

MINUTE ITEM

This Calendar Item No. 32  
was approved as Minute Item  
No. 32 by the State Lands  
Commission by a vote of 2  
to 0 at its 06/30/87  
meeting.

CALENDAR ITEM

A 57, 58

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06/30/87  
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TWELFTH 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 Twelfth Modification of the 1986-1987 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Twelfth Modification revises Exhibits C-3 and C-4 in PART U of the subject Plan and Budget based on data available through March 31, 1987. 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 third quarter of the 1986-1987 Plan Year was 59,854 barrels per day, 9,446 barrels per day less than originally estimated or 2,636 barrels per day less than projected in the First Modification. The water production rate was 384,910 barrels per day, 150,990 barrels per day less than originally estimated but 15,710 barrels per day more than the First Modification. The water injection rate was 475,275 barrels per day, 210,125 barrels per day less than originally estimated and 7,075 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 60,575 barrels per day.

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The water production rate is estimated at 382,112 barrels per day and the water injection rate 475,737 barrels per day for the year. Exhibits C-3 and C-4 were also revised with the Sixth and Tenth Modifications, which were quarterly updates.

The severe drop in oil price which occurred as the Long Beach Unit 1986-1987 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 injections wells. This last rig was idled in early April after completing the last new well for the year in March.

Expenditures for the third quarter were \$26.0 million, \$16.7 million less than originally estimated, excluding carry over funds. This expenditure level is significantly less than the \$30.9 million estimated with the Second Modification.

Based on the above and allowing for less significant adjustments, expenditures against the 1986-1987 budget are expected by the City to be approximately \$123.0 million.

Total Unit income for the 1986-1987 fiscal year was adjusted downward significantly because of the decrease in estimated oil rate. With the moderate recovery of oil price the City now estimates net Unit income to be \$144.6 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 Twelfth Modification and the estimated production, injection, expenditures and revenue shown in the revised exhibits. A final report and closing statements will be prepared at the end of the year by the City and presented to the Commission at its September 1987 regular meeting.

AB 884: N/A

CALENDAR ITEM NO. 32 (CONT'D)

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

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