

MINUTE ITEM

This Calendar Item No. 26
was approved as Minute Item
No. 26 by the State Lands
Commission by a vote of 3
to 0 at its 1-21-88
meeting.

CALENDAR ITEM

26

01/21/88
W 17091
Lammers

THIRD MODIFICATION OF THE 1987-88
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 Third Modification of the 1987-88 Plan of Development and Operations and Budget, Long beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Third Modification revises Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through September 30, 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 first quarter of the 1987-88 Plan Year was 56,978 barrels per day, 1,800 barrels per day less than originally estimated. The water production rate was 411,820 barrels per day, 20,320 barrels per day more than originally estimated. The water injection rate was 494,513 barrels per day, 9,213 barrels per day more than originally estimated. The City of Long Beach now estimates that the oil production rate for the year will be 55,401 barrels per day. The water production rate is estimated at 414,499 barrels per day and the water injection rate 497,224 barrels per day for the year.

Expenditures for the first quarter were \$23.0 million, \$6.5 million less than originally estimated, excluding carry over funds. Expenditures were lower than anticipated during the first quarter because July expenditures were reduced significantly by abnormal payments in June as the 1986-87 budget year closed and because drilling activity did not resume until mid August. Expenditures will increase in the first half of 1988 if a second drilling rig is placed in service.

Based on the above and allowing for less significant adjustments, expenditures against the 1987-1988 budget are currently projected to be approximately \$126.4 million.

Total Unit income for the 1987-88 fiscal year has been adjusted upward because of higher oil prices which more than offset the lower production rate. Prices are currently unstable however, and again declining.. The City now estimates net unit income to be \$175.1 million, an increase of \$44.7 million over the original estimate.

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 1987-88 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 THIRD MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1987 THROUGH JUNE 30, 1988.