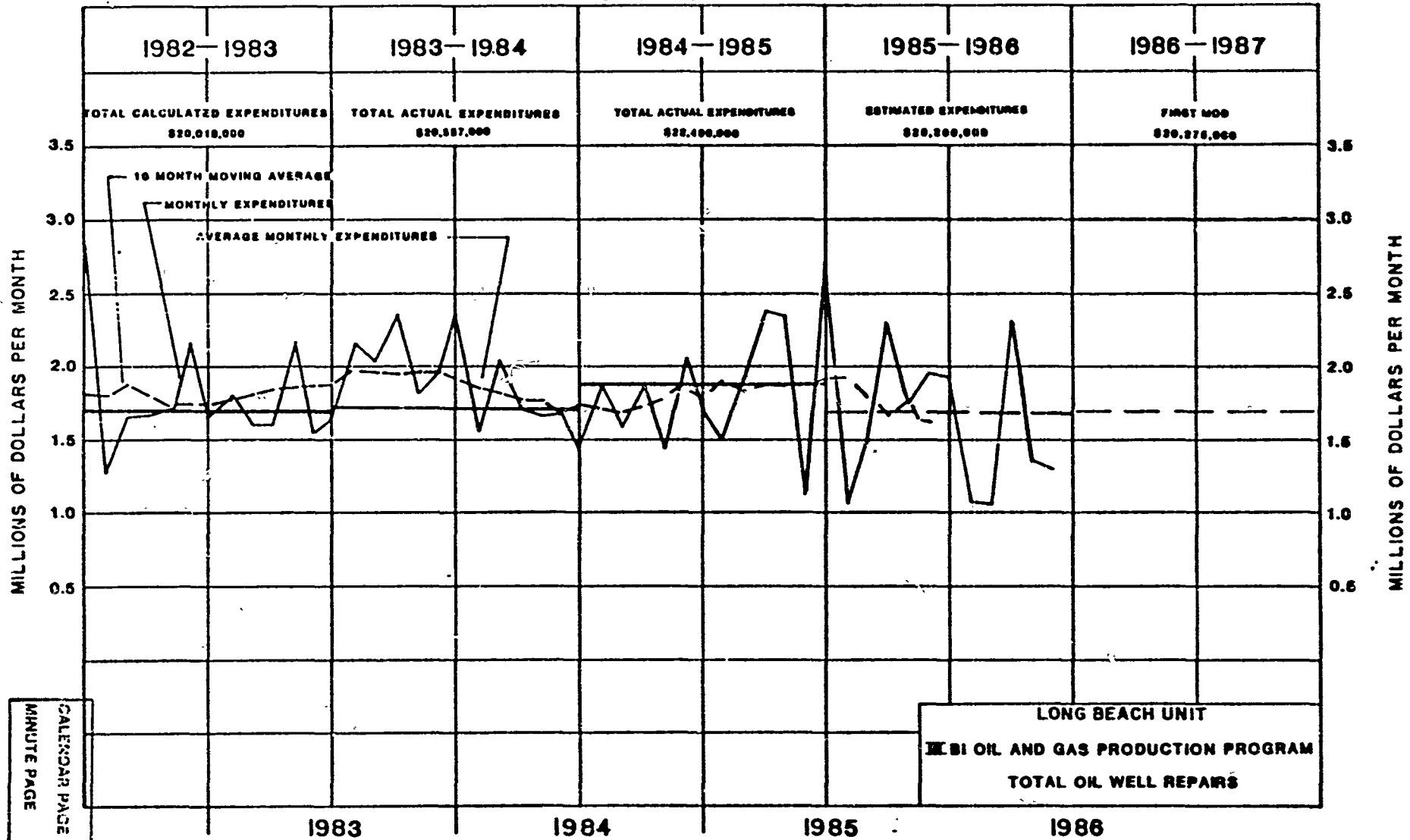
ATTACHMENT 4A



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STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 4B

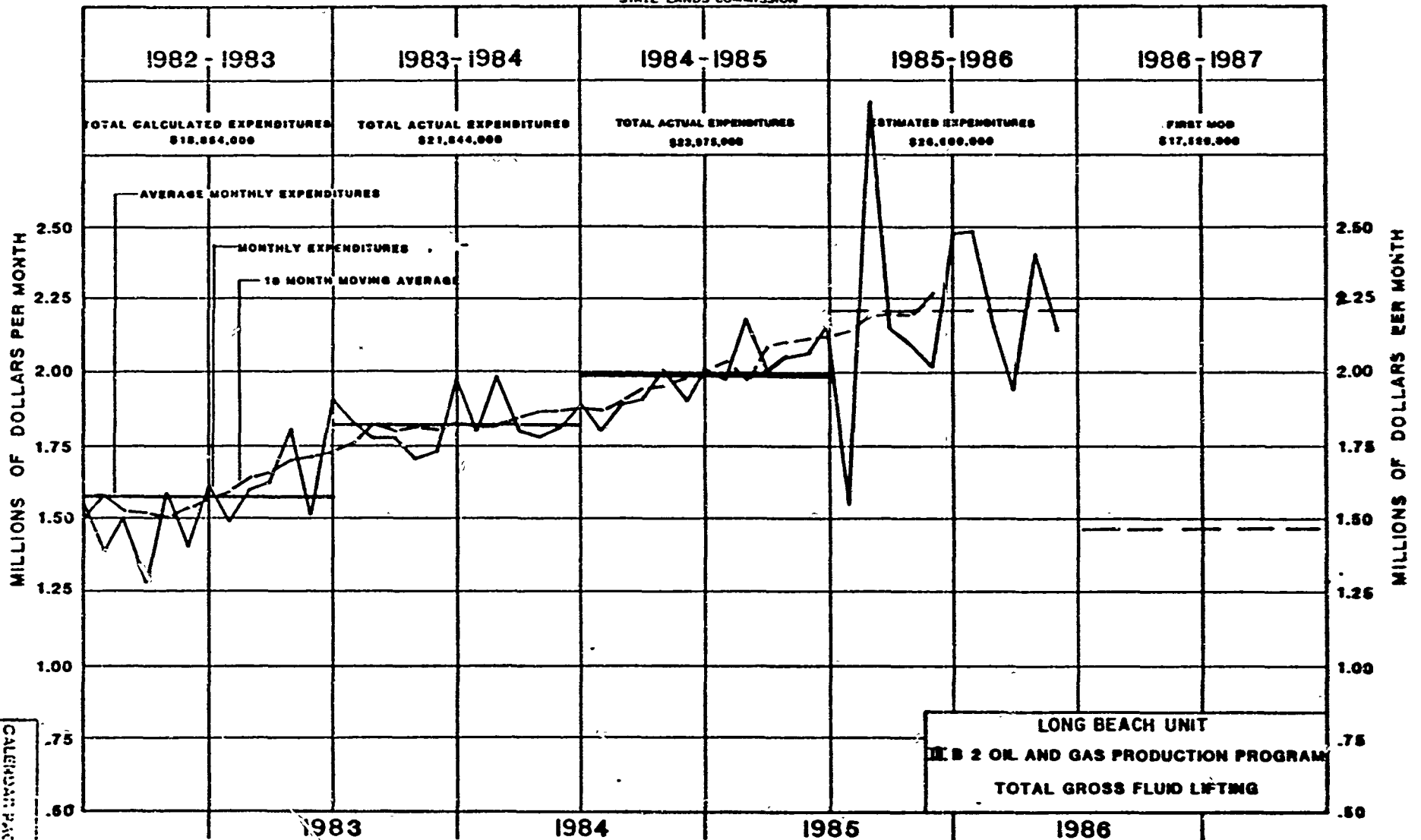


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ATTACHMENT 4C



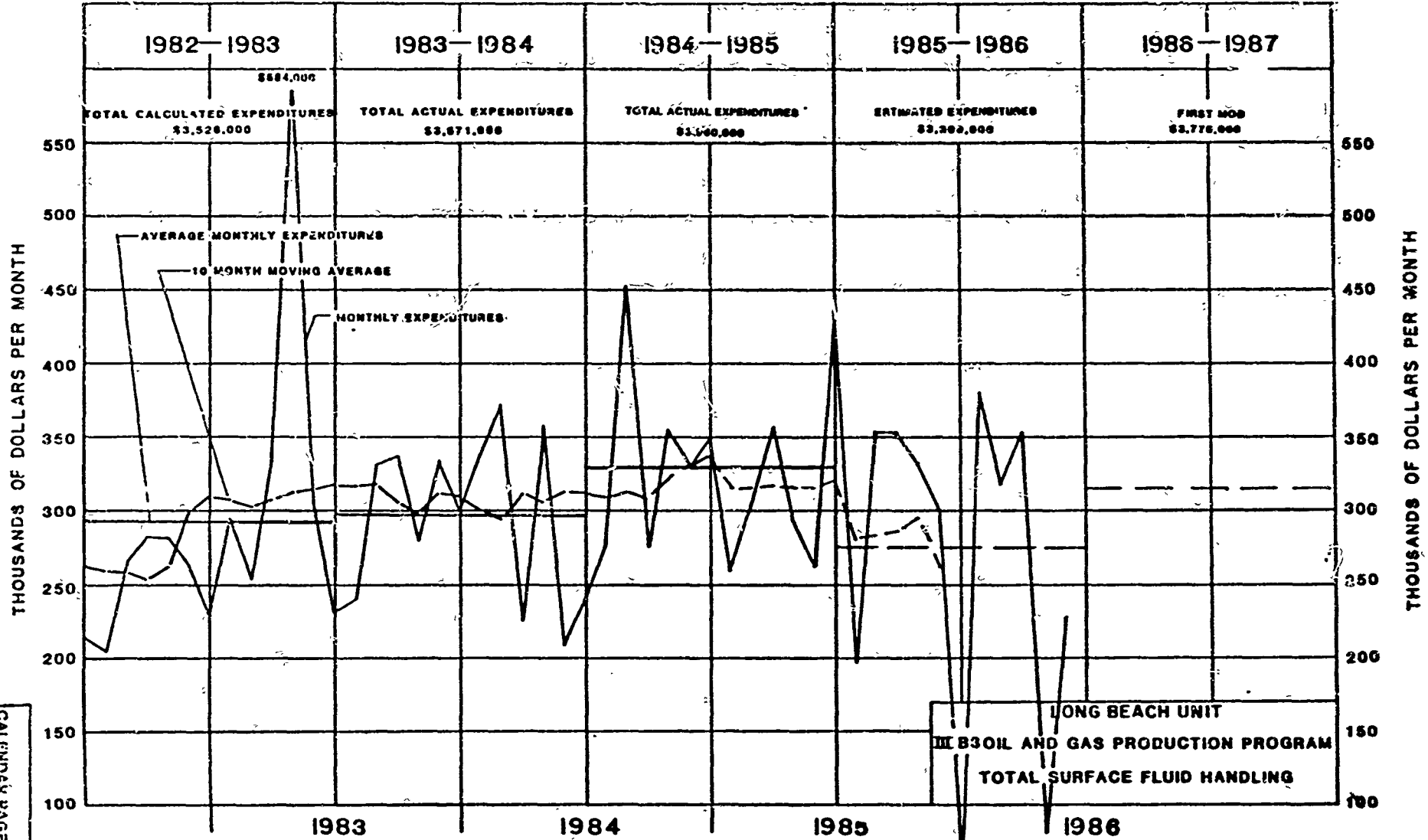
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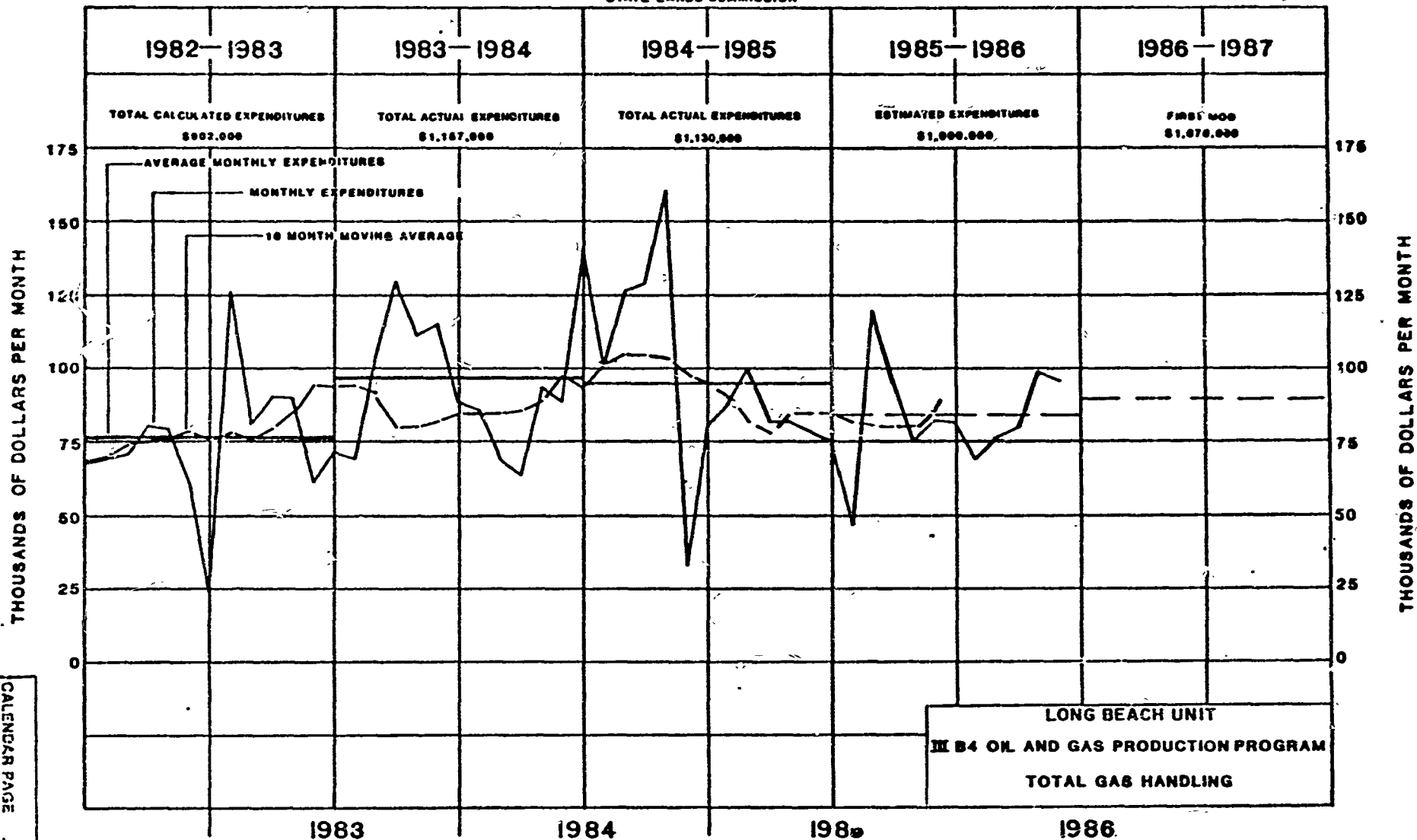
STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 4D



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ATTACHMENT 4E

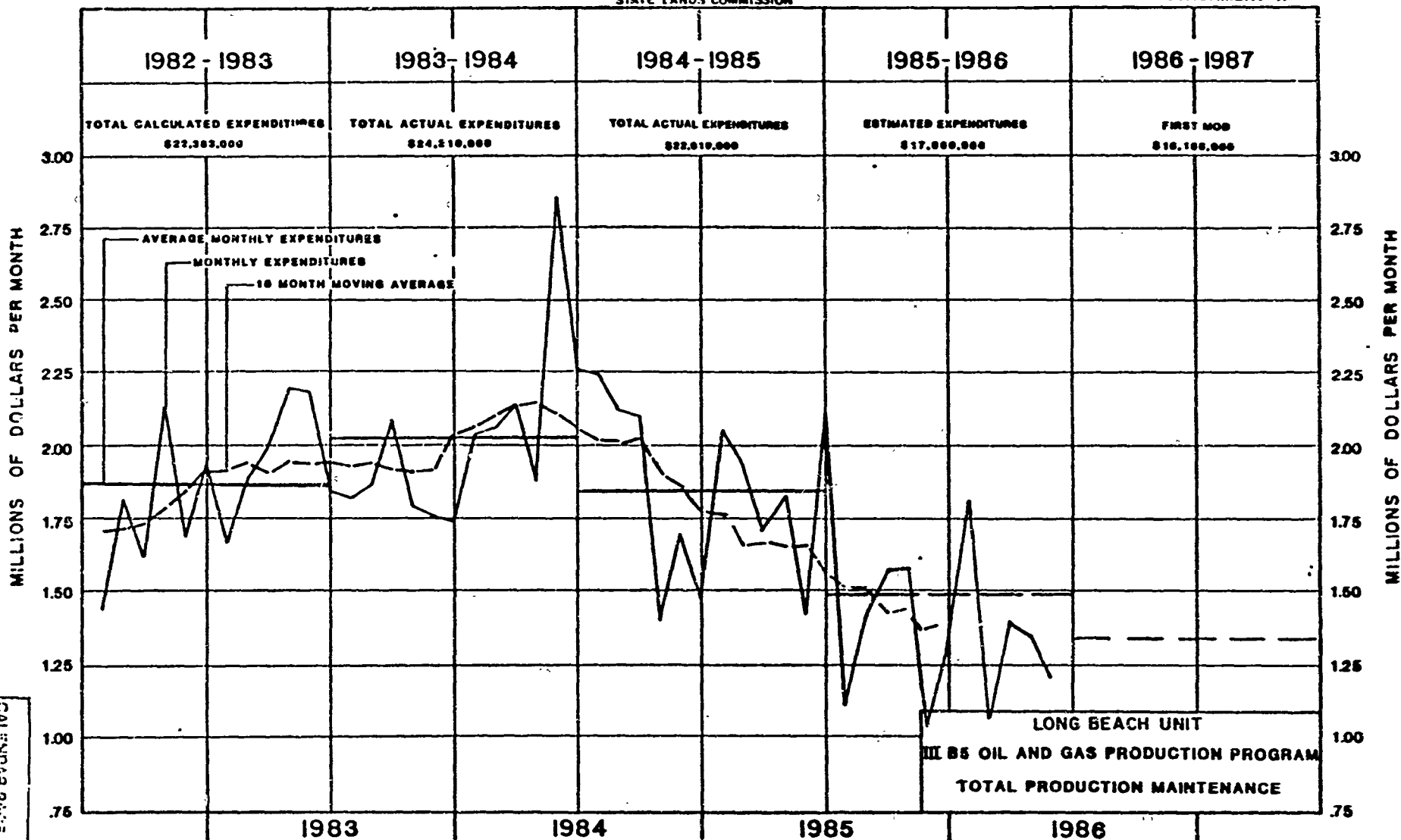


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ATTACHMENT 4F



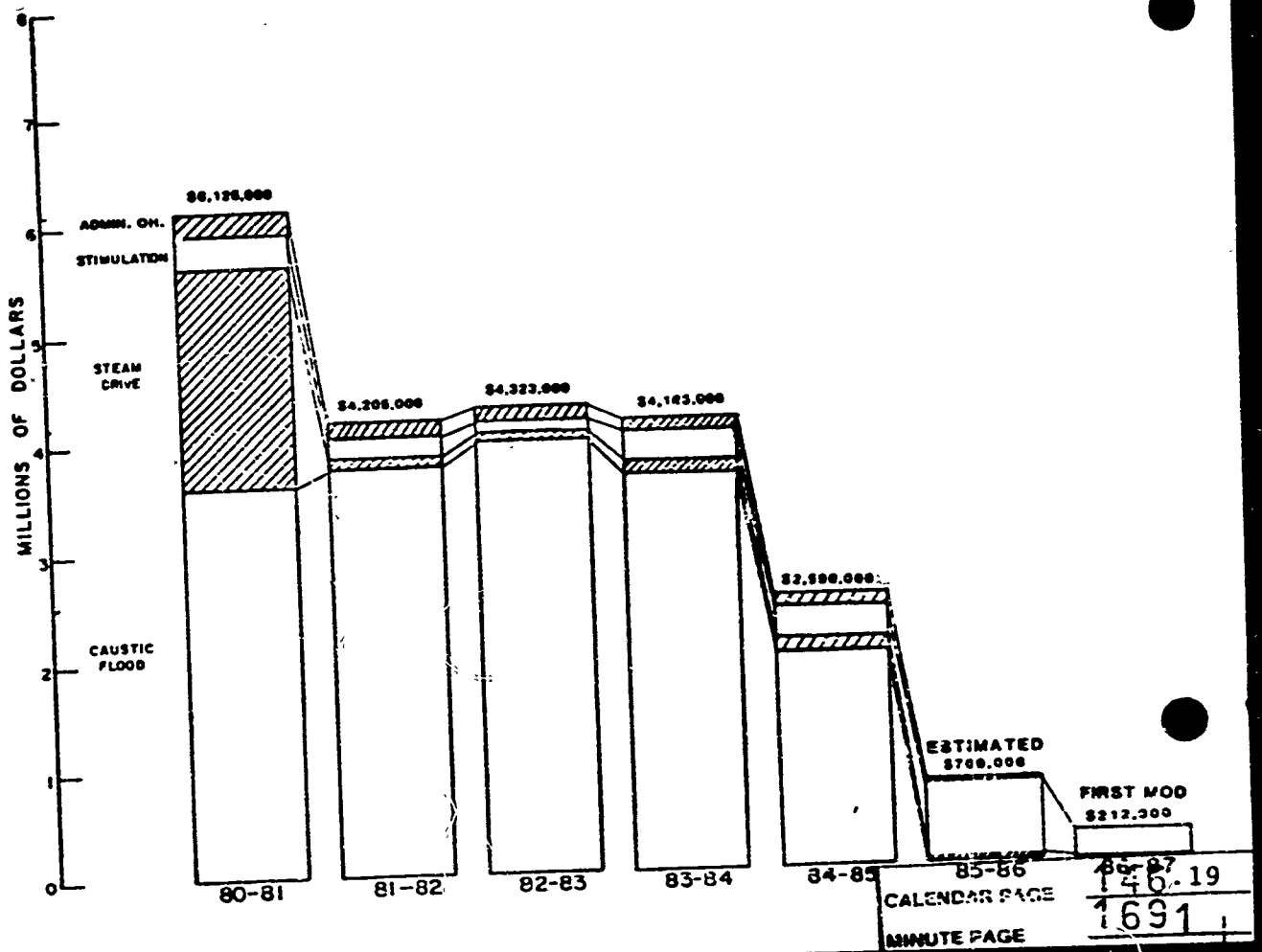
LONG BEACH UNIT
III B5 OIL AND GAS PRODUCTION PROGRAM
TOTAL PRODUCTION MAINTENANCE

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LONG BEACH UNIT

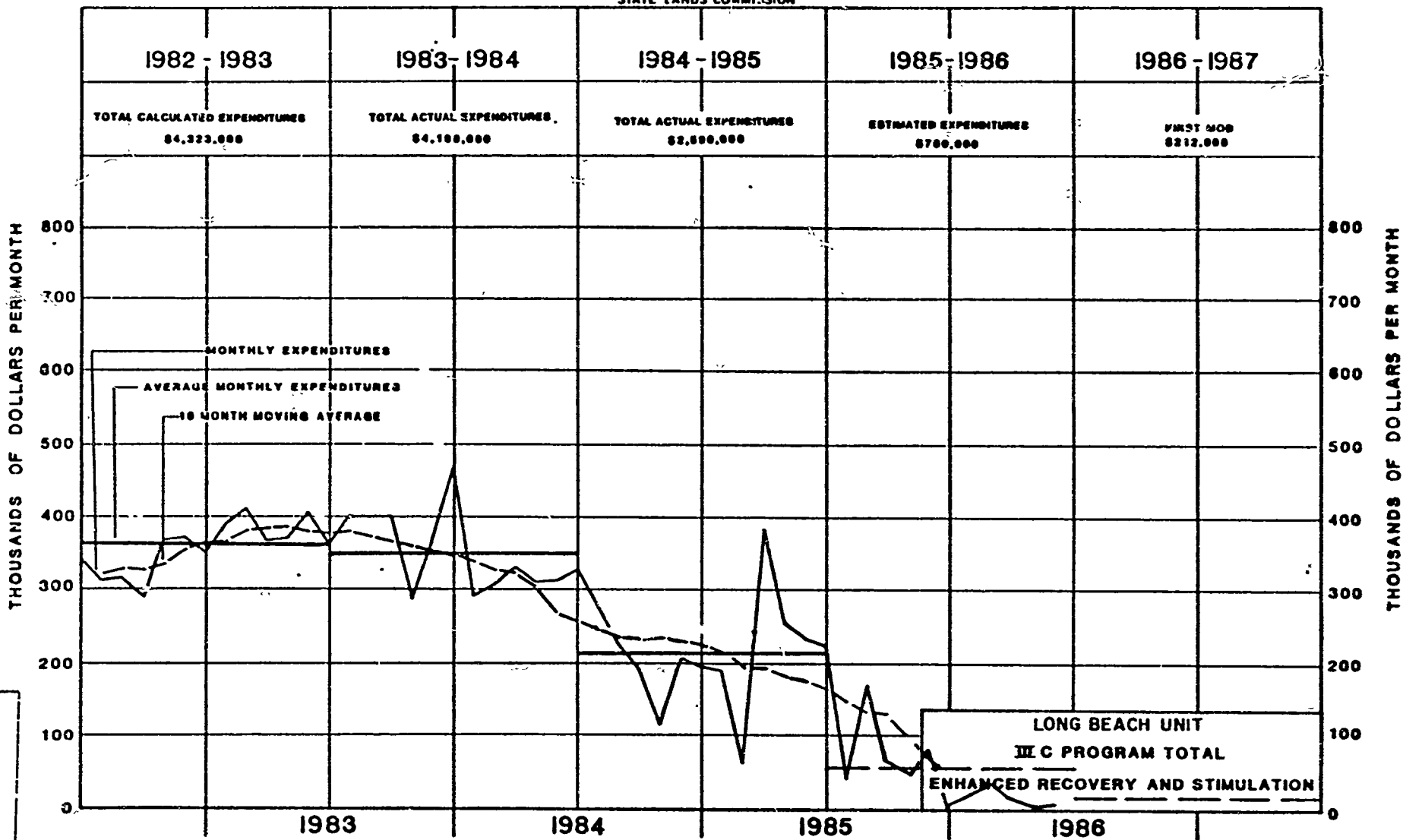
ENHANCED RECOVERY AND STIMULATION PROGRAM

CALCULATED →



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ATTACHMENT 5A

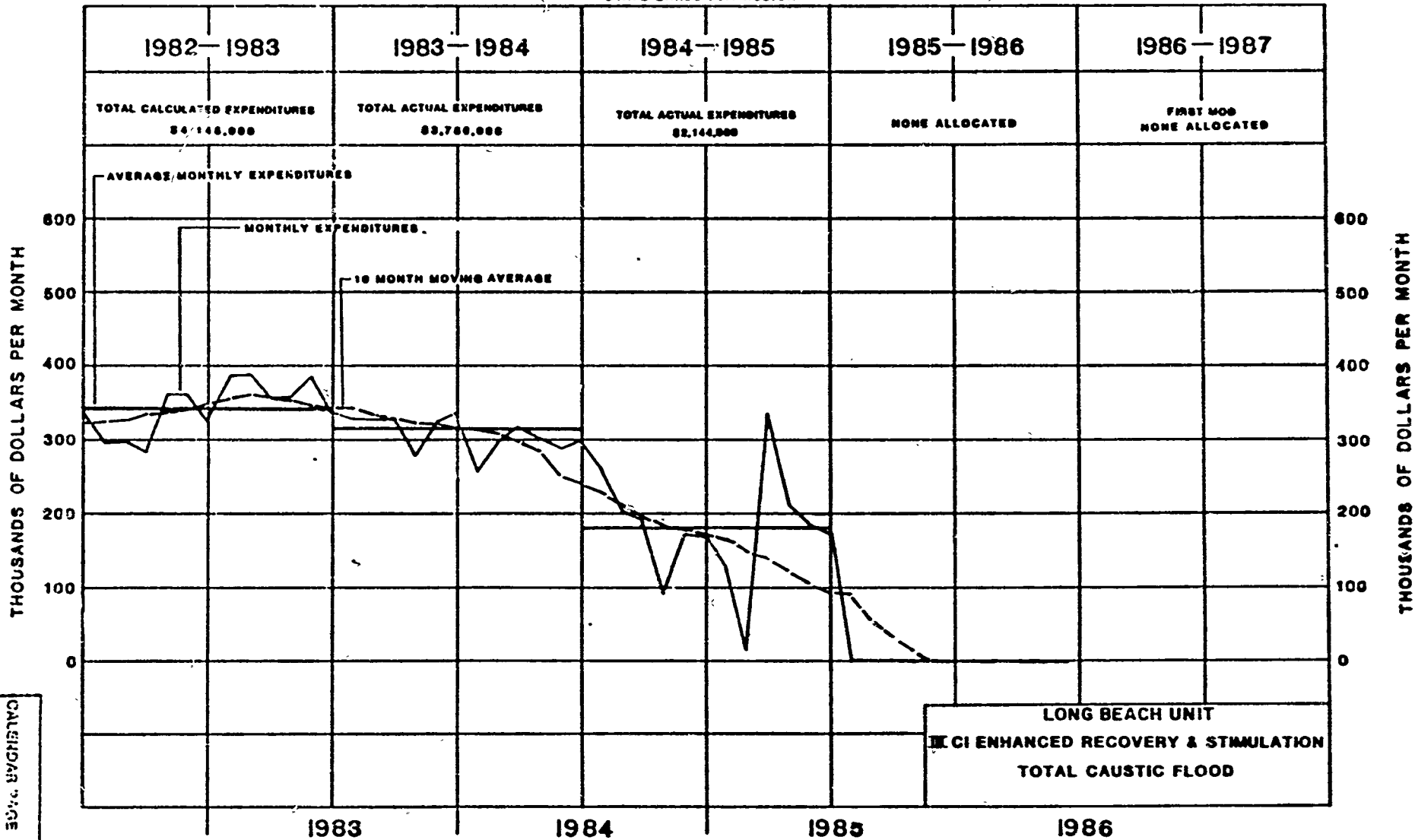


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ATTACHMENT 5B

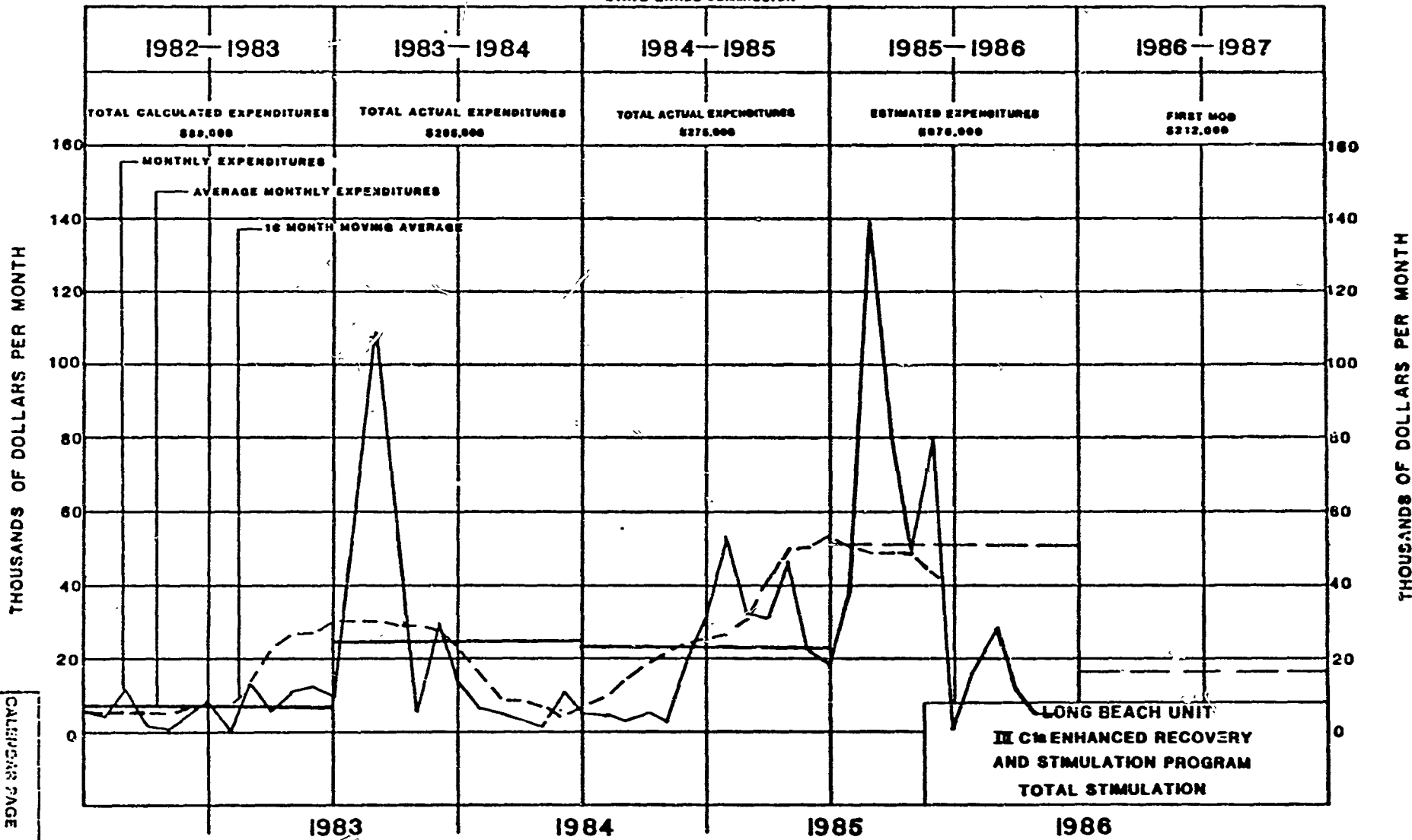


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ATTACHMENT 5C

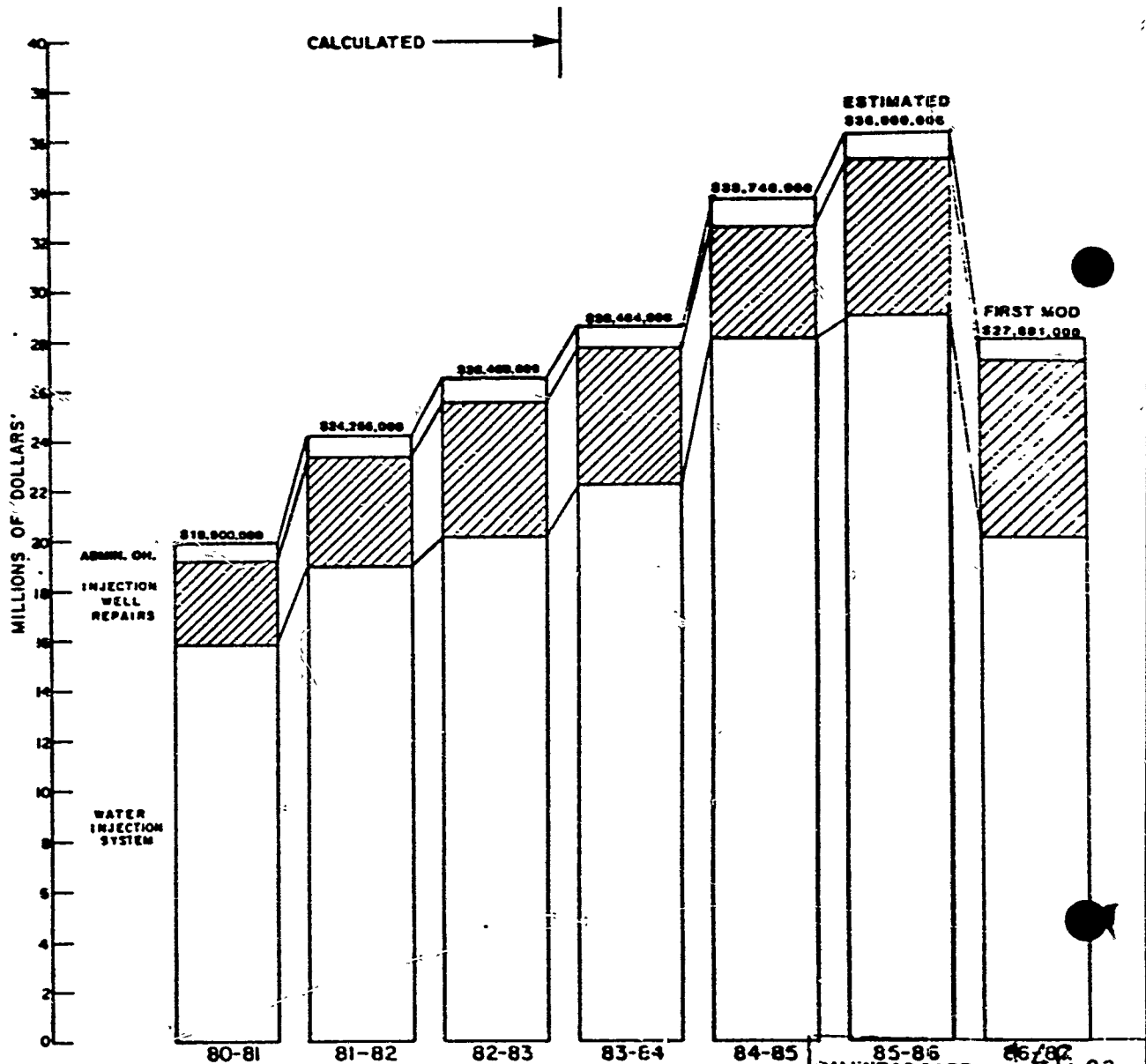


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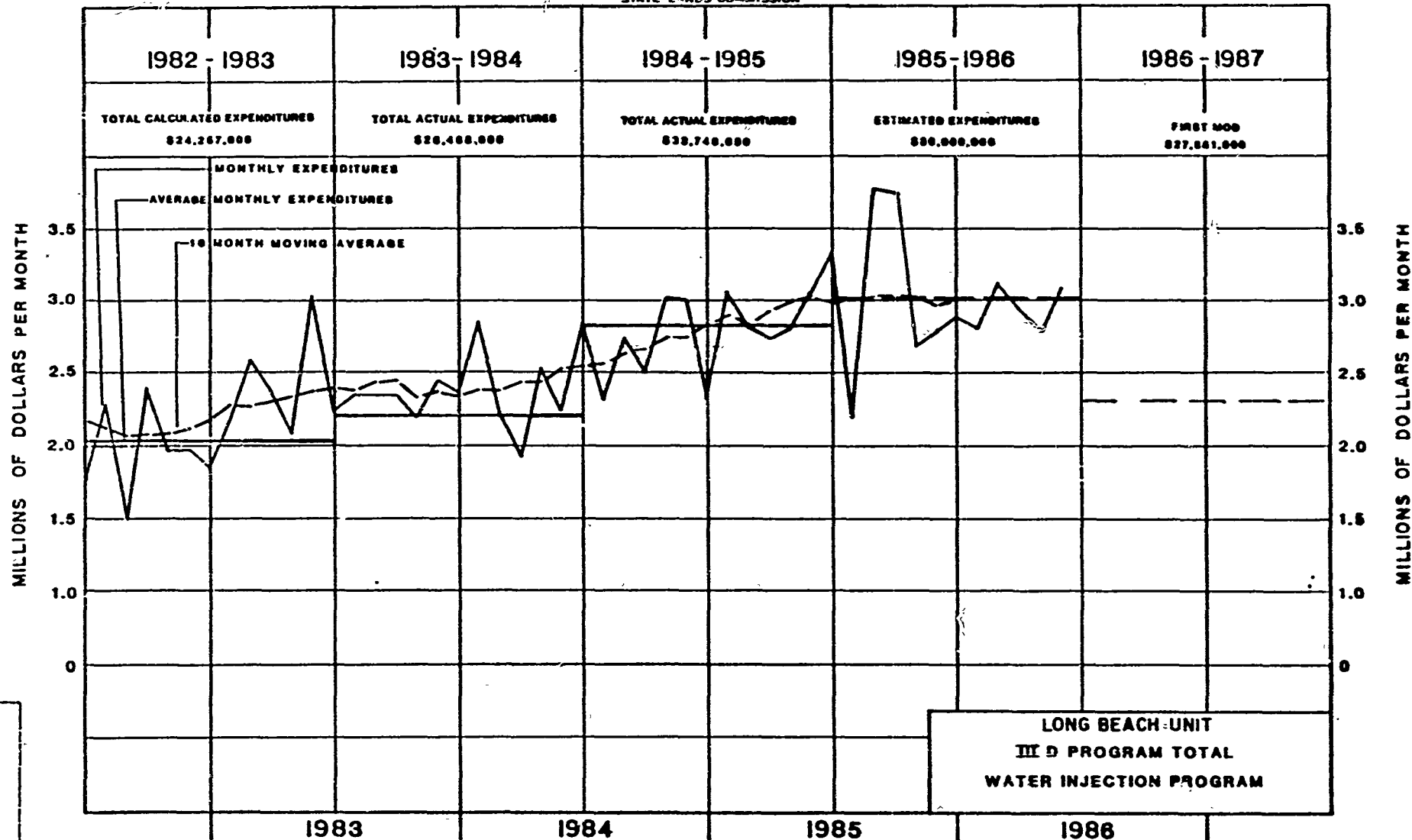
LONG BEACH UNIT

WATER INJECTION PROGRAM



STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 6A

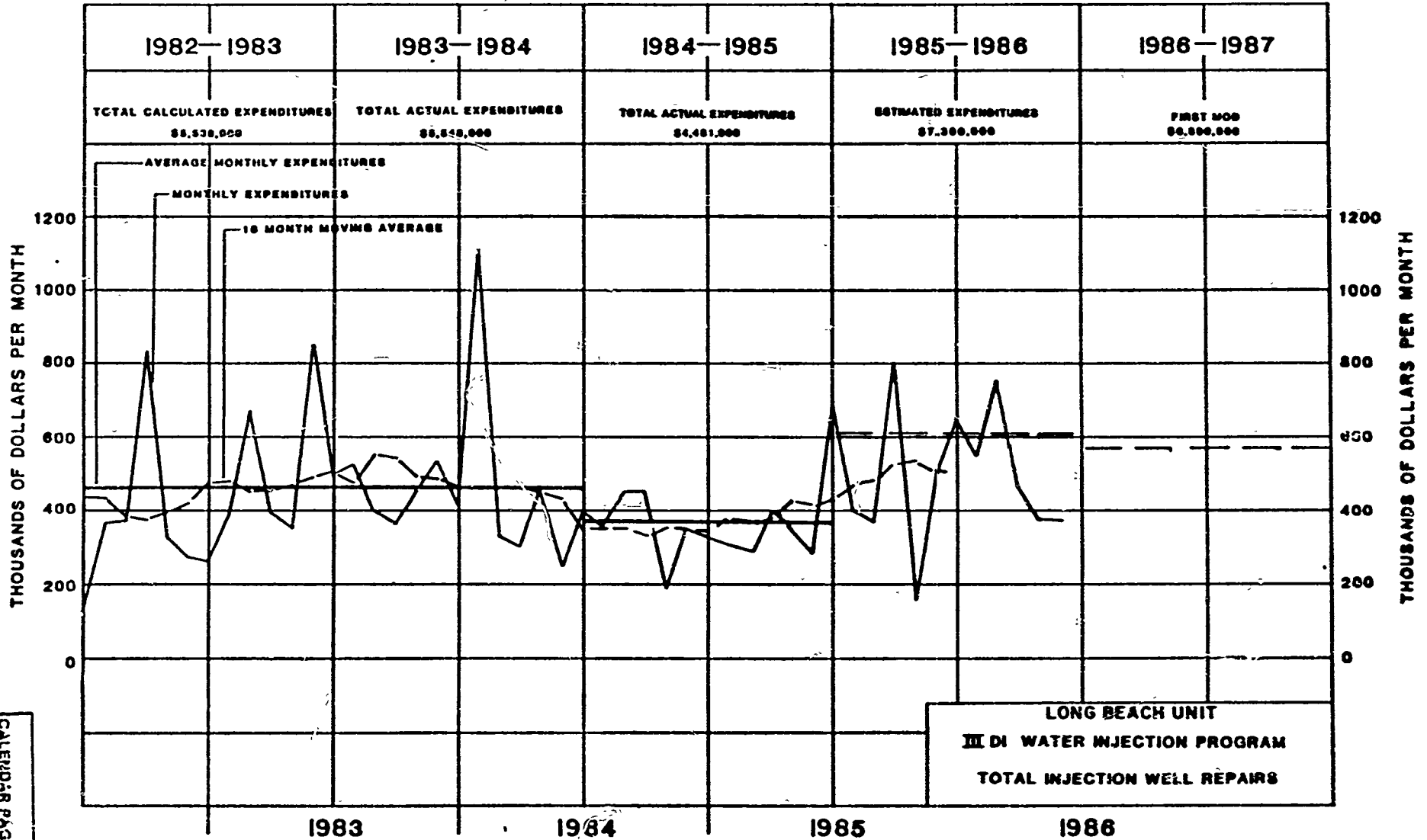


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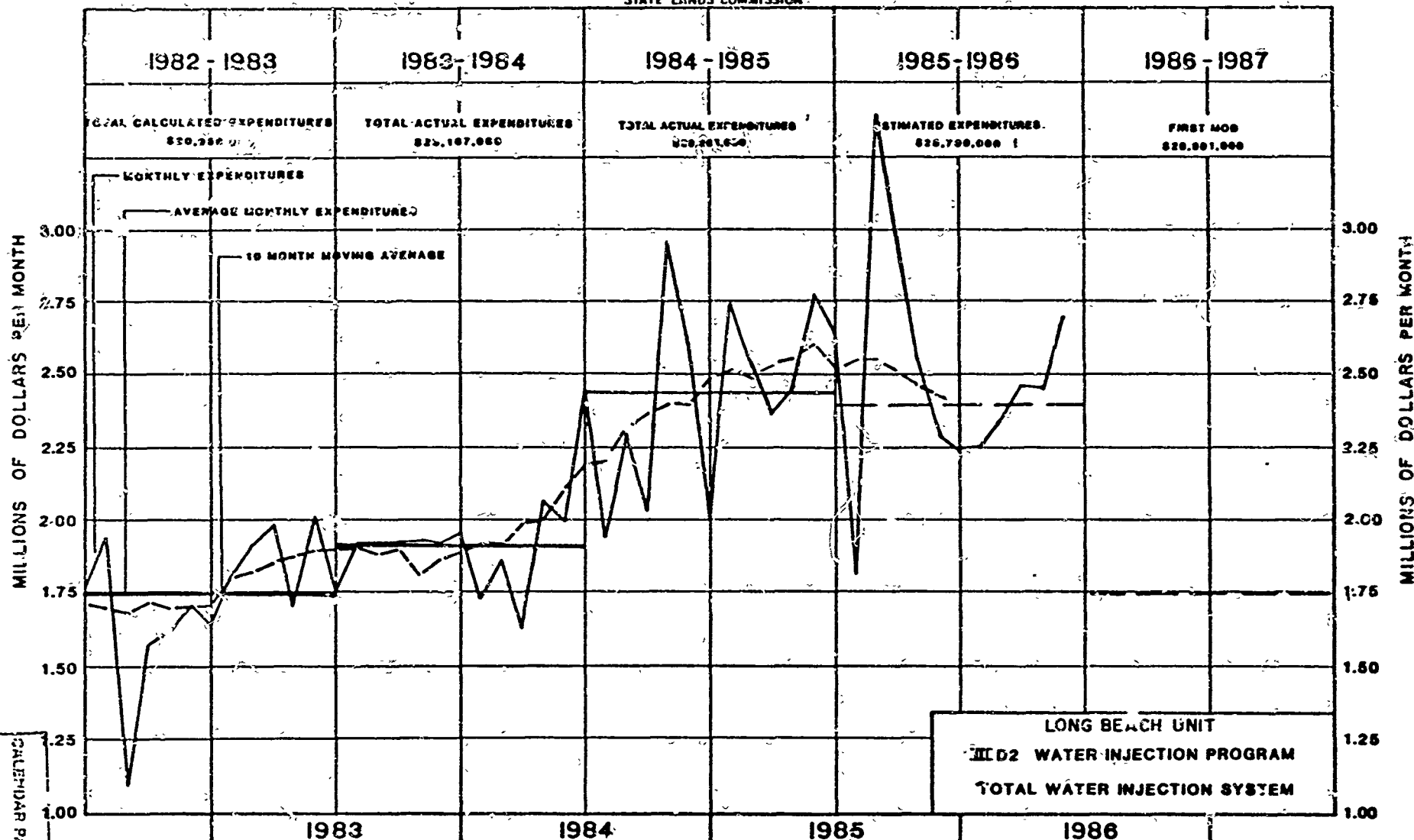
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STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 8B



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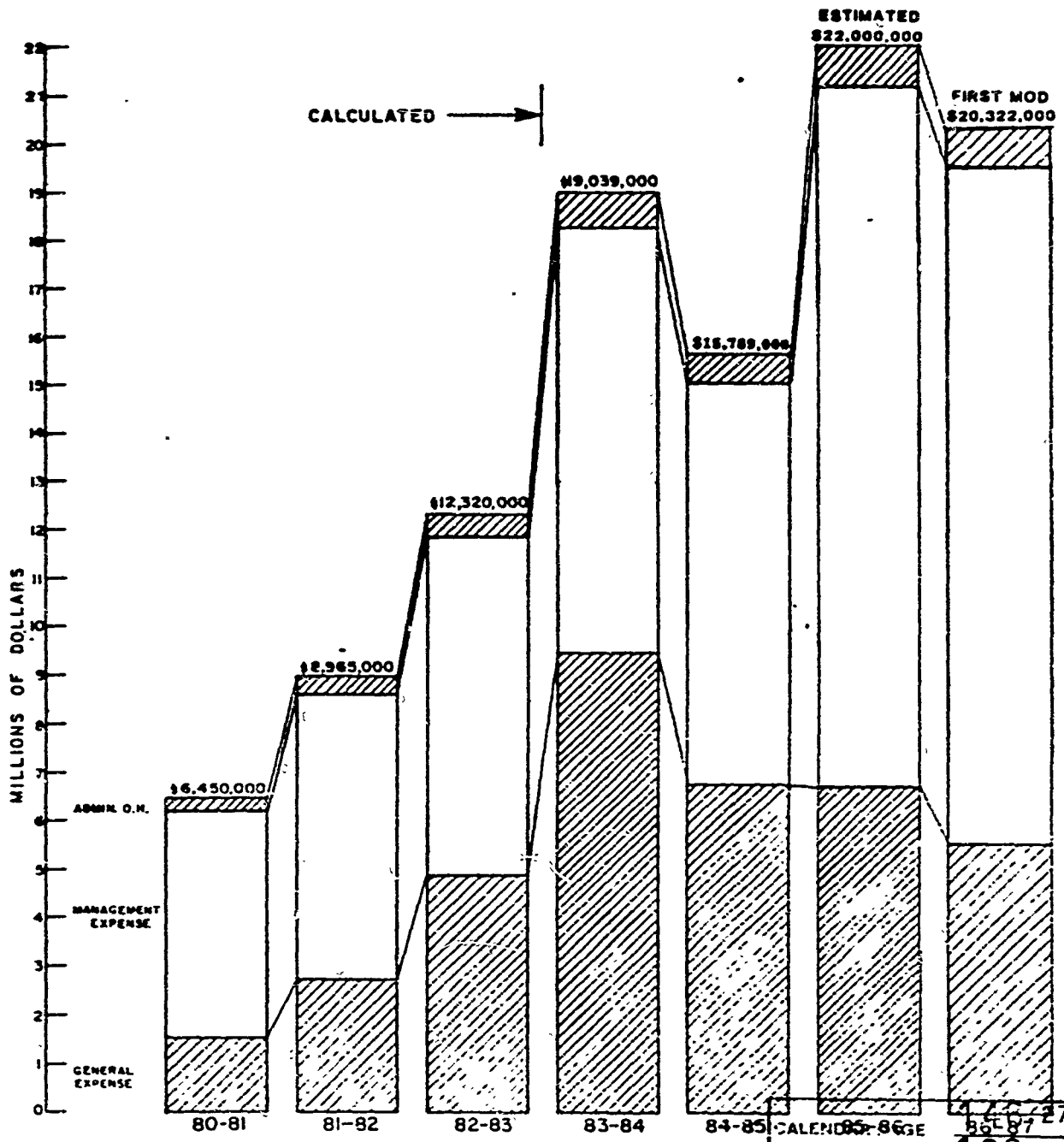


LONG BEACH UNIT
 MID2 WATER INJECTION PROGRAM
 TOTAL WATER INJECTION SYSTEM

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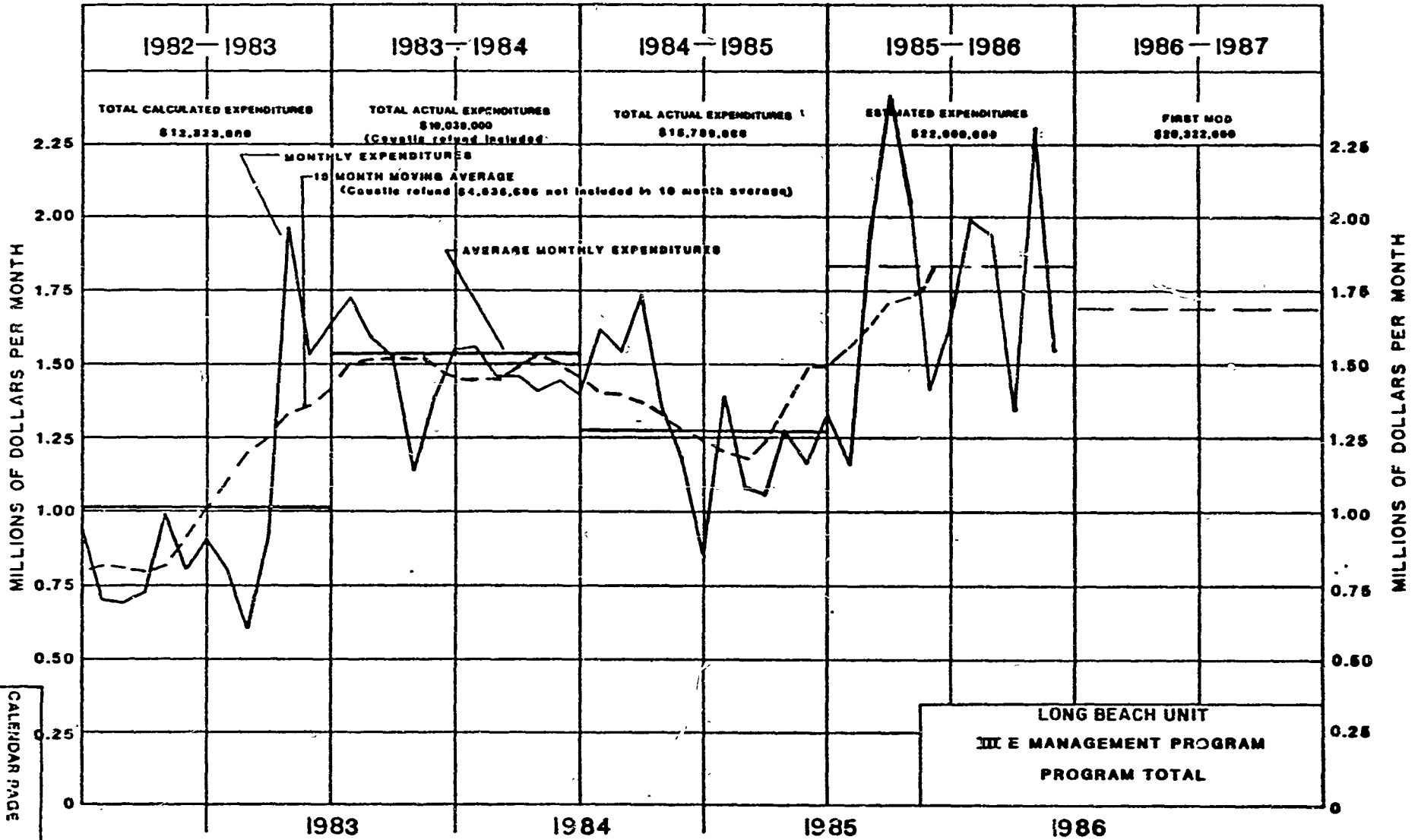
LONG BEACH UNIT

MANAGEMENT PROGRAM



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STATE LANDS COMMISSION

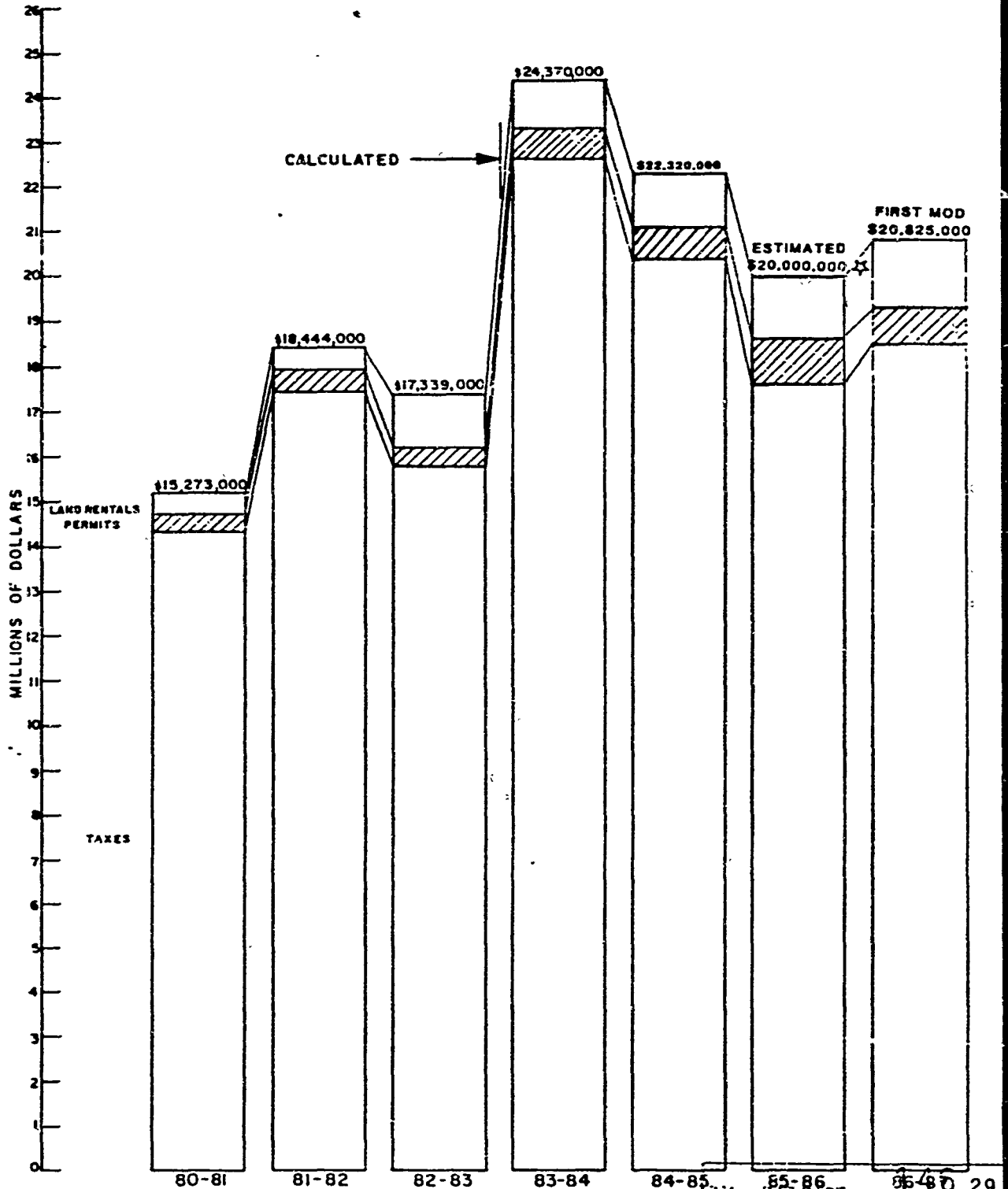
ATTACHMENT 7A



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LONG BEACH UNIT

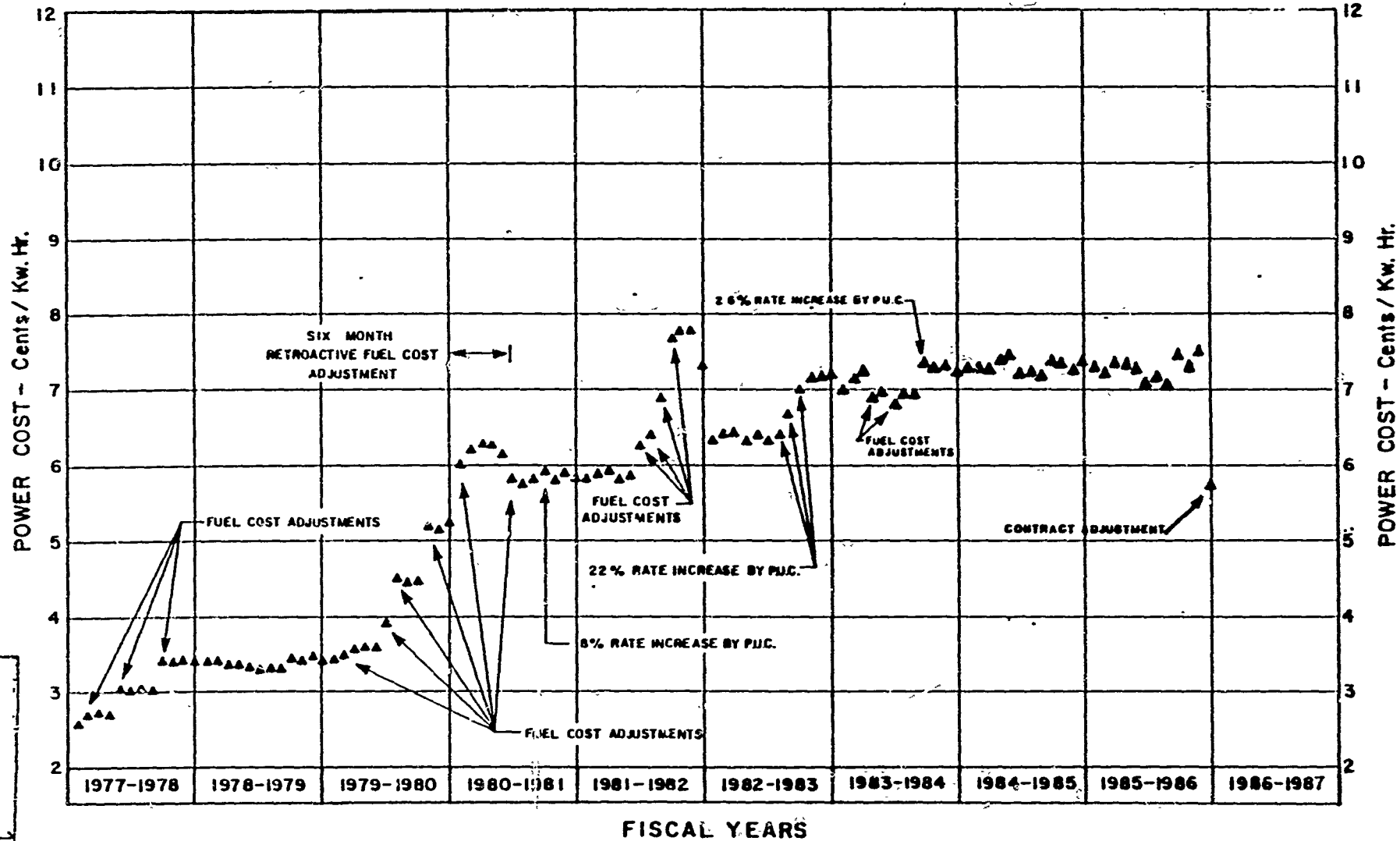
TAXES, PERMITS AND LAND RENTAL
PROGRAM



☆ INCLUDES CREDIT FOR M/R TAX

LONG BEACH UNIT
ELECTRICAL ENERGY COSTS

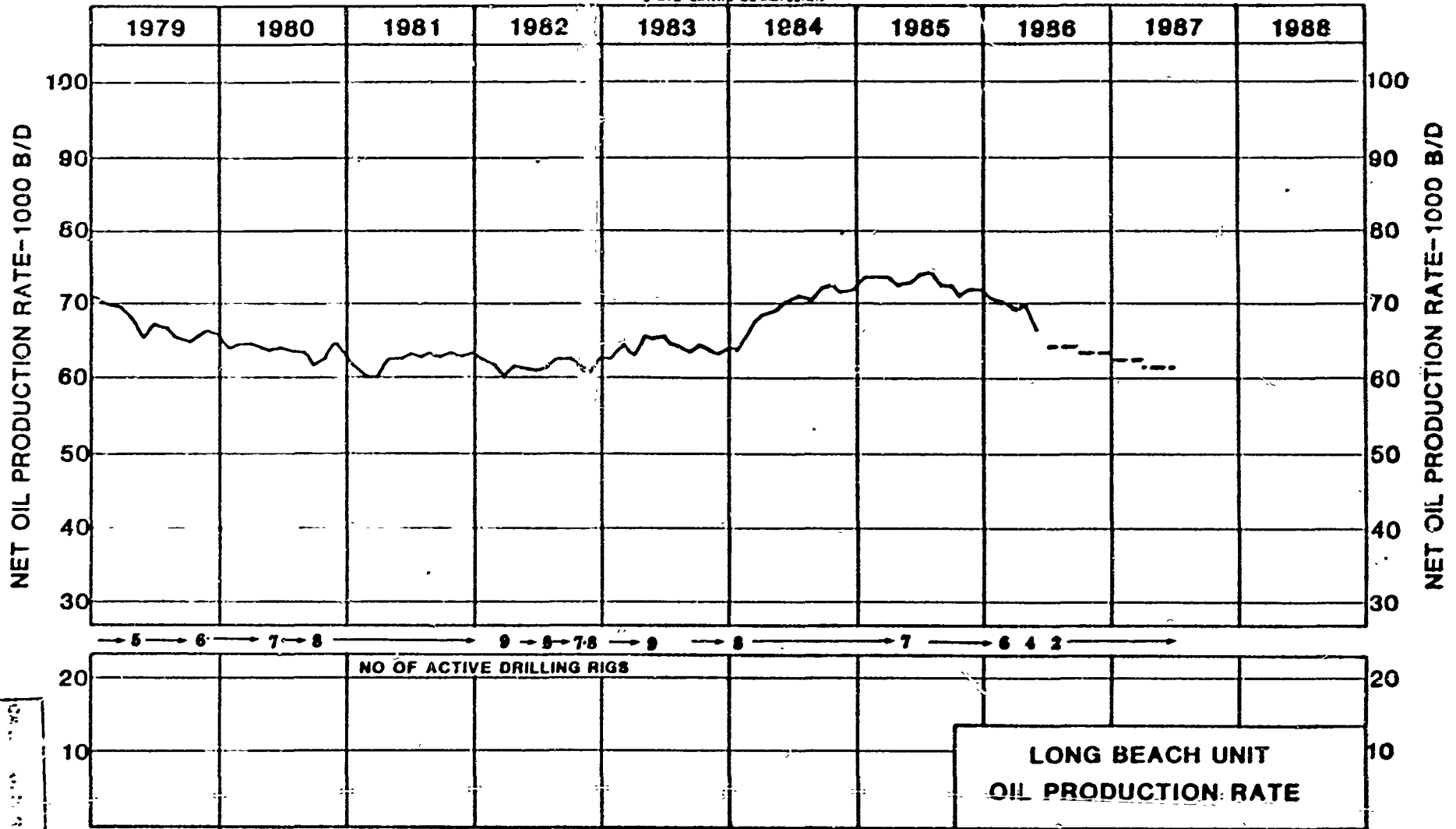
ATTACHMENT 10



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ATTACHMENT 12
LONG BEACH UNIT

STATE OF CALIFORNIA
STATE LANDS COMMISSION

