

MINUTE ITEM  
This Calendar Item No. 45  
was approved as Minute Item  
No. 45 by the State Lands  
Commission by a vote of 3  
to 0 at its 3/27/90  
meeting.

CALENDAR ITEM

A 57, 58

45

S 29

03/27/90  
W 17096  
Mount

1990-91 PLAN OF DEVELOPMENT  
AND OPERATIONS AND BUDGET, LONG BEACH UNIT,  
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

Section 5, Chapter 138, Statutes of 1964, 1st E.S., and Article 4 of the Long Beach Unit Agreement require adoption by the City of Long Beach of an annual Plan of Development and Operations and Budget for the Long Beach Unit. The Plan and Budget is then to be submitted to the State Lands Commission at least 100 days prior to submission to the participants of the Long Beach Unit before the start of the Plan Year on July 1, 1990.

The Commission has 45 days after submittal to take action. If no action is taken, the Plan and Budget is deemed to be approved as submitted. The Commission may affirmatively approve the Plan and Budget or modify it after holding a formal hearing. Under Section 5(g), the Plan and Budget may be modified upon mutual agreement by the City and the Commission after its adoption.

The City Council of the City of Long Beach at its meeting on March 13, 1990 adopted this proposed Plan of Development and Operations and Budget for 1990-91, and authorized its submittal to the State Lands Commission for consideration and approval. The Plan and Budget was submitted to the State by the City on March 20, 1990.

As presented, the 1990-91 Long Beach Unit Plan and Budget provides for expenditures of 139,905,000. The six budget programs are as follows:

-1-

(ADDED pgs. 354-354.2)

CALENDAR PAGE	354
MINUTE PAGE	715

CALENDAR ITEM NO. **45** (CONT'D)

(Thousand of Dollars)

PROGRAM	ADMINISTRATIVE			TOTAL
	INVESTMENTS	EXPENSE	OVERHEAD	
A. Drilling & Development	9,500	10,179	787	20,466
B. Oil & Gas Production	4,027	53,922	2,318	60,267
C. Enhanced Recovery and Stimulation	-0-	-0-	-0-	-0-
D. Water Injection	3,079	20,372	858	24,309
E. Management	1,124	19,048	802	20,974
F. Taxes, Pmts. & Land Rents	<u>-0-</u> 17,730	<u>13,806</u> 117,327	<u>83</u> 4,848	<u>13,889</u> 139,905

Exhibits C-3 and C-4 to the Plan show anticipated production rates, expenditures, revenues and net profit for the Unit as projected by the City of Long Beach Department of Oil Properties. The City has estimated that the Unit will generate a net revenue of \$72,702,000 based on an average production rate of 43,181 barrels per day at an average oil price of \$13.00 a barrel.

The Plan and Budget was developed in late 1989. Oil prices have increased from \$13 per barrel, at that time, to a high of approximately \$17 per barrel in January. Currently the price is approximately \$16 per barrel and it is anticipated that the oil price will stabilize at near the current price.

The Commission Staff has met with the City and identified additional work that will require the utilization of a third drilling rig for six months and is justified by the increase in oil prices. The Commission Staff and the City Staff have agreed that modification of the Plan and the addition of \$5,500,000 to the Budget to fund a third rig for the six month period is justified. The State Lands Commission and the City of Long Beach, as in the past, could mutually agree to First Modification in June, after the Commission's approval of the Plan and Budget.

CALENDAR ITEM NO. 45 (CONT'D)

Although there are differences between the staffs on certain elements in the Plan and certain budgeted funds, past experience has demonstrated that operational realities often reconcile differences in budget predictions. During the year, after more detailed plans and economic justifications have been made, resolutions will be accomplished. The majority of these will be handled in the Unit Engineering and Voting Party Committees.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. CODE REGS. 15061 AS A STATUTORY EXEMPT PROJECT PURSUANT TO P.R.C. 21169 AND 14 CAL. CODE REGS. 15261, AN ACTIVITY INVOLVING AN ONGOING PROJECT.
2. APPROVE THE 1990-91 LONG BEACH UNIT PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, SUBJECT TO THE APPROVAL BY THE CITY OF LONG BEACH AND THE STATE LANDS COMMISSION OF THE FIRST MODIFICATION TO THE 1990-91 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT. THIS FIRST MODIFICATION WILL ADD AN ADDITIONAL SIX MONTHS DRILLING RIG ACTIVITY TO THE PLAN AND ADDS \$5,500,000 TO THE DRILLING AND DEVELOPMENT PROGRAM BUDGET. THIS MODIFICATION IS TO BE APPROVED BY THE CITY OF LONG BEACH AND STATE LANDS COMMISSION BEFORE JUNE 30, 1990.