

MINUTE ITEM
The Calendar Item No. 33
was approved as Minute Item
No. 33 by the State Lands
Commissioner by a vote of 2
to 0 at its 12/23/86
meeting.

CALENDAR ITEM
33

A 57, 58
S 29

12/23/86
W 17089
Lammers

**SIXTH MODIFICATION OF THE 1986-87
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 Sixth Modification of the 1986-87 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Sixth Modification revises Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through September 30, 1986. 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 first quarter of the 1986-87 Plan Year was 62,310 barrels per day, 8,490 barrels per day less than originally estimated or 1,890 barrels per day less than projected in the First Modification. The water production rate was 375,400 barrels per day, 185,900 barrels per day less than originally estimated but only 1,000 barrels per day less than the First Modification. The water injection rate was 470,500 barrels per day, 213,300 barrels per day less than originally estimated and 9,700 barrels per day less than the First Modification. The City of Long Beach now estimates that the oil production rate for the year will be 61,100 barrels per day. The water production rate is estimated at 381,500 barrels per day and the water injection rate 479,600 barrels per day for the year. Exhibits "C-3" and "C-4"

CALENDAR ITEM NO. 33 (CONT'D)

were also revised with the Second Modification but since this "projection" of the first quarter was done almost two and one-half months into the quarter it was of little significance.

The severe drop in oil price which occurred as the Long Beach Unit 1986-87 Plan and Budget was in the final preparation and early approval stages drastically affected operations and revenue. The First and Second Modifications were implemented to more realistically meet revised economic conditions. Many wells with high water-oil ratios were no longer economical to produce and desirable new well locations which were already limited became even more rare. Drilling activity, originally planned at four rig years, has been reduced to no more than one active rig.

Expenditures for the first quarter were \$29.8 million, \$12.9 million less than originally estimated, excluding carry over funds. This expenditure level is less than the \$30.9 million estimated with the Second Modification even though it was not possible to reduce some activities to the desired level until well within the quarter.

Based on the above and allowing for less significant adjustments, expenditures against the 1986-1987 budget are currently projected to be approximately \$126.6 million.

Total Unit income for the 1986-1987 fiscal year has been adjusted downward significantly because of the decrease in estimated oil rate. The City now estimates net unit income to be \$108.3 million. The original estimate for this year was \$235 million.

The Commission's staff has reviewed the Third Modification and the estimated production, injection, expenditures and revenue shown in the revised exhibits. When actual information through the second quarter of the 1986-87 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE SIXTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1986 THROUGH JUNE 30, 1987.