

MINUTE ITEM

This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 3
to 0 at its 3/22/84
meeting.

CALENDAR ITEM

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3/22/84
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EIGHTH MODIFICATION OF THE
1983-1984 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY
REVISING ECONOMIC PROJECTIONS

The City of Long Beach has prepared the Eighth Modification of the 1983-1984 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Eighth Modification revises Exhibits C-3 and C-4 in PART V of the Plan and Budget based on data available through December 31, 1983. 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 or transfer funds within the existing budget.

The average oil production rate during the first half of the 1983-1984 Plan Year was 64,124 barrels per day, 3,030 barrels per day more than the originally estimated rate. Actual gas production averaged 12,481 MCF per day, 1,709 MCF per day above the originally estimated rate due to the higher oil rate. The water injection rate of 545,240 barrels per day was 26,412 barrels per day below the projected figure.

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Under the Drilling and Development Program, nine drilling rigs were active through the first half of the year with a reduction to eight in January 1984. Only \$19.8 million of the budget of \$57.1 million for Development Drilling was expended during the first six months of the Plan year. It appears that there will be a surplus of \$10 million in this budget item, \$6 million of which will be used to pay increased Mining Rights Taxes and for a drilling mud barge. The balance of this program is reasonably in line with the Plan and Budget.

Of the \$82.7 million provided by the adjusted budget for the Oil and Gas Production Program, \$37.0 million was expended through mid-year. A straight line extrapolation would indicate a surplus of \$8.5 million in these accounts. However, there has been a slight increase in the electrical energy rate, the Field Contractor's employees will receive wage increases and there will be some inflation in other areas which, with a small carry-out, will result in a lower year-end surplus.

Injection of caustic has finally been terminated in the caustic field demonstration. This project has been costly and uneconomic. The cost of this enhanced recovery process has not demonstrated any justification of its further use in the Unit. Expenditures charges into the Caustic Flood subprogram will continue as this is an allocation from budget items in the Oil and Gas Production and Water Injection programs. There will be surplus funds due to over-budgeting. Well maintenance costs are higher in the pilot flood area because of the caustic injection. The chemicals were prepaid and therefore were never reflected in the current charges to the project. Some of the prepaid money will be refunded, and since the project is terminated, there will not be a Caustic Flood subprogram in the 1984-85 Plan and Budget.

In the Water Injection Program, \$14 million of the budgeted funds of \$35.3 million were expended through the first half of the year. Second half expenditures should be about equal to the first two quarters and, as a result, there will be about \$6 million unexpended, part of which will be investment carry-out.

The Expenditures under the Management Program are distorted by the additional island reconstruction work carried over from last year and funded under Extraordinary Losses and Claims and the increased costs of the data based management system. Through mid-year, \$9 million of the \$19.5 million budgeted had been expended with total expenditures for the year expected to be \$19 million.

The Taxes, Permits and Land Rental Program is significantly under-funded because of a large increase in Los Angeles County and City of Long Beach Mining Rights Taxes. At the end of the second quarter, \$11.5 million of the budgeted funds of \$17.3 million were expended. Approximately \$5 million in additional funds will be required for this program by transfer of surplus funds from other programs.

Based on these estimates total Unit expenditures for the year will be \$225 million with a carry-over of \$13 million and a budget surplus of \$20 million.

The adjusted total budget as of December 31, 1983, was \$258,657,500. The original budget of \$235,127,000 had been reduced by the First Modification for Investment, Expense and Administrative Overhead in the amount of \$13,300,000, which was a condition of budget approval, and increased \$29,850,500 by carry-in and \$7,000,000 by the Second Modification which was for the storm damage work that was carried over from the previous year.

Total Unit income for the 1983-1984 Fiscal Year has been adjusted upward because of the higher than estimated oil rate. Long Beach Unit net income is now indicated by the City of Long Beach to be \$313 million. The original estimate in the 1983-1984 Plan and Budget approved by the Commission was \$266,699,000. The Commission staff estimate is almost the same \$318 million but using lower oil production rates and costs. The figures do not reflect the reduction due to the Federal Windfall Profit Tax imposed on the individual participants in the Unit.

The Commission's staff has reviewed the Eighth 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 1983-1984 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

CALENDAR ITEM NO. 27 (CONTD)

EXHIBITS: A & B; ECONOMIC PROJECTIONS - BASIC DATA

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE LIGHT
MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS
AND BUDGET, LONG BEACH UNIT, JULY 1, 1983 THROUGH JUNE 30,
1984.

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EXHIBIT "A"

LONG BEACH UNIT
1983-1984 PLAN AND BUDGET

EXHIBIT C-3

ECONOMIC PROJECTIONS - BASIC DATA

Furnished by City and (State)

	Actual 3rd Quarter 1983	Actual 4th Quarter 1983	Estimated 1st Quarter 1984	Estimated 2nd Quarter 1984	TOTAL
Oil Production (1,000 Bbl.) (B/D)	5,900 64,130	5,898 64,112	5,896 64,800 (64,400)	5,942 65,300 (64,300)	23,630 (23,500)
Gas Production (1,000 MCF.) (MCF/D)	1,183 12,864	1,113 12,101	1,179 12,958	1,188 12,913	4,663
Water Production (1,000 Bbl.) (MB/D)	37,941 412.4	37,742 410.2	38,529 423.4	39,005 424.0	153,217
Water Injection (1,000 Bbl.) (MB/D)	47,371 514.9	52,983 575.9	51,415 565.0	52,440 570.0	204,209
Oil Price (\$/bbl.)	22.45	22.46	22.35	22.35	
Gas Price Adjusted (\$ per MCF of total produced gas)	3.43	3.45	3.50	3.55	

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EXHIBIT "B"

1983-1984 PLAN AND BUDGET

EXHIBIT C-4

ECONOMIC PROJECTIONS

(Data in Thousands of Dollars)

Furnished by City and (State)

	Actual 3rd Quarter 1983	Actual 4th Quarter 1983	1st Quarter 1984	2nd Quarter 1984	TOT-L
<u>ESTIMATED INCOME</u>					
Oil Income	132,455	132,469	131,776	132,804	529,504
Gas Income	4,058	3,840	4,127	4,217	16,242
TOTAL INCOME	<u>136,513</u>	<u>136,309</u>	<u>135,903</u>	<u>137,021</u>	<u>545,746</u> (543,000)
<u>ESTIMATED EXPENDITURES</u>					
Development Drilling Program	20,722	19,083	18,761	18,762	77,328
Oil & Gas Production Program	18,903	18,090	19,726	19,726	76,445
Enhanced Recovery Program	1,178	1,115	1,226	1,225	4,744
Water Injection Program	7,036	6,967	7,952	7,952	29,907
Management Program	4,879	4,136	5,101	5,101	19,217
Taxes, Permits & Land Rental Program	<u>1,908</u>	<u>10,780</u>	<u>1,910</u>	<u>10,213</u>	<u>24,811</u>
TOTAL EXPENDITURES	54,626	60,171	54,676	62,979	232,452 (225,000)
<u>NET INCOME</u>	<u>81,887</u>	<u>76,138</u>	<u>81,227</u>	<u>74,042</u>	<u>313,294</u> (318,000)

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EXHIBIT "B" (Continued)

ATTACHMENT TO EXHIBIT C-4
 PLAN AND BUDGET 1983-1984
 (MILLIONS OF DOLLARS)

	<u>Budgeted Funds</u>	<u>Estimated Expenditures</u>	<u>Estimated Carry Out</u>	<u>Estimated Surplus/(Deficit)</u>
A. Drilling & Development Program				
1. Drilling & Redrilling	91,257	74,354	11,300	5,604
Administrative Overhead	3,651	2,974	452	224
Program Total	94,908	77,328	11,752	5,828
B. Oil & Gas Production Program				
1. Oil Well Repairs	24,072	25,074	0	(1,002)
2. Fluid Lifting	25,132	21,594	313	3,225
3. Surface Fluid Handling	3,317	3,305	59	(47)
4. Gas Handling	1,151	1,159	0	(8)
5. Production Maintenance	25,304	22,373	520	2,411
6. Special Projects	540	0	0	540
Administrative Overhead	3,181	2,940	36	205
Program Total	82,697	76,415	928	5,324
C. Enhanced Recovery & Stimul. Prog.				
1. Caustic Flood	5,088	3,973	0	1,115
2. Steam Drive	388	84	0	304
3. Stimulation	898	505	0	393
Administrative Overhead	255	182	0	73
Program Total	6,629	4,744	0	1,885
D. Water Injection Program				
1. Injection Well Repair	7,509	5,232	550	1,727
2. Water Injection System	26,394	23,525	2,030	839
Administrative Overhead	1,356	1,150	103	103
Program Total	35,259	29,907	2,683	2,669

EXHIBIT "B" (Continued)

ATTACHMENT TO EXHIBIT C-1
 PLAN AND BUDGET 1983-1984
 (MILLIONS OF DOLLARS)

	<u>Budgeted Funds</u>	<u>Estimated Expenditures</u>	<u>Estimated Carry Out</u>	<u>Estimated Surplus/(Deficit)</u>
E. Management Program				
1. Management Expense	9,947	9,585	450	(88)
2. General Expense	8,783	8,893	0	(110)
Administrative Overhead	749	739	18	(8)
Program Total	19,479	19,217	468	(206)
F. Taxes, Permits, & Land Rental Prog.				
1. Taxes	17,320	22,531	0	(5,211)
2. Permits	1,065	997	0	68
3. Land Rental	1,251	1,234	0	17
Administrative Overhead	50	49	0	1
Program Total	19,686	24,811	0	(5,125)
Estimated Investment Expenditures		57,505		
Estimated Expense Expenditures		166,913		
Estimated Administrative Overhead		8,034		
Estimated Total Expenditures		232,452		
Estimated Carry Out		15,831		
Estimated Surplus/Deficit		10,375		

(Rev. 1/31/84)