

MINUTE ITEM

This Calendar Item No. 37
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 2
to 0 at its 5-28-81
meeting.

CALENDAR ITEM

37

5/81
Thompson

TWELFTH MODIFICATION OF THE 1980-1981
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
LONG BEACH UNIT, WILMINGTON OIL FIELD

The Commission's staff, together with representatives of the City of Long Beach, have prepared the Twelfth Modification of the 1980-1981 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditures information, together with revised economic projections.

The Twelfth Modification revises Exhibits C-3 and C-4 in Part V of the subject Plan and Budget, based on data available through March 31, 1981. 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 third quarter of the 1980-1981 Plan year was 60,633 barrels per day. This was 3,469 barrels per day less than the originally estimated rate, due primarily to a large number of producing well failures. Actual gas production averaged 11,911 MCF/D, 2,189 MCF/D less than originally estimated. The water injection rate of 464,300 barrels per day was 74,589 barrels per day less than the original estimate, primarily as a result of electrical and mechanical problems with the pumps and prime movers. For the first six months of the fiscal year, the oil rate averaged 62,445 barrels per day, which is 2,223 barrels per day less than originally estimated.

Total budget funds for investment, expense and administrative overhead totalled \$178,098,000 at the end of the third quarter. The original budget of \$116,821,000 had been increased to \$138,429,000 on July 1, 1980 to include \$21,618,000 in investment funds that were carried over from the previous fiscal year. In addition to the previous augmentations, the budget was increased by \$10,826,000 in the third quarter to provide primarily for the drilling of additional wells, well cellar expansion, roustabout equipment and higher electrical expense.

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The Field Contractor has determined that an additional \$11,238,000 augmentation will be needed during the 1980-1981 fiscal year. Funds for any uncompleted projects will be carried over to the 1981-1982 fiscal year. As shown on Exhibit C-4, the estimated amount of the carry-out is \$30.0 million.

Based on information available at the end of the third quarter of the 1980-1981 fiscal year, Long Beach Unit net income before windfall profit taxes for the full year is expected to be \$423,269,000. The original estimate of Long Beach Unit net income was \$518,447,000. The reduction is primarily due to a combination of the economically justified budget augmentations of almost \$61.3 million, and \$17.4 million less gross revenue due to reduced oil production and \$13.9 million less because estimates of crude oil price increases failed to materialize.

The Commission's staff has analyzed and recommends approval of this modification, which revises the estimated production, injection and expenditures and revenue as shown in the revised exhibits. When actual information through the fourth quarter of the 1980-1981 fiscal year becomes available, it will be reviewed by the staff and reported to the Commission as the Final Report and Closing Statement for 1980-1981.

EXHIBITS: C-3, C-4. Economic Projections.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE TWELFTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1980 THROUGH JUNE 30, 1981.

Additionally, in accordance with Part IV. A. 4.c. of the 1980-1981 Plan of Development and Operations and Budget for the Long Beach Unit, the following Plan Supplements for additional projects under \$100,000 have been approved by the Director, Department of Oil Properties, City of Long Beach and the Chief, Long Beach Operations, State Lands Commission and are hereby reported to the Commission and incorporated in the Plan. This report requires no action by the Commission.

Plan Supplement No. 12. Additional research on the use of reclaimed sewage water for injection purposes.

Plan Supplement No. 13. Expand the Island Freeman hydraulic plant, using a new high pressure pumping system and extend the Pier J hydraulic system.

EXHIBIT C-3

ECONOMIC PROJECTIONS - BASIC DATA

(Furnished by City and State)

	(Actual) 3rd Quarter 1980	(Actual) 4th Quarter 1980	(Actual) 1st Quarter 1981	2nd Quarter 1981	TOTAL
Estimated Oil Production (1,000 Bbl.)	5,804	5,849	5,457	5,733	22,843
Estimated Gas Production (1,000 Mcf.)	1,243	1,183	1,072	1,147	4,645
Estimated Water Production (1,000 Bbl.)	35,536	37,509	33,864	37,037	143,946
Estimated Water Injection (1,000 Bbl.)	42,905	44,739	41,787	44,590	174,021
Estimated Oil Price (\$/Bbl)	25.41	25.62	26.21	26.30	
Estimated Gas Price Adjusted (\$per MCF of total produced gas)	1.85	1.92	2.55	2.55	

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1980 - 1981 PLAN AND BUDGET

EXHIBIT C-4

ECONOMIC PROJECTIONS

(Data in Thousands of Dollars)

	(Actual) 3rd Quarter <u>1980</u>	(Actual) 4th Quarter <u>1980</u>	(Actual) 1st Quarter <u>1981</u>	2nd Quarter <u>1981</u>	<u>TOTAL</u>
<u>ESTIMATED INCOME</u>					
Oil Income	147,480	149,851	143,028	150,778	591,137
Gas Income	<u>2,300</u>	<u>2,271</u>	<u>2,734</u>	<u>2,925</u>	<u>10,230</u>
TOTAL INCOME	149,780	152,122	145,762	153,703	601,367
<u>ESTIMATED EXPENDITURES</u>					
Development Drilling	4,609	3,777	6,926	11,854	27,166
Well Work	80	106	61	1,744	1,991
Facilities	<u>1,193</u>	<u>4,816</u>	<u>3,396</u>	<u>20,283</u>	<u>29,688</u>
TOTAL INVESTMENTS	<u>5,882</u>	8,699	10,383	33,881	58,845
Mining Rights	0	5,573	0	5,573	11,146
Personal Property	149	490	0	490	1,129
License & Other Taxes	<u>598</u>	<u>417</u>	<u>572</u>	<u>438</u>	<u>2,025</u>
TOTAL TAXES	747	6,480	572	6,501	14,300
Operating Expense	25,314	24,278	24,178	18,256	92,026
General Administrative	1,331	1,343	1,681	1,792	6,147
Other	102	123	162	546	933
Overhead	<u>1,399</u>	<u>1,359</u>	<u>1,389</u>	<u>1,700</u>	<u>5,847</u>
TOTAL EXPENSE AND OVERHEAD	28,146	27,103	27,410	22,294	104,953
GRAND TOTAL	<u>34,775</u>	<u>42,282</u>	<u>38,365</u>	<u>62,676</u>	<u>178,098</u>
<u>NET INCOME</u>	115,005	109,840	107,397	91,027	423,269
Estimated additional augmentation					11,250
Estimated carry-over to FY 1981-1982					30,000

Revised: 5/19/81 S.L.D.

(Added, 5/27/81)

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