MINUTE ITEM

This Calendar Item No. 21 was approved as Minute Item No. 22 by the State Lands Commission by a vote of 3 to 0 at its 2/24/83 meeting.

CALENDAR ITEM

21

2/24/83
Lammers
W 17078

TENTH MODIFICATION OF THE 1982-1983
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
LONG BEACH UNIT, WILMINGTON OIL FIELD
REVISING ECONOMIC PROJECTIONS

The Commission's staff, together with representatives of the City of Long Beach, have prepared the Tenth Modification of the 1982-83 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Tenth Modification revises Exhibits C-3 and C-4 in PART V of the subject Plan and Budget based on data available through December 31, 1982. 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 second quarter of the 1982-83 Plan Year was 61,922 barrels per day, 678 barrels per day less than the originally estimated rate. Actual gas production averaged 12,167 MCF per day, 267 MCF per day above the originally estimated rate due to a slightly higher gas-oil-ratio. The water injection rate of 545,165 barrels per day was 13,535 barrels per day below the projected figure primarily as a result of water handling problems and plant downtime.

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Estimated expense expenditures at the end of the second quarter of the Budget Year were below budgeted amounts primarily due to a lower inflation rate and lower than estimated electrical energy costs.

The adjusted total budget as of December 31, 1982, was $252,150,000. The original budget of $253,070,000 had been reduced by the First Modification for Investment, Expense and Administrative Overhead in the amount of $20,500,000 which was a condition of budget approval. The Budget was then augmented by the 1981-1982 carry-over of $19,075,000 the Fourth and Sixth Modifications which provided $245,000 for pipeline permits and $260,000 for a new communication system, respectively.

Total Unit income for the 1982-83 Fiscal Year has been adjusted downward because of lower than estimated oil prices. No escalation is included for the remainder of the fiscal year. The original estimate had shown $25.50 per barrel for Fiscal Year 1982-83.

Long Beach Unit net income is now indicated to be $298.4 million. The original estimate in the 1982-83 Plan and Budget approved by the Commission was $341,084,000. Adjusted for investment carry-in of $1,907,500 to 1982-83, the original estimate would have been $322,009,000. The remaining reduction of about $24 million in Unit net income is attributable to the value of oil and gas production and slightly lower production rate. These income figures do not show any deduction for the Crude Oil Windfall Profit Tax imposed on the individual participants in the Unit and are not adjusted for estimated investment carry-over to 1983-84.

The Commission's staff has reviewed the Tenth Modification and finds that the estimated production, injection, expenditures and revenue shown in the revised exhibits are reasonable. When actual information through the third quarter of the 1982-83 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE TENTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1982 THROUGH JUNE 30, 1983.