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 11-20-79 meeting.

CALENDAR ITEM

26.

11/79
Thompson

THIRD MODIFICATION OF THE 1979-1980
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY,
REVISING ECONOMIC PROJECTIONS

The Commission's staff, together with representatives of the City of Long Beach, have prepared the Third Modification of the 1979-1980 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, 1979. 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, nor transfer funds within the existing Budget.

The average oil production rate during the first quarter of the 1979-1980 Plan year was 65,844 B/D, 2,046 B/D less than the originally estimated rate. An unusual amount of work on injection wells was performed. This required reduction of injection rate to the extent that it was necessary to restrict gross production and thereby avoid water handling problems. As a result oil production was adversely affected. Actual gas production averaged 14,576 MCF/D, 717 MCF/D above the originally estimated rate, due to a higher than anticipated gas-oil ratio. The water injection rate of 474,578 B/D was 10% less than the previously estimated 530,000 B/D rate for reasons indicated above, including the necessity to operate injection wells at reduced rates or shut them in to reduce pressures while work was done on adjacent wells. With increased activity the oil production rate and water injection rate are expected to recover during the balance of the year.

Estimated investment, expense and overhead as seen at the end of the first quarter of the budget year were in line with budgeted amounts adjusted for carryover. These figures of course do not include the major augmentation to the budget

A 57, 58

S 27, 31

made in October 1979 for increased drilling, redrilling and workover activity. The adjusted total budget as of September 30, 1979 was $82,778,000. The original budget of $80,449,000 had been augmented by the amount of investment funds carried over from the prior Plan year.

Two figures are presented for total Unit income during the 1979-1980 year. Uncertainties as to exemptions from federal price controls and excise taxes are reflected in the upper and lower figures for future quarters and a question on pricing procedures used in the first quarter remains unresolved. Gas prices for the first two quarters have been adjusted downward to reflect a retroactive adjustment, and have been increased for the third and fourth quarters to reflect current border price. Gross revenue for the year is estimated at $280 million using the higher average oil price and $199 million using the lower price.

The Long Beach Unit net revenue is now expected to be $197 million if the higher gross revenue is realized and $116 million if the lower estimate prevails. The original estimate for net income was $97.6 million in the 1979-1980 Plan and Budget as approved by the Commission at its April 1979 meeting.

The Commission's Staff has reviewed the Third Modification and finds that the estimated production, injection, expenditures and revenue shown in the revised exhibits are reasonable. When actual information through the second quarter of the 1979-1980 fiscal year becomes available, it will be reviewed by the staff and reported to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE THIRD MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1979 THROUGH JUNE 30, 1980.