

MINUTE ITEM

This Calendar Item No. 37
was approved as Minute Item
No. 37 by the State Lands
Commission by a vote of 21
to 0 at its 4/28/83
meeting.

CALENDAR ITEM

= 37

4/28/83
W 17078
Lammers

1983-84 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., (Exhibit "A"), 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.

The City Council of the City of Long Beach, at its meeting of March 15, 1983, adopted this proposed Plan of Development and Operations and Budget for 1983-1984, 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 16, 1983.

Under Section 5(b), 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 as submitted may be modified without a hearing upon mutual agreement by the City and the Commission. Last year, in its Plan and Budget consideration, the Commission acted jointly with the City in modifying the Plan and Budget under the Section 5(g) procedure. This allowed the use of the most current data available.

A 57 58

S 27 31

(Added 4/27/83)

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To accomplish the development and facility additions that are proposed in the Plan and to manage, operate and maintain the various existing facilities, a Budget totalling \$235,127,000 has been submitted by the City of Long Beach. This total is \$29 million more than the estimated expenditures of \$206 million for the current year (Attachment 1). However, for a valid comparison additional factors must be considered. The proposed Budget only provides \$6,779,000 for Field and Well Facilities Investment compared to the, \$17 million estimated expenditures for these facilities in 1982-83. Also, that part of the more than \$6 million for island storm damage repair which is expended this year will not be repeated. This \$16 million reduction in activity level is offset by an estimated increase in 1983-84 electrical energy costs of \$4 million and less than \$3 million for additional drilling rig activity. This net difference would give an increased expenditure level in the proposed 1983-84 Budget of \$38 million. Subsequent to the submission of this Budget, the City, acting on more current data, has proposed a reduction of the Budget to \$221,827,000.

The plan and budget format has been changed to a programmatic plan and budget as requested by the Commission. To provide continuity, the Budget is also presented in the 1982-83 format. The proposed Plan provides for continued development of the Long Beach Unit and the operation and maintenance of necessary facilities in six programs. These programs now combine the investment and expense expenditures included in the scope of the program as well as the administrative overhead costs related to those expenditures. All of the budget items included in the 1982-83 Budget have been retained to minimize the accounting changes and a few budget items have been added. The budget items have been rearranged into the six programs with allocation between programs required for some budget items. Past expenditures have been calculated for the programs using the same percentage allocation for these budget items as the proposed 1983-84 Budget. These are shown as attachments 2-7. Reduced Fundings are shown in (____). However, these allocations may not be valid for extrapolation in all programs. Therefore, comparisons of current and past expenditures with proposed funding are made on the current budget Items, Categories, Divisions and Classes.

(Added 4/27/83)

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In the new programmatic format there are the following six programs:

A. Drilling and Development Program	\$ 81,043,000
B. Oil and Gas Production Program	81,675,000
C. Enhanced Recovery and Stimulation Program	6,629,000
D. Water Injection Program	34,136,000
E. Management Program	12,978,000
F. Taxes, Permits and Land Rental Program	18,666,000
Total	\$235,127,000

The administrative overhead is included in the funding of each program.

A. Drilling and Development Program

The proposed funding of \$81,043,000 for this program is 34% of the total budget. \$51,247,000 is for Investment, \$26,679,000 for Expense and \$3,177,000 for Administration Overhead. Eight and a half drilling rig years are planned for the drilling of new wells and the re-drilling and repair of existing wells. All of that activity except for workovers is in this program. The drilling of new wells accounts for the major part (\$50,267,000). The other major components are \$9,782,000 for the re-drilling of wells, \$12,210,000 for drilling support and \$3,787,000 for waste disposal. Attachment 2 is a plot of the calculated monthly expenditures and the proposed funding for the program. The City's proposed reduction is \$9,566,000 for a program total of \$71,477,000.

B. Oil and Gas Production Program

This program is for the operations necessary for the producing, processing and delivery of crude oil and gas. The proposed funding for this program is \$81,675,000, 34% of the total proposed budget. The investment costs are \$3,337,000 and Administrative Overhead is \$3,141,000. The main Sub Programs are Oil Well Repairs (\$25,191,000), Fluid Handling (\$23,109,000) and Production Maintenance (\$24,791,000). Attachment 3 is a plot of the calculated monthly expenditures and the proposed funding for the program. The City's proposed reduction is \$2,080,000 for a program total of \$79,595,000.

C. Enhanced Recovery and Stimulation Program

This program was designed to administer the costs associated with enhanced recovery and stimulation projects and

(Added 4/27/83)

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to determine the economic feasibility of such expenditures. The proposed funding, \$6,629,000, is 3% of the total proposed budget. The major portion (\$5,088,000) of the program funding is for the pilot caustic flood. This pilot demonstration is under current review to determine its performance and economics, whether there are any future applications and if it should be continued. The calculated monthly expenditures and proposed funding for the program are shown on Attachment 4. Past expenditures and future funding do not include the cost of chemicals which were prepaid, and therefore, do not reflect the true cost of the project.

D. Water Injection Program

The pressure maintenance and oil secondary recovery operations in this program are required by the Unit Agreements. The funding of \$34,136,000 is 15% of the total proposed budget and is for the necessary work on injection wells, operation of the surface installations used for filtering of produced water and pressuring water for injection, the purchase of pressured water and for additional water source. The Expense portion is \$30,934,000 and Administrative Overhead \$1,313,000. The calculated monthly expenditures and the proposed funding for the program are shown on Attachment 5. The City's proposed reduction is \$1,654,000 for a program total of \$32,482,000.

E. Management Program

This program with proposed funding of \$12,978,000, 5½% of the total budget, covers the cost of the Field Contractor management staff's salaries and office expense, the cost of Unit accounting and the City of Long Beach Unit Operator's billable costs. The calculated monthly expenditures and the proposed funding are shown on Attachment 6.

F. Taxes, Permits and Land Rental Program

This program contains the funding for the various taxes, licenses and fees paid to the counties of Los Angeles and Orange, the City of Long Beach and other governmental agencies. Proposed funding for the personal property and mining rights taxes is at last year's level, actual taxes will not be known until November. The funding for the Long Beach oil production license tax was based on the current tax rate. The tax has just been increased

(Added 4/27/83)

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from 7½ to 12 cents per barrel so future augmentation or transfer of funds will be required. The proposed funding for the program of \$18,666,000, is 8% of the proposed total budget. The annual expenditures and the proposed funding are shown on Attachment 7.

Under the old Budget format the proposed Budget provides \$58,358,000 for Investment, \$168,414,000 for Expense and \$8,375,000 for Administrative Overhead. The City's proposed reductions would change these to \$52,691,000, \$161,272,000 and \$7,864,000.

The Investment funding of \$58,338,000 includes \$51,559,000 for Drilling and Development of which \$50,267,000 is to drill new wells and \$1,292,000 for injection well equipment. The monthly expenditures and proposed funding for the new wells, budget items account 401, is shown on Attachment 8. The proposed funding is \$8 million above the estimated expenditures for 1982-83, an increase of 19%. The City's proposed reduction in this budget item is to \$44,620,000.

The \$6,779,000 for Field and Well Facilities includes \$2,635,000 for Electrical Communications and Control of which \$1,600,000 is for central computer data processing equipment and \$705,000 for field data acquisition, control and data transmission equipment. Another major expenditure is for surface electrical equipment for new wells (\$1,140,000). The major construction projects for island expansion and additional surface locations for new wells during the past two years will be almost completed by the end of this year. The 1983-84 proposed funding for new facilities is \$10 million dollars below the 1982-83 expenditure level. Future funding for facilities will be at further reduced levels. The monthly expenditures and proposed funding for this Budget Division is shown on Attachment 9.

The proposed Investment Budget includes an expenditure of \$500,000 for the engineering design of a proposed Pier J expansion project which involves the relocation of the Long Beach Unit's warehousing, barge and docking facilities. After discussion with the City, this item was deleted from the current Budget and may be considered in the future.

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Expense funding provides \$16,700,000 for taxes and licenses, \$138,410,000 for operating, \$11,958,000 for general administrative and \$1,293,000 for other expense. The total expense funding proposed, \$168,414,000, is \$28 million (20%) more than the estimated expenditures for the current year. This comparison can be seen on Attachment 1. Adjusted fundings after the proposed reductions are shown in (_____).

Operating Expense funding in the Budget provides for production, separation and processing of oil, gas and water. This funding for the operation of the wells and facilities for production and injection is a major part of the Budget, and at the proposed level of over \$138 million is 61% of the total Budget. This is \$31 million above the estimated expenditures for 1982-83, an increase of 28%. The monthly expenditures and proposed funding of this Budget Division IIIB2 is shown on Attachment 10. A major part of the proposed funding, \$39,240,000, is for the budget category Wells. This proposed expenditure is \$13 million above the estimated 1982-83 expenditures an increase of 50%. The monthly expenditures and proposed funding for this category are shown on Attachment 11. The Direct Well Charges budget items accounts 900 and 920 have funding of almost \$21 million proposed compared to a current level of \$18 million. An increase in the number of wells to be serviced should be mostly offset by the recent reduction in contract rig costs. The Field System category; proposed funding of \$48,510,000 is an increase of \$9 million (23%). This is primarily due to increases for electrical energy and chemical costs in budget items 914, 918 and 925. At this level of funding there should be a surplus in these accounts at the end of the 1983-84 year, as the forecasted volumes of fluids to be handled probably will not be produced and injected. The monthly expenditures and proposed funding are shown on Attachment 12. The category Other Production Expense has an increase in funding of \$8 million (19%) with the Drilling and Workover Support Expense budget item account 978 showing the largest increase. A large part of the contractor's field personnel costs are in this budget category with their increases in wages, salaries and benefits. The monthly expenditures and proposed funding are shown on Attachment 13.

(Added 4/27/83)

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CALENDAR PAGE	250.5
WORKSHEET NO.	836

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A historical comparison of the cost and total number of Field Contractor employees is shown on Attachment 14. A schedule of the number of such employees and their salaries and benefits must be approved by the Long Beach City Manager. He is required to give due regard to the requirements of good oil field engineering and operating practices and the compensation and other benefits normally allowed to comparable employees by the Field Contractor and by other responsible persons engaged in comparable oil field operations. The selection of employees used by the Field Contractor in conducting operations, their hours of labor, their conditions of employment and their supervision are the responsibility of the Field Contractor.

In Operating Expense about \$32,000,000 is for electrical energy, a 15% increase over the current year's estimated costs (Attachment 15). The funds for electrical energy are primarily for the purpose of lifting to the surface over 180 million barrels of oil and water, and for the injection of a similar volume of produced saline water as a part of the pressure maintenance program. Electrical power rates increased sharply at the first of 1982, decreased in mid year and increased again in January 1983. (Attachment 16). A small rate decrease is anticipated and future costs will depend upon fuel oil costs and the availability of hydro-electric power. It appears that the 1982-83 estimated expenditure of \$28,000,000 for electrical energy will be only about 80% of the budget funds requested originally due to lower power rates and produced and injected fluid volumes below original estimates.

Exhibits C-1 through C-4 of the Plan and Budget are estimates of production and injection rates and economic projections. The economic projections, Exhibits C-3 and C-4, estimate the oil and gas income for the Unit to be \$502 million. An oil price of \$22/Ebl. which is slightly below the current price of \$22.35 Bbl. was used for this estimate. Crude prices appear to be steady and should remain at the present level through 1983. The estimate of net revenue, after deduction of proposed budget expenditures and without consideration of windfall profits tax, is \$267 million. It is anticipated that there will be higher net revenues from the combination of lower expenditures and increased oil production.

(Added 4/27/83)

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MANUALS	837

CALENDAR ITEM NO. 37 (CONTD)

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE ACTIVITIES CONTEMPLATED BY THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1983 THROUGH JUNE 30, 1984" ARE PLANNED TO BE CARRIED OUT PURSUANT TO AGREEMENT APPROVED BY THE COMMISSION BEFORE APRIL 5, 1973, AND ARE THEREFORE ONGOING PROJECTS WITHIN THE MEANING OF 14 CAL. ADM. CODE 15070(B), AND DO NOT REQUIRE THE PREPARATION OF EITHER AN EIR OR A NEGATIVE DECLARATION.
2. A. APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1983 THROUGH JUNE 30, 1984" AS ADOPTED BY THE CITY OF LONG BEACH CITY COUNCIL ON MARCH 16, 1983, ON THE BASIS THAT THE ATTACHED CHANGES AGREED TO BY THE CITY OF LONG BEACH AND THE STATE LANDS COMMISSION WILL BE INCORPORATED INTO THE FIRST MODIFICATION OF THE PLAN AND BUDGET, WITH CORRESPONDING CHANGES IN THE PLAN LANGUAGE.

B. FIND THAT THERE ARE FEW JUSTIFICATIONS FOR EXPENDITURES AND THAT THE OVERALL ECONOMIC ANALYSIS IS INADEQUATE FOR ITS DECISION MAKING PROCESS AND REQUIRE A PLAN AND BUDGET MODIFICATION AFTER THE FIRST QUARTERLY REVIEW TO INCLUDE AN EXPANDED PLAN WITH ADEQUATE REVIEW, ANALYSIS, JUSTIFICATION AND PROJECTIONS.

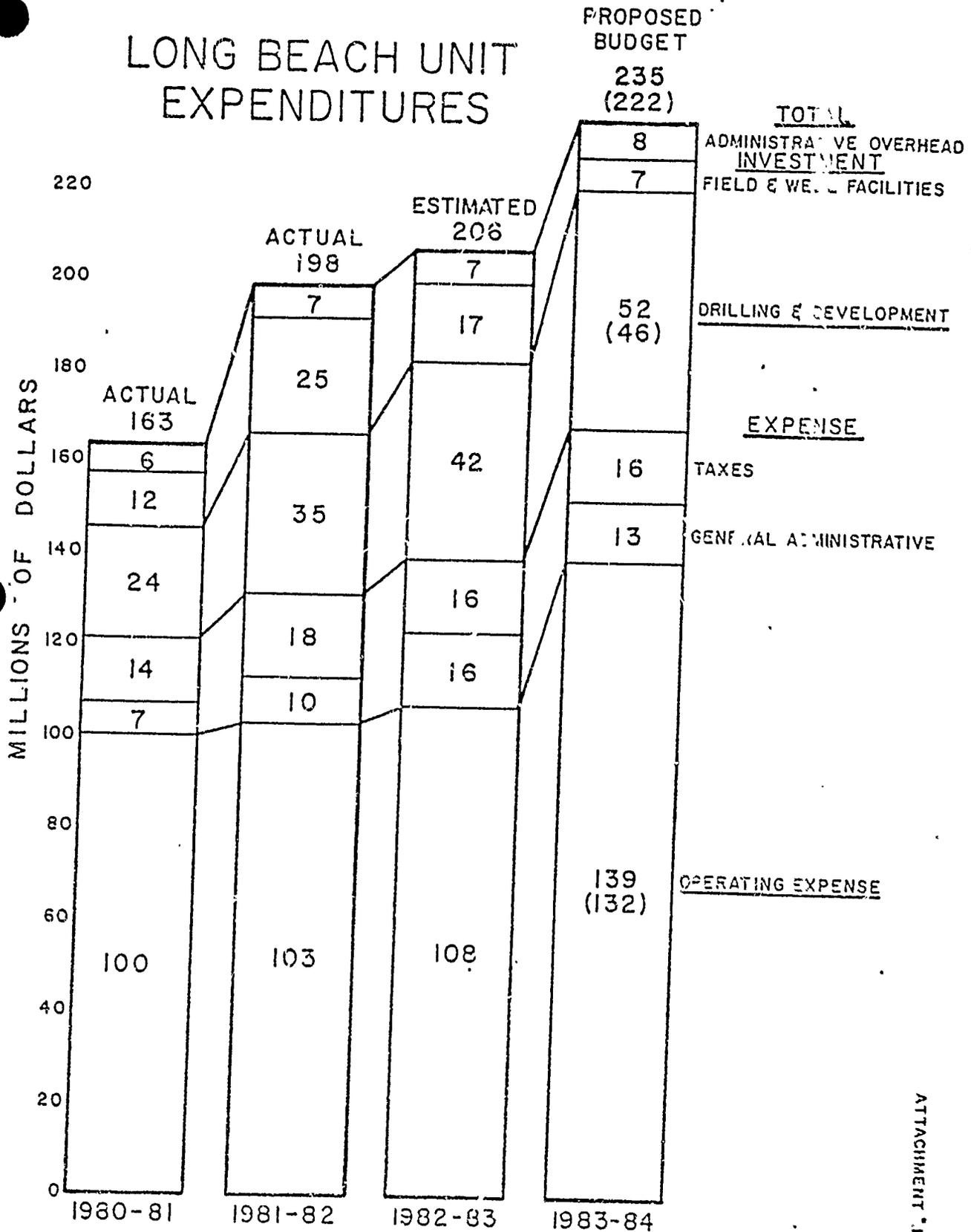
C. REQUIRES THAT THE QUARTERLY REVIEW PROVIDED IN THE PROCEDURES INCLUDE EXPENDITURE TRENDS BY BUDGET ITEMS, ALONG WITH FORECASTS OF ANY FORESEEABLE REQUESTS TO THE COMMISSION, FOR AUGMENTATION OR TRANSFERS OF FUNDS THAT WILL ALLOW TIME FOR CONSIDERATION OF ALTERNATIVES AND FOR PLAN MODIFICATIONS IF NECESSARY.

(Added 4/27/83)

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LONG BEACH UNIT EXPENDITURES

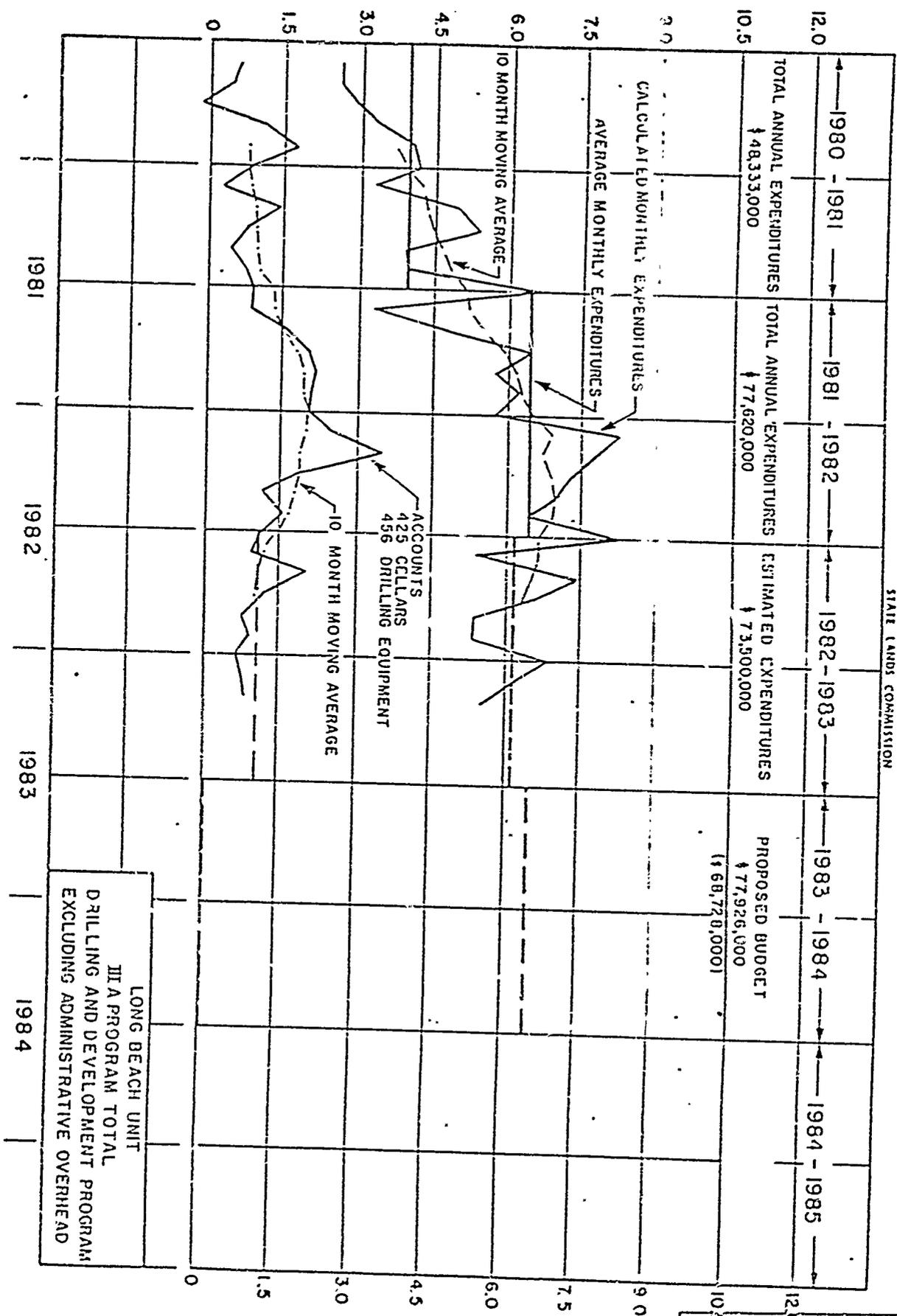


ATTACHMENT 'J'

Added 4/27/83

CALENDAR PAGE	250.8
MINUTE PAGE	839

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

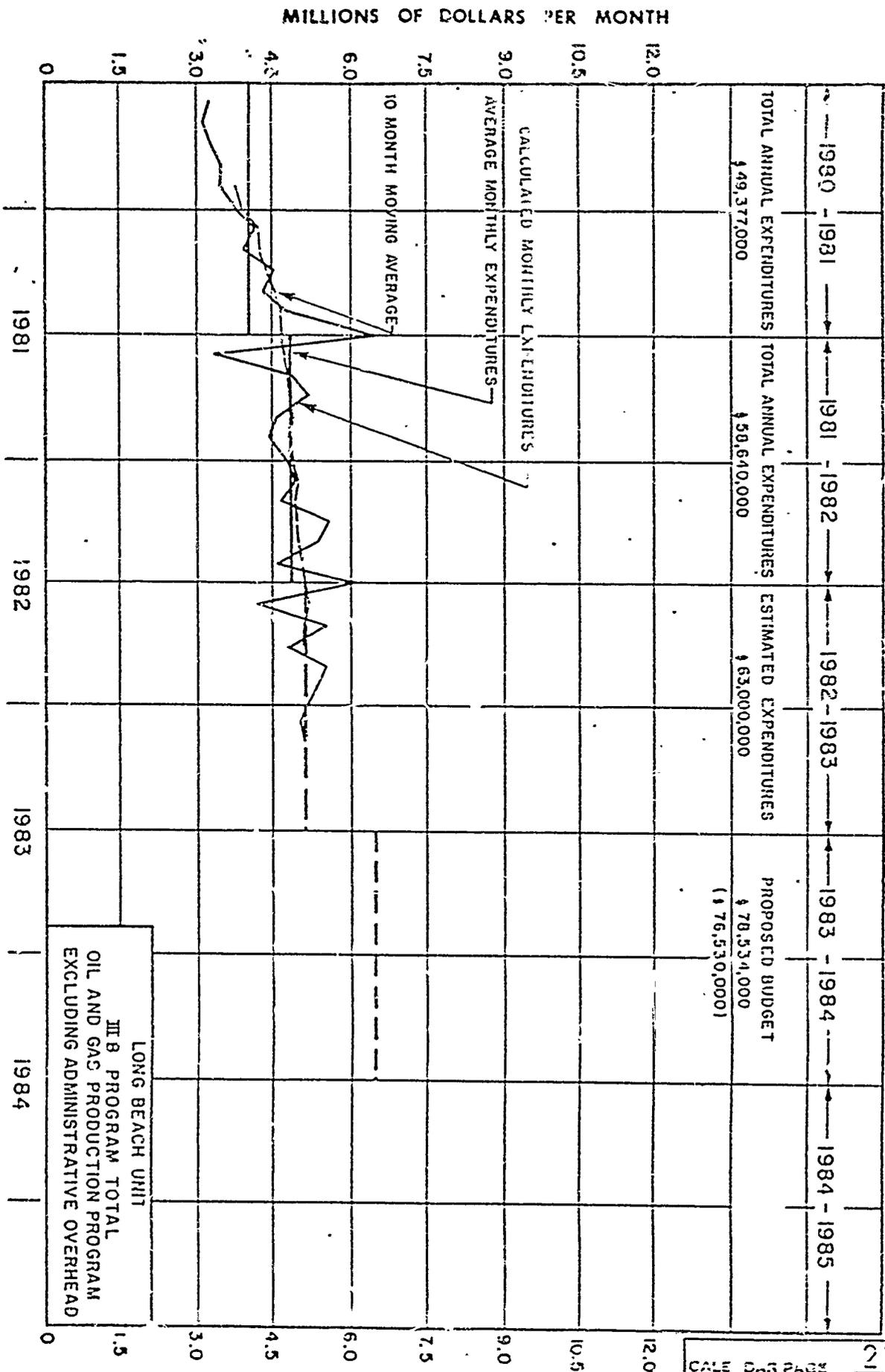
ATTACHMENT 2

LONG BEACH UNIT
IIIA PROGRAM TOTAL
DRILLING AND DEVELOPMENT PROGRAM
EXCLUDING ADMINISTRATIVE OVERHEAD

MILLIONS OF DOLLARS PER MONTH

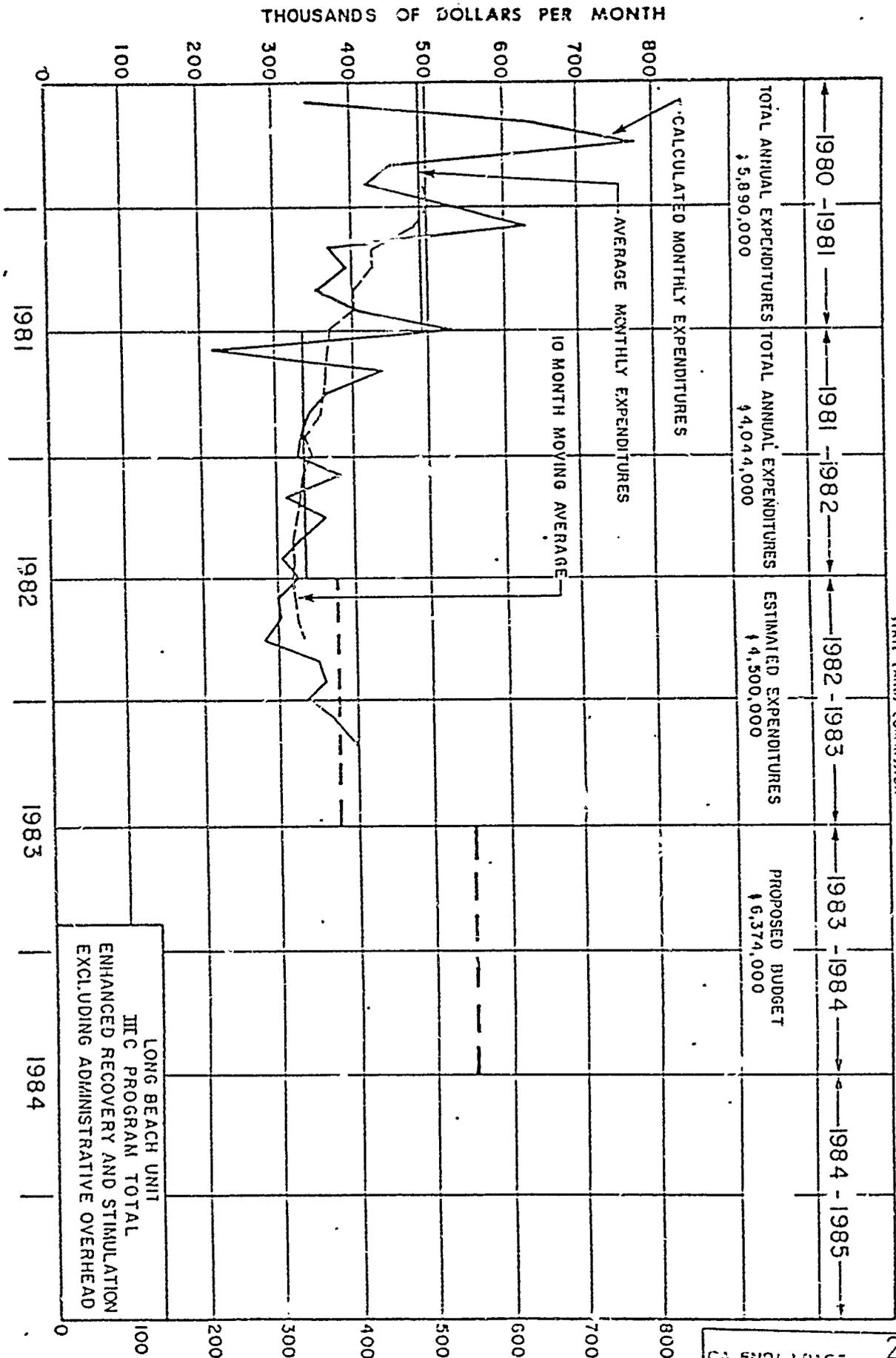
Added 4/27/83

STATE OF CALIFORNIA
STATE LANDS COMMISSION



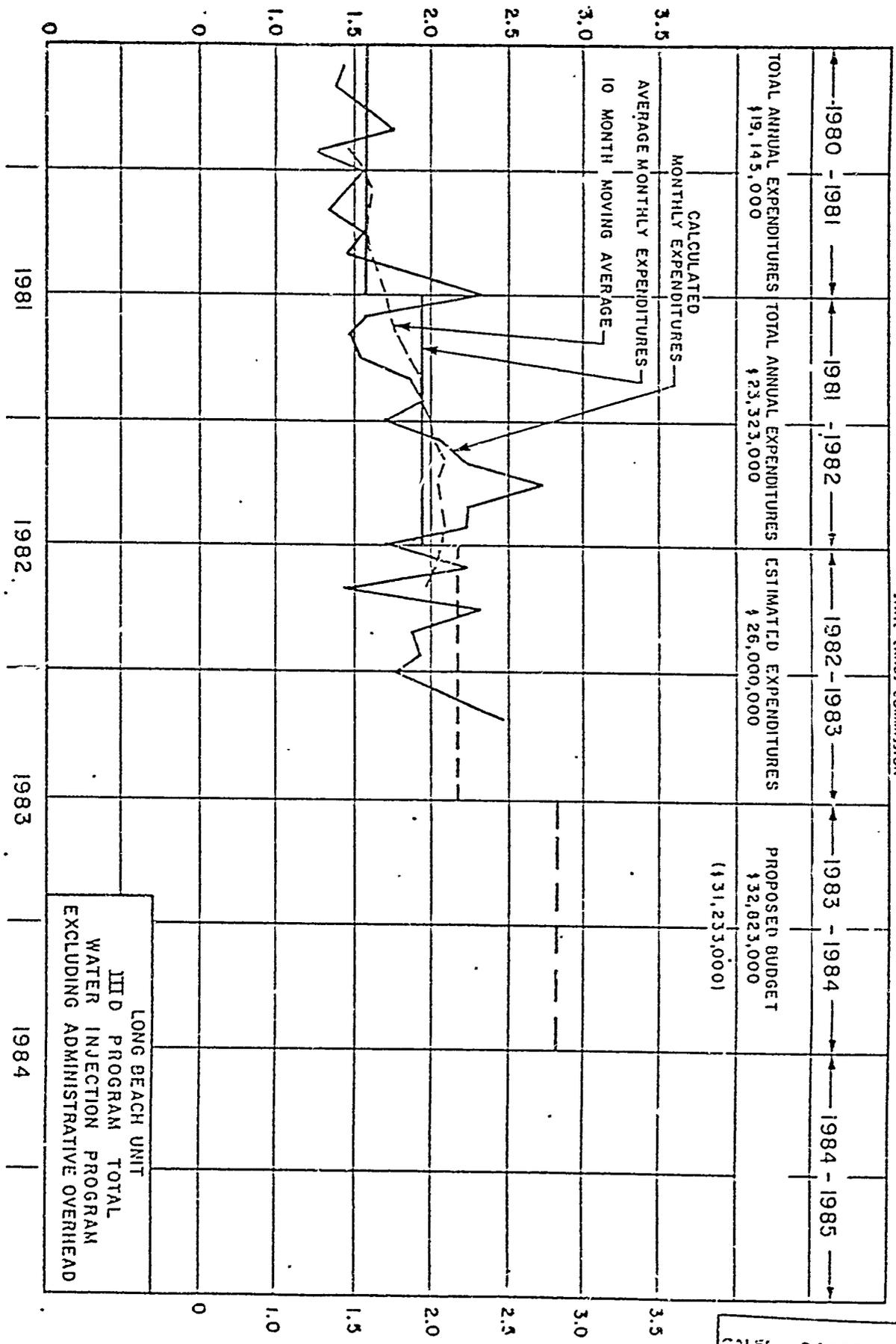
STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT "4"



THOUSANDS OF DOLLARS PER MONTH

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 5

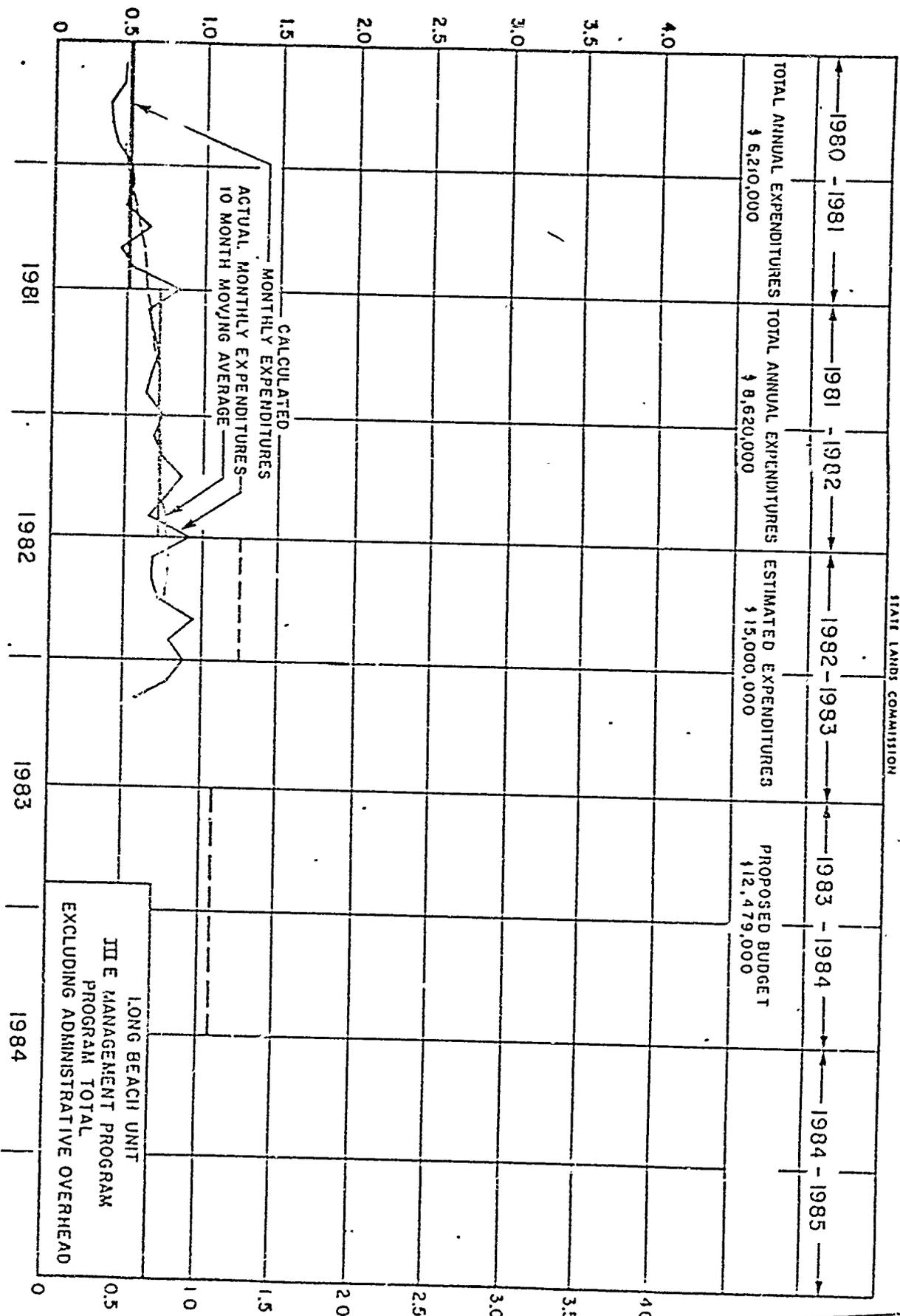
LONG BEACH UNIT
III D PROGRAM TOTAL
WATER INJECTION PROGRAM
EXCLUDING ADMINISTRATIVE OVERHEAD

CALENDAR PAGE 250.12
ISSUE PAGE 843

Added 4/27/83

MILLIONS OF DOLLARS PER MONTH

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 'G'

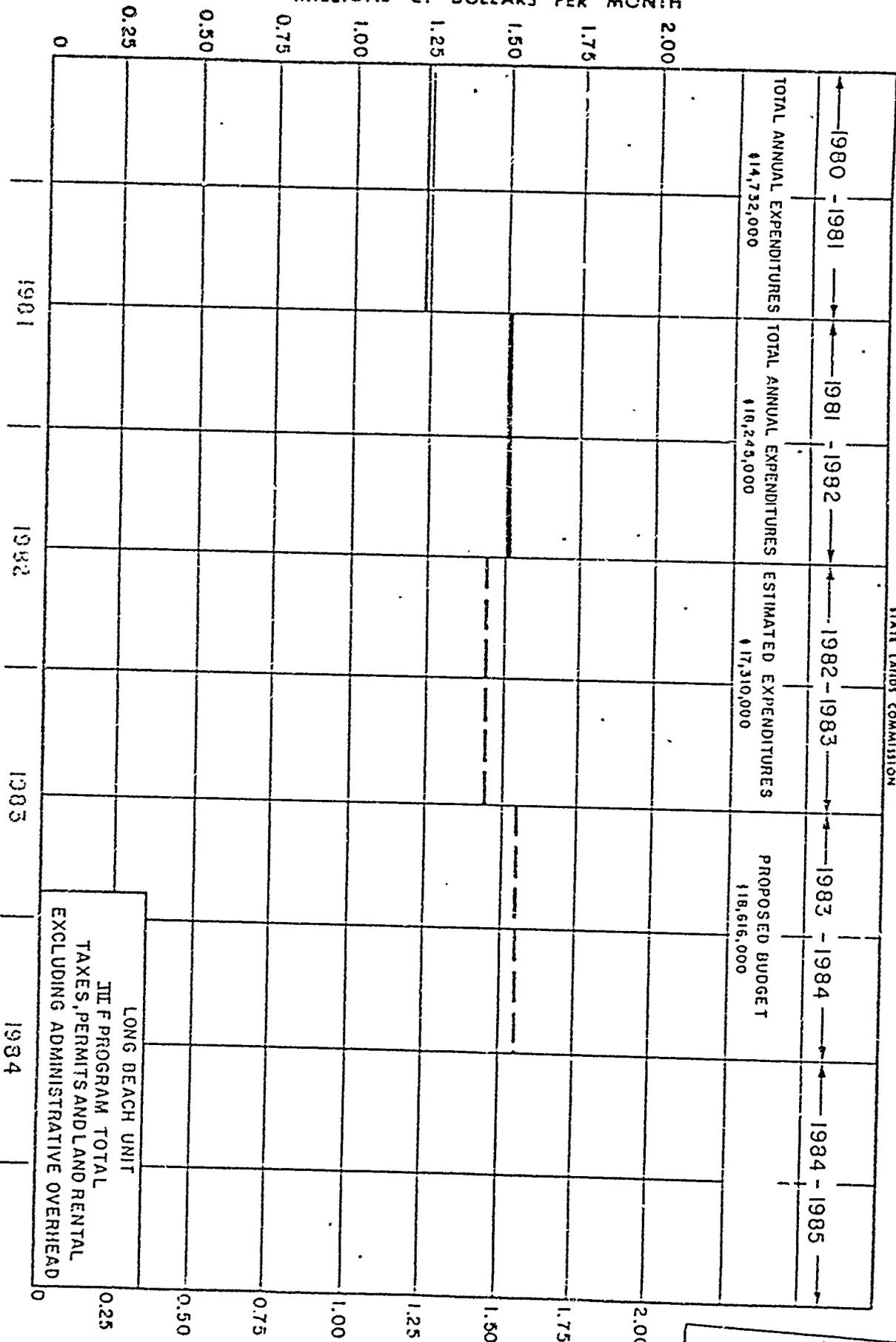
LONG BEACH UNIT
JII E MANAGEMENT PROGRAM
PROGRAM TOTAL
EXCLUDING ADMINISTRATIVE OVERHEAD

MILLIONS OF DOLLARS PER MONTH

CALENDAR PAGE	250.13
MINUTE PAGE	844

Added 4/27/83

MILLIONS OF DOLLARS PER MONTH



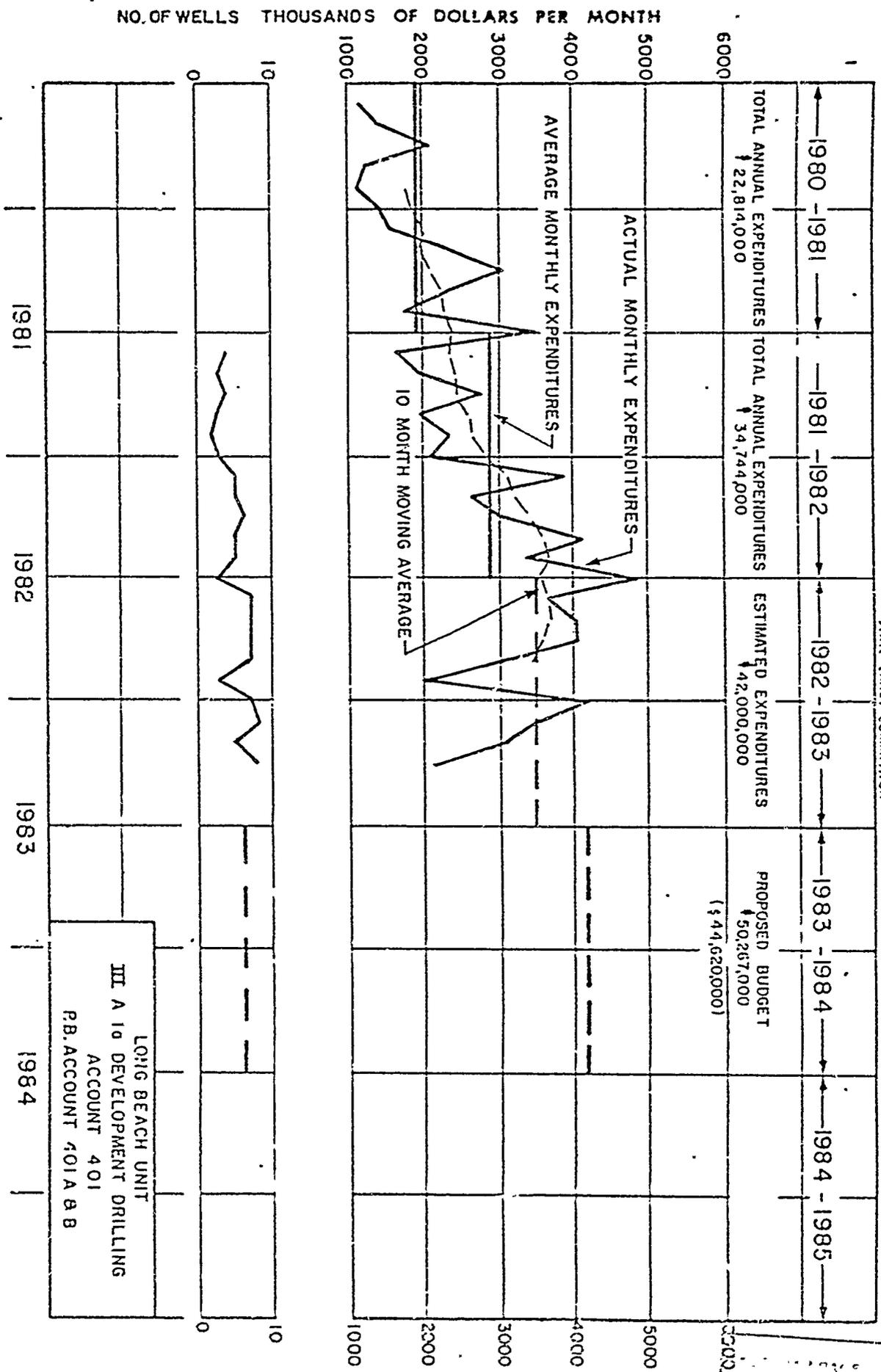
STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT 7*

MILLIONS OF DOLLARS PER MONTH

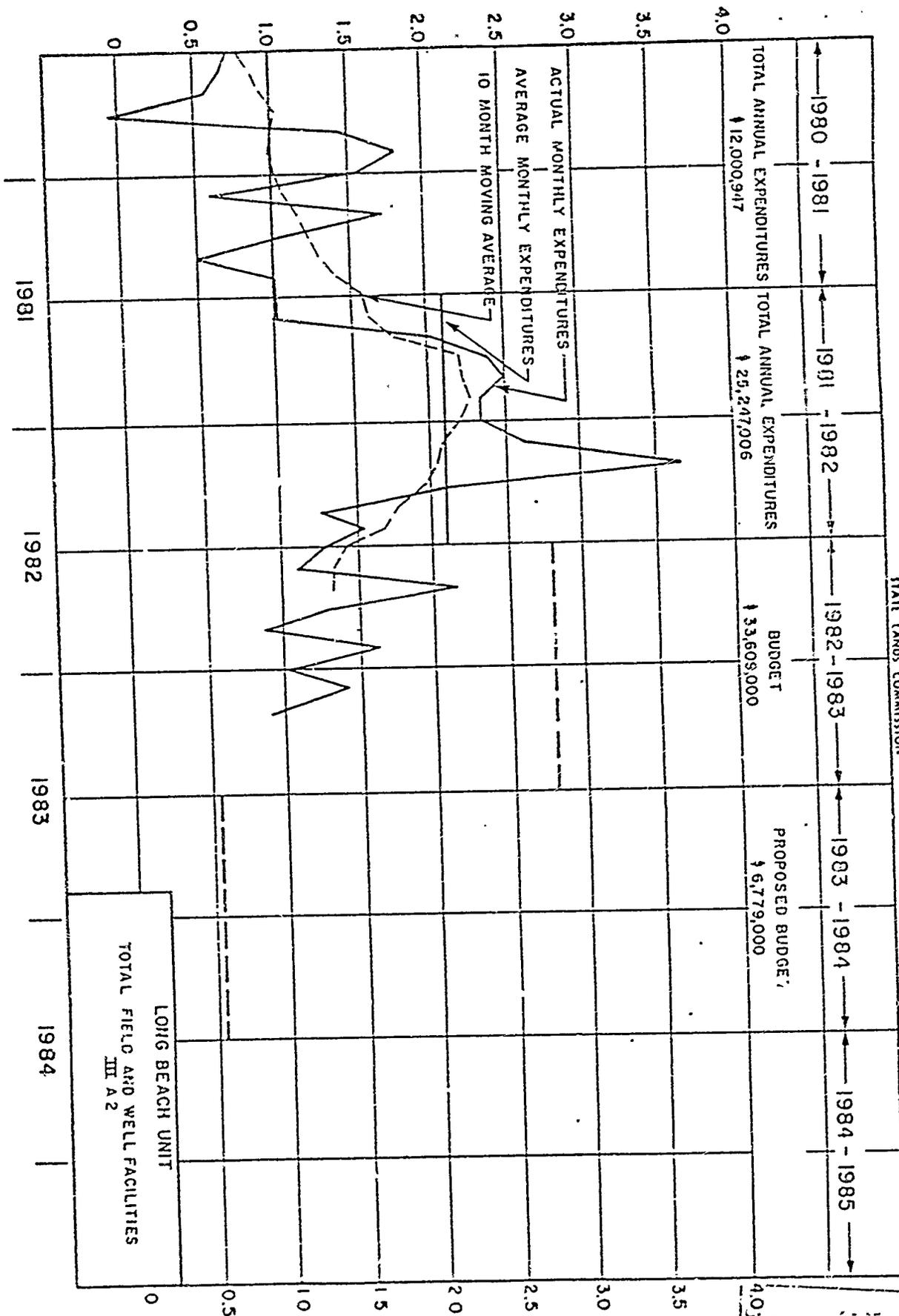
250
845

STATE OF CALIFORNIA
STATE LANDS COMMISSION



LONG BEACH UNIT
III A 10 DEVELOPMENT DRILLING
ACCOUNT 401
P.B. ACCOUNT 401A 9 B

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT "9"

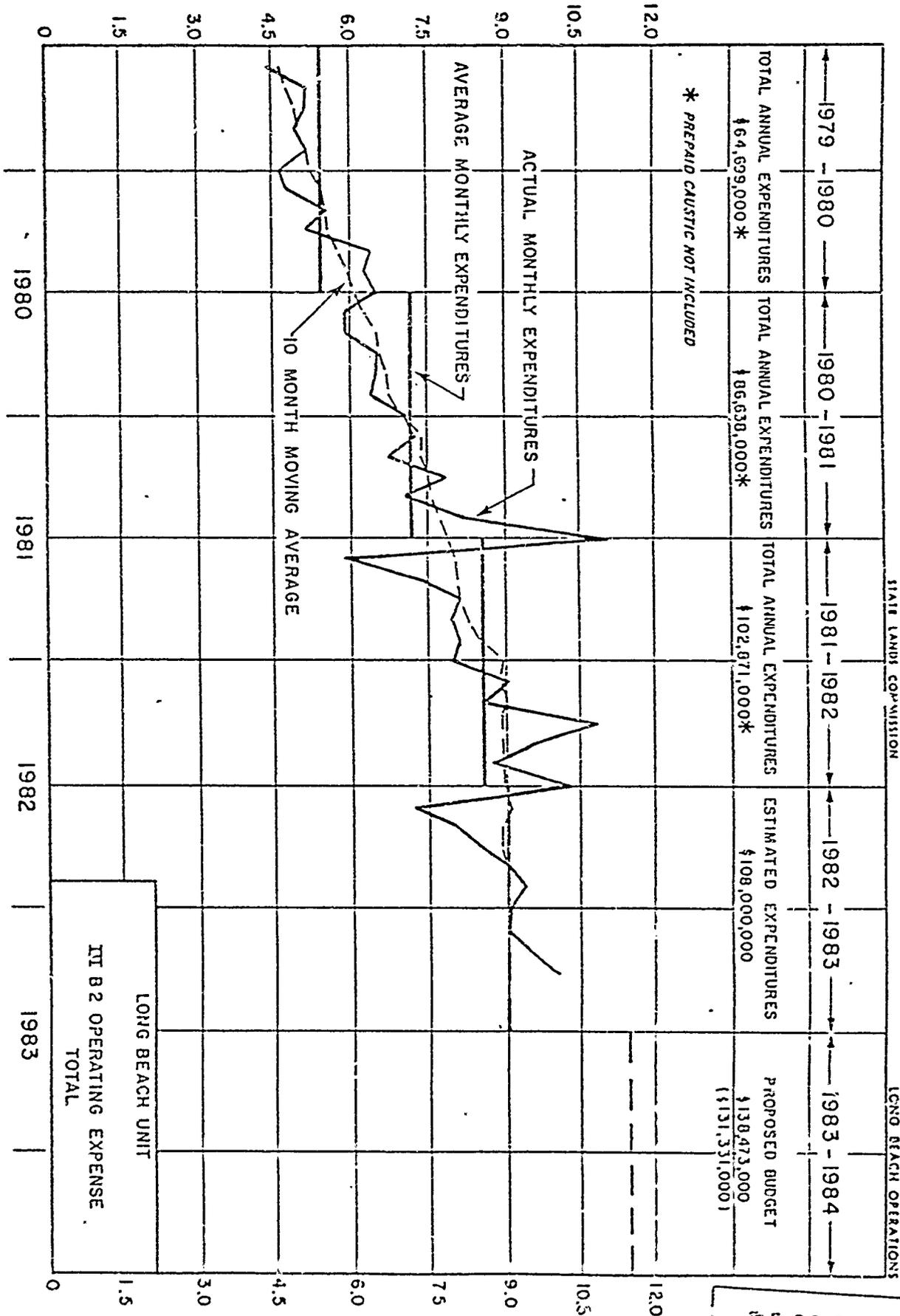
LONG BEACH UNIT
TOTAL FIELD AND WELL FACILITIES
III A 2

MILLIONS OF DOLLARS PER MONTH

Added 4/27/83

250.16
847

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

LONG BEACH OPERATIONS

ATTACHMENT "10"

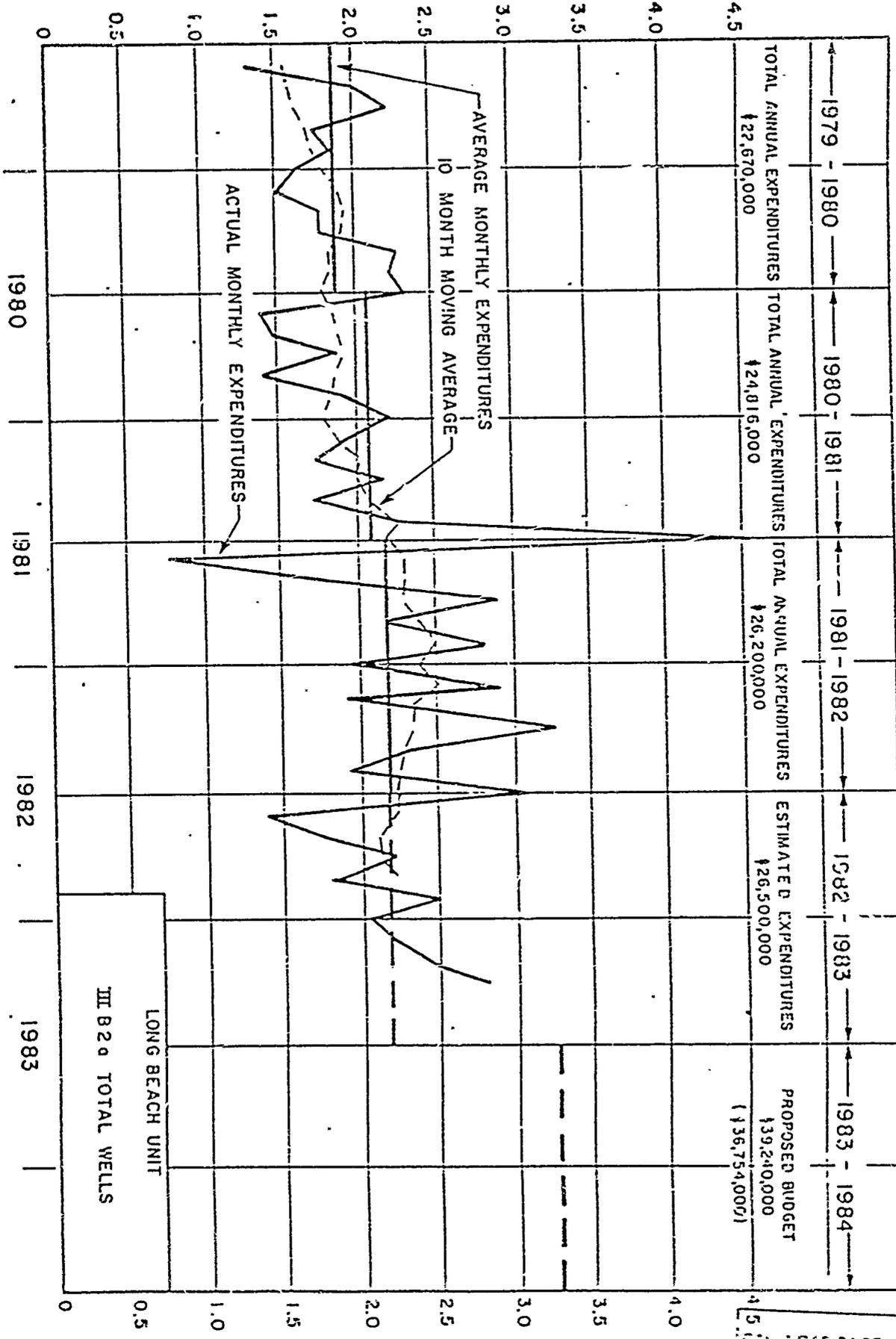
LONG BEACH UNIT
ITI B2 OPERATING EXPENSE
TOTAL

250.17
848

Added 4/27/83

MILLIONS OF DOLLARS PER MONTH

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

LONG BEACH OPERATIONS

ATTACHMENT "II"

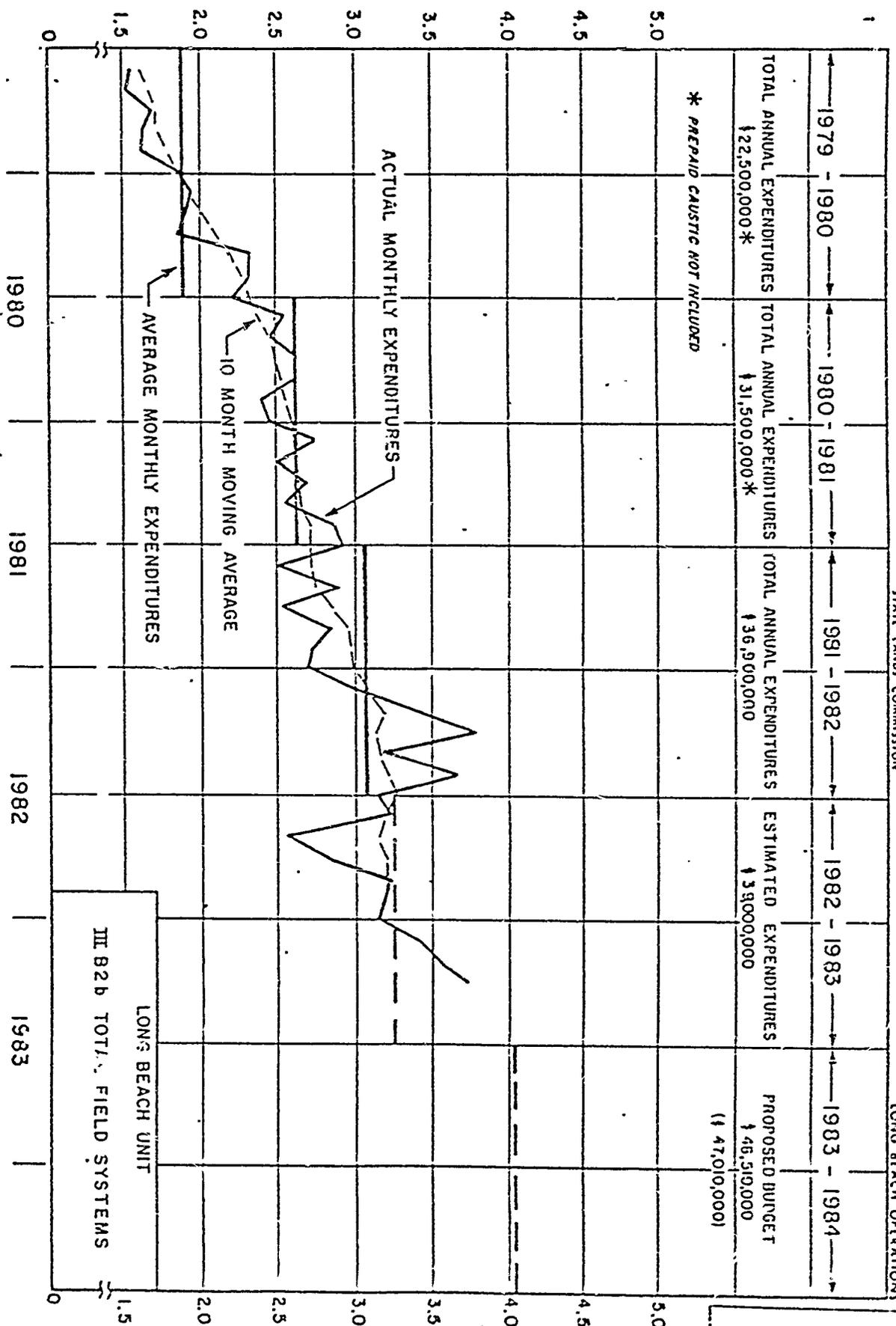
LONG BEACH UNIT
III B20 TOTAL WELLS

MILLIONS OF DOLLARS PER MONTH

dated 4/27/83

250.18
849

MILLIONS OF DOLLARS PER MONTH



STATE OF CALIFORNIA
STATE LANDS COMMISSION

LONG BEACH OPERATION

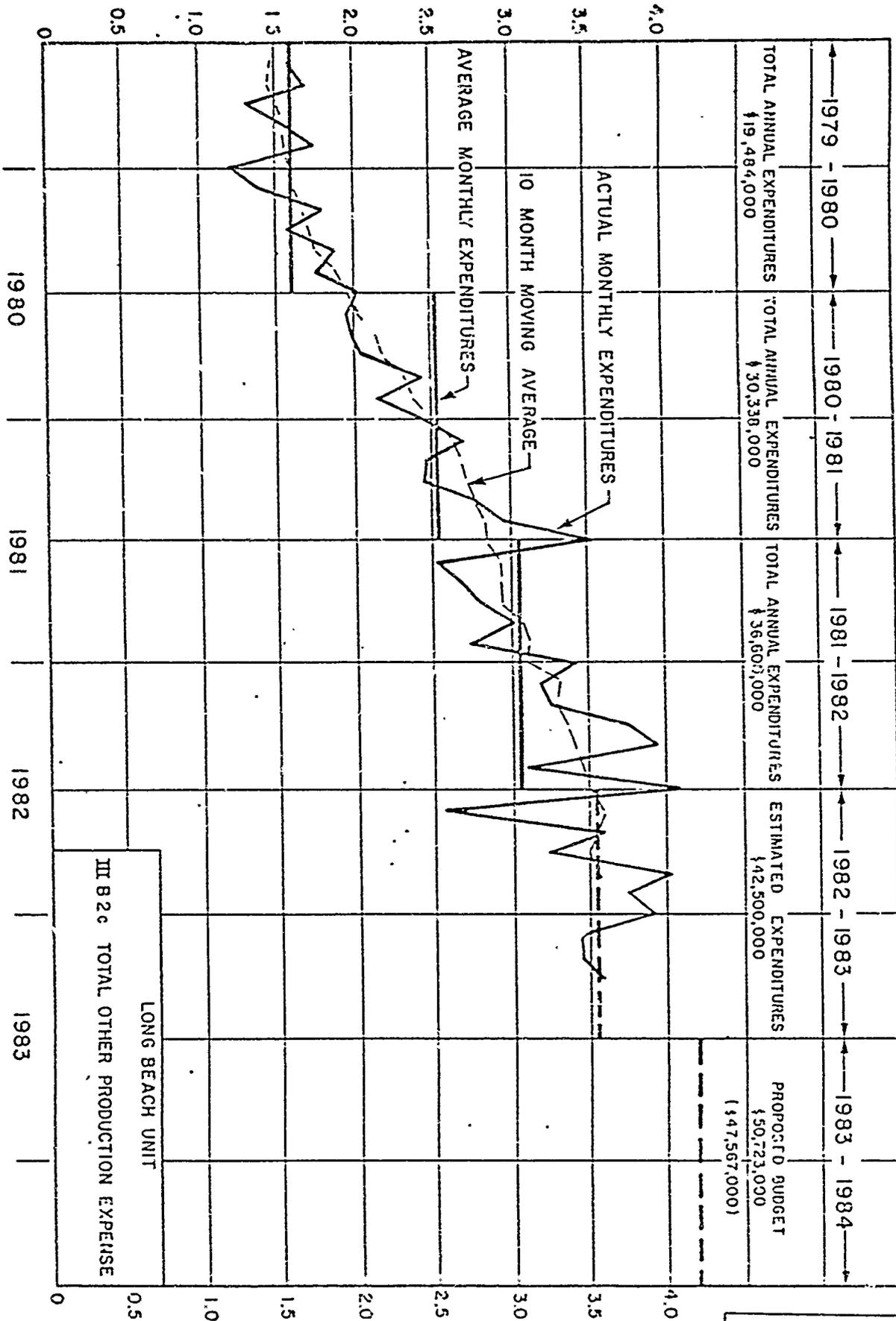
ATTACHMENT "12"

1981
10/23/83
10/23/83

MILLIONS OF DOLLARS PER MONTH

Added 4/27/83

MILLIONS OF DOLLARS PER MONTH

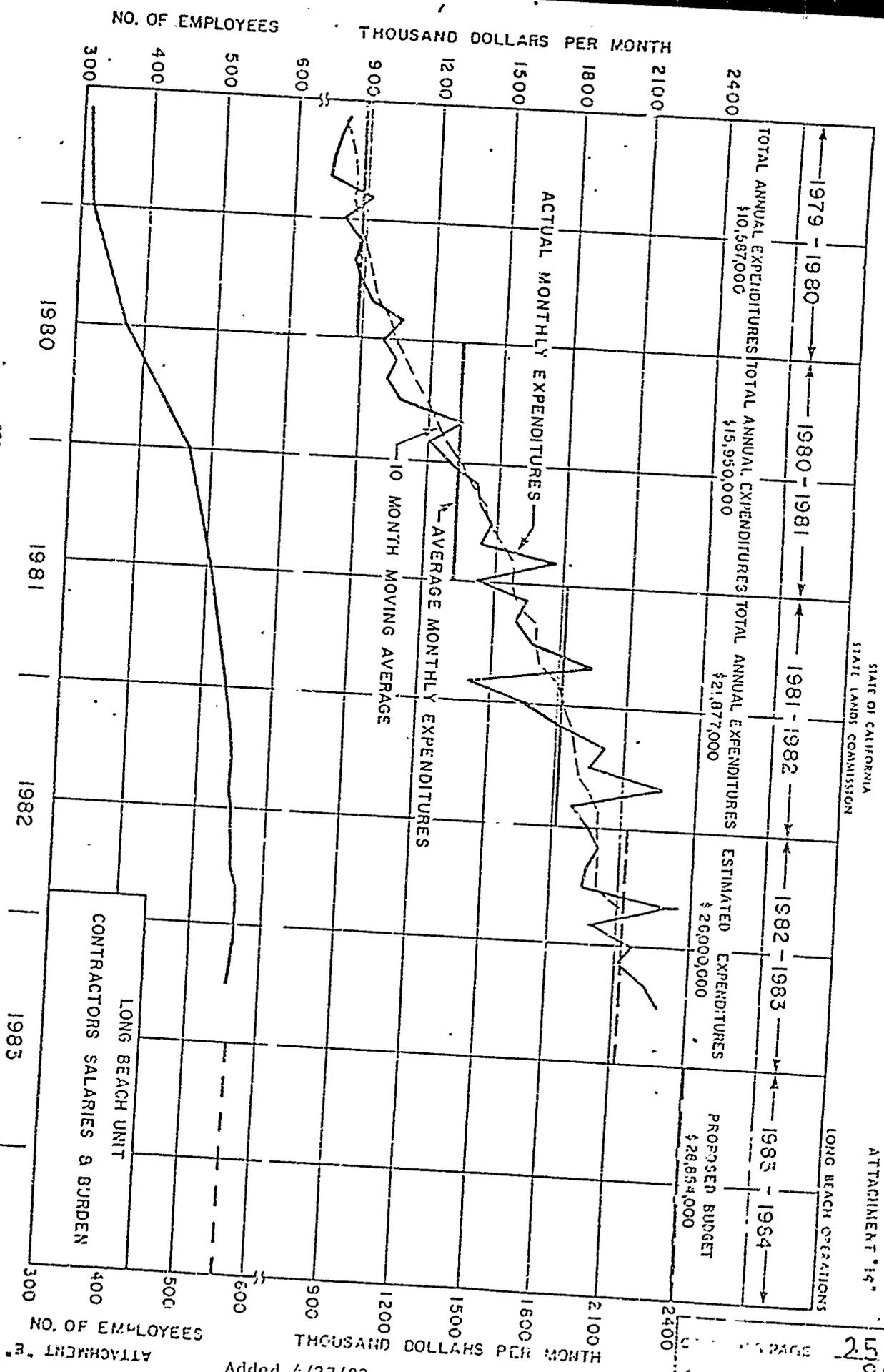


STATE OF CALIFORNIA
STATE LANDS COMMISSION

LONG BEACH OPERATIONS

ATTACHMENT "13"

LONG BEACH UNIT
III B 2c TOTAL OTHER PRODUCTION EXPENSE



STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT "14"

LONG BEACH UNIT
CONTRACTORS SALARIES & BURDEN

250.21
52

Added 4/27/83

MILLIONS OF DOLLARS PER MONTH

Year	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ESTIMATED	BUDGET		
1977-1978	\$120,294,446								
1978-1979	\$132,257,000								
1979-1980	\$162,334,000								
1980-1981	\$230,061,000								
1981-1982	\$26,590,000								
1982-1983	\$27,700,000								
1983-1984	\$31,800,000								
1984-1985									
1985-1986									
1986-1987									

STATE OF CALIFORNIA
STATE LANDS COMMISSION

ATTACHMENT "15"

LONG BEACH UNIT
ANNUAL
ELECTRICAL ENERGY CHARGES

Added 4/27/83

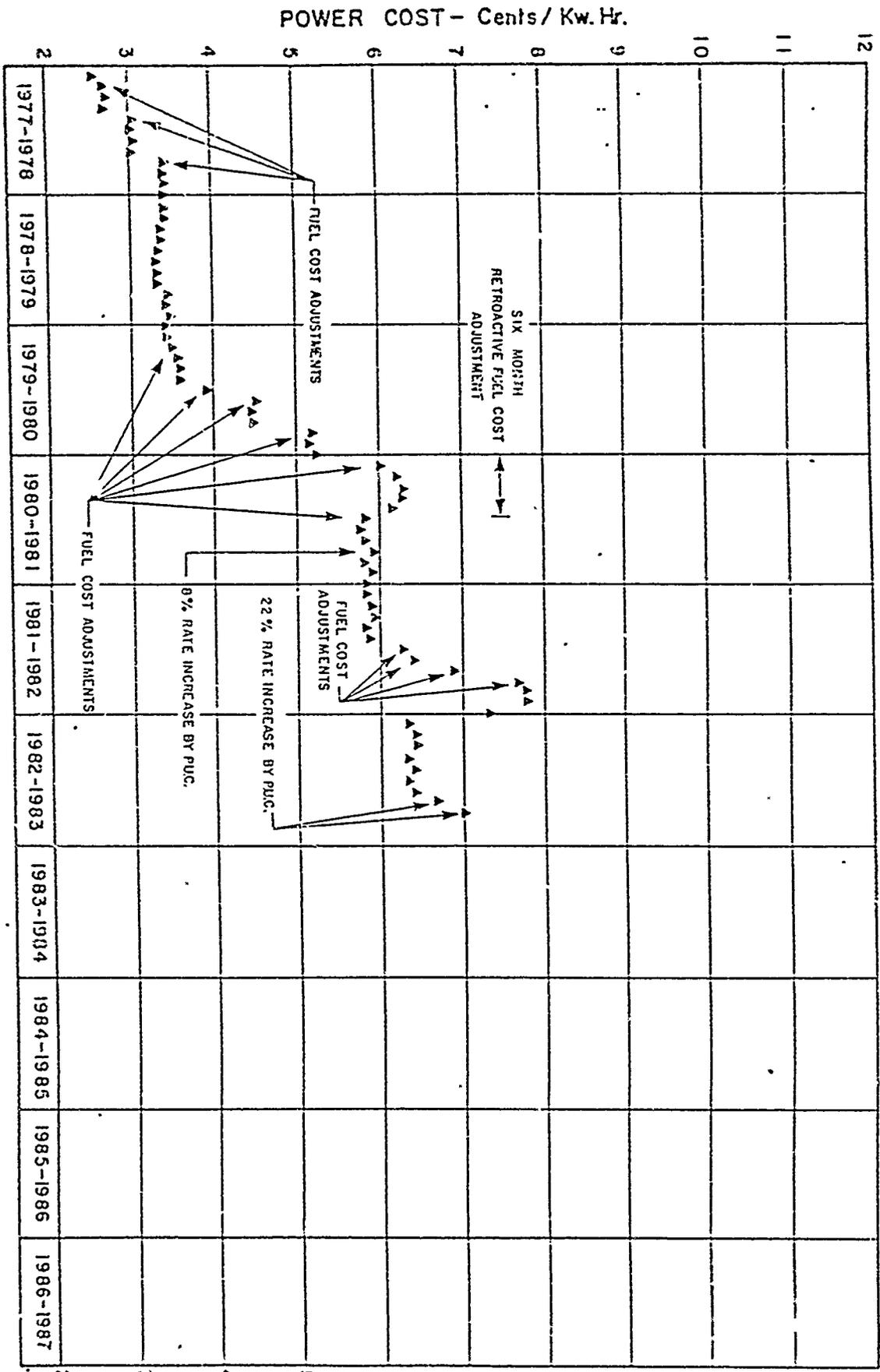
MILLIONS OF DOLLARS PER MONTH

250	.22
853	

ELECTRICAL ENERGY COSTS

LONG REACH UNIT

ATTACHMENT '86



FISCAL YEARS

POWER COST - Cents/ Kw. Hr.

POWER COST - Cents/ Kw. Hr.

250.23
854

Added 4/27/83



CITY OF LONG BEACH

TIDELANDS AGENCY

OIL PROPERTIES

P.O. BOX 20050

LONG BEACH, CA 90801

(213) 590-8461

April 27, 1983

Claire T. Dedrick
Executive Officer,
State Lands Commission
245 West Broadway - Suite 425
Long Beach, California 90802

Subject: First Modification, 1983-1984 Plan and Budget,
Long Beach Unit

Dear Ms. Dedrick:

In accordance with changes recommended in our letter of April 15, 1983, on the above referenced subject and subsequent discussions between City and State Lands representatives, and pursuant to provisions of Part IV, Section A-1 of the 1983-1984 Plan and Budget, we are submitting for your approval the First Modification of the Plan of Development and Operations and Budget of the Long Beach Unit covering the period of July 1, 1983 through June 30, 1984. The Budget is reduced by \$13,300,000 and the modified Budget will be \$221,827,000. The reductions were explained in our April 15th letter noted above.

The First Modification will modify the Plan and reduce the Budget as follow:

A. Drilling and Development Program

1. Drilling and Redrilling

- 401-A Development Drilling
Reduced from \$50,267,000 to \$44,620,000
- 940 Oil Well Redrills, Same Zone
Reduced from \$7,047,000 to \$6,256,000
- 941 Injection Well Redrills, Same Zone
Reduced from \$2,735,000 to \$2,428,000
- 978 Drilling Support
Reduced from \$12,210,000 to \$9,754,000
- Administrative Overhead
Reduced from \$3,117,000 to \$2,749,000

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Claire T. Dadrick
April 27, 1983
Page Two

B. Oil and Gas Program

1. Oil Well Repairs

900-A Direct Well Charges
Reduced from \$15,705,000 to \$14,639,000

943 Workover
Reduced from \$5,226,000 to \$4,994,000

5. Production Maintenance

972-A Leasehold Improvements
Reduced from \$4,947,000 to \$4,747,000.

6. Special Projects

972-B Leasehold Facilities
Reduced from \$500,000 to \$0

Administrative Overhead
Reduced from \$3,141,000 to \$3,062,000

D. Water Injection Program

1. Injection Well Repairs

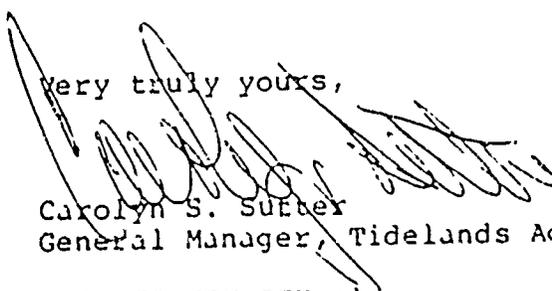
944 Workover
Reduced from \$1,983,000 to \$1,893,000

2. Water Injection System

914 Produced Water Handling and Filtration
Reduced from \$6,140,000 to \$4,640,000

Administrative Overhead
Reduced from \$1,313,000 to \$1,249,000

Very truly yours,


Carolyn S. Sutter
General Manager, Tidelands Agency

CSS:XCC:JRH:REH:slg

cc: X. C. Coluzas, Oil Properties
W. M. Thompson, State Lands
D. E. Craggs, THUMS

Added 5/2/83

CALENDAR PAGE	250.25
	856