

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 32 by the State Lands
Commission by a vote of 3
to 0 at its 3/26/87
meeting.

CALENDAR ITEM

35

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03/26/87

W 17089

Lammers

TENTH 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 Tenth 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 Tenth Modification revises Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through December 31, 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 second quarter of the 1986-87 Plan Year was 61,255 barrels per day, 8,945 barrels per day less than originally estimated or 2,105 barrels per day less than projected in the First Modification. The water production rate was 381,348 barrels per day, 153,652 barrels per day less than originally estimated but 8,548 barrels per day more than the First Modification. The water injection rate was 475,728 barrels per day, 209,700 barrels per day less than originally estimated and 1,500 barrels per day more than the First Modification. The City of Long Beach now estimates that the oil production rate for the year will be 60,737 barrels per day. The water production rate is estimated at 382,100 barrels per day and the water injection rate 478,500 barrels per day.

(ADDED 03/18/87)

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for the year. Exhibits "C-3" and "C-4" were also revised with the Sixth Modification but since this "projection" of the second quarter was done well 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, was reduced to no more than one active rig with an appreciable amount of time spent on injection wells.

Expenditures for the second quarter were \$32.2 million, \$18.5 million less than originally estimated, excluding carry over funds. This expenditure level is significantly less than the \$37.6 million estimated with the Second Modification.

Based on the above and allowing for less significant adjustments, expenditures against the 1986-87 budget are expected by the City to be approximately \$123.0 million.

Total Unit income for the 1986-87 fiscal year was adjusted downward significantly because of the decrease in estimated oil rate. The City now estimates net Unit income to be \$135.7 million for the year. The original estimate of \$235.1 million had been reduced to \$100.1 million at the time of the Second Modification.

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

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.

(ADDED 03/18/87)

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CALENDAR ITEM NO. 35 (CONT'D)

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE TENTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1986 THROUGH JUNE 30, 1987.
2. 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.

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