

MINUTE ITEM
This Calendar Item No. 30
was approved as Minute Item
No. 30 by the State Lands
Commission by a vote of 3
to 0 at its 3/23/89
meeting.

CALENDAR ITEM

A 57, 58

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03/23/89

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FOURTH MODIFICATION OF THE 1988-89
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 Fourth Modification of the 1988-89 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information together with revised economic projections.

The Fourth Modification revised Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through December 31, 1988. PART IV, PROCEDURES Section A-2, of the Plan and Budget provides for a Quarterly Review by the City and State of past operations and intended future operations under the Plan. The City is to furnish the State detailed reports; updated and revised, if necessary, exhibits; and any recommended modification of the Plan and Budget Resulting from the City's Review. The City does not propose any changes other than in Exhibits C-3 and C-4 to replace forecast first and second quarter numbers with actuals, increase oil and gas forecasted prices for the third and fourth quarters and to revise expenditures downward. There is no augmentation, reduction or transfer of budget funds.

The average oil production rate during the second quarter of the 1988-89 Plan year was 51,371 barrels per day, 25 barrels per day more than originally estimated. The water production rate was 419,400 barrels per day, 900 barrels per day less than originally estimated. The water injection rate was 507,300 barrels per day, 4,600 barrels per day less than originally

CALENDAR ITEM NO. 30 (CONT'D)

estimated. The City of Long Beach now estimates that the oil production rate for the year will average 51,142 barrels per day. The water production rate for the year is estimated at 423,400 barrels per day and the water injection rate 511,400 barrels per day. Gas production averaged 9,342 thousand cubic feet per day during the second quarter and is now expected to average 9,553 MCF/day for the year.

Expenditures during the second quarter were \$32.18 million, \$4.07 million less than originally estimated, excluding carry over funds. Expenditures were lower than anticipated because of reduced electrical energy rates and Unit mining right taxes paid in December were less than expected.

AB 884: N/A.

Estimated expenditures for the 1988-89 year have been revised downward by the City to \$127.4 million. This downward revision of expenditure estimates will probably continue as it did last year. The 1987-88 Budget started at \$132 million and was revised downward each quarter to \$126 million, \$121 million, \$118 million and the final expenditure was \$115 million.

Anticipated total Unit income for the 1988-89 fiscal year has been adjusted upward from the end of first quarter predictions. Because of lower expenditures, even with increased drilling rig activity, and higher oil prices for the last half of the year, the City now estimates net Unit income for the year to be \$86.68 million, an increase of \$11.83 million over the estimate projected at the end of the first quarter.

The Commission's staff has reviewed the Fourth Modification including the estimated production, injection, expenditures and revenue shown in the revised exhibits. When actual information through the third quarter of the 1988-89 fiscal year becomes available, it will be reviewed by the staff and reported to the Commission.

Also, in accordance with Part IV A.4 a. and c., one Plan Supplement, to develop a personal computer software system for general petroleum management applications in the Long Beach Unit (Unidata System) at an estimated cost of \$50,000, was incorporated into the Plan and is hereby reported to the Commission. Funding was provided by a transfer within the existing budget. This report requires no action by the Commission.

CALENDAR ITEM NO. 30 (CONT'D)

IT IS RECOMMENDED THAT THE COMMISSION:

1. RECEIVE THE FOURTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1988 THROUGH JUNE 30, 1989.