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 9-24-80
meeting.

CALENDAR ITEM

9/80
Thompson

26.

FINAL REPORT AND CLOSING STATEMENT
OF THE 1979-1980 PLAN OF DEVELOPMENT AND OPERATIONS BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach has requested Commission approval of the Final Report and Closing Statement of the Plan of Development and Operations and Budget, Long Beach Unit, (July 1, 1979 through June 30, 1980). This Final Report and Closing Statement, submitted in accordance with Part IV, E.3 of the subject Plan and Budget, summarizes the work accomplished under the Plan and reconciles the funds expended pursuant to the modified Budget.

During the 1979-1980 fiscal year, oil production totaled 23.9 million barrels, and gas production was 5.3 billion cubic feet. At an average price of $18.15 per barrel of oil and $1.60 per thousand cubic feet of gas, the total value of Long Beach Unit production was $440.1 million. After deduction of $90.4 million in expenditures, remaining net income attributable to the Unit was $349.7 million.

In response to the significant increase in low gravity crude oil price and other incentives granted by the federal Department of Energy, the State Lands Commission approved two major augmentations to the 1979-1980 Long Beach Unit Budget. The funds provided for additional well locations, additional drilling and two new drilling rigs.

Nineteen of the 32 wells provided for in the Plan as modified were completed or spudded. Thirty-four redrills were completed and two were in progress at the end of the year. The modified Plan had provided funds for thirty-four redrills. The 11 fewer drilling or redrilling projects than planned was a result of a delay in starting a new drilling rig, several drilling operations extending considerably longer than normal and more remedial work than originally planned, requiring more rig time.

Water production and injection rates were 6% and 11% respectively lower than the estimates included in the original economic projections.

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With Commission approval the Plan was modified during the fiscal year to provide for the drilling of 16 additional wells and the redrilling of 16 additional wells, the purchase of two drilling rigs, the purchase of three vacuum trucks, a pilot steam drive of the Tar V Zone, the purchase of an electric rectifier unit for drilling Rig T-1, the construction of 184 new well locations and the recompletion of three wells in other zones. The budget was augmented by a total of $30,683,000 to provide funds for those projects that were not covered by a transfer of funds. The modified Budget, including the investment fund carry-in from the previous year, totaled $113,461,000.

As of June 30, 1980, unexpended Budget funds totaled $23,015,489 including approximately $20.8 million for investment carry-over to 1980-1981, $2.0 million as expense surplus and $0.3 million as administrative overhead surplus. There was no investment surplus.

Following is a comparison between the 1979-1980 Budget, as modified, and expenditures: (in thousands of dollars)

	Approved Budget*	Budget Expenditures	Unexpended Budget
Investment	$ 31,350	$10,633	$20,717
Expense	$ 78,454	$76,488	$ 1,966
Administrative Overhead	$ 3,657	$ 3,325	$ 332
TOTAL BUDGET	$113,461	$90,446	$23,015
Carry-out		$20,786	

*Including Carry-in from 1978-1979, Modifications and Budget transfers.

$20,786,000 of the unexpended Investment funds that had been committed but not expended by June 30, 1980 have been carried forward into the 1980-1981 Budget. A carry-over occurs each year due to the time required between commitments and expenditures, because of engineering design, long lead time equipment purchases, bidding procedures and actual construction.

The Commission staff has reviewed the Final Report and Closing Statement and found it to be an accurate summary of expenditures for the Long Beach Unit under the 1979-1980 Plan and Budget.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FINAL REPORT AND CLOSING STATEMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, (JULY 1, 1979 THROUGH JUNE 30, 1980).

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