

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 8
to 0 at its 6/21/84
meeting.

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CALENDAR ITEM

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Lammers

ELEVENTH 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 Eleventh 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 Eleventh Modification revises Exhibits C-3 and C-4 in PART V of the Plan and Budget based on data available through March 31, 1984. 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 for the Unit during the first nine months of the 1983-1984 Plan Year was 65,025 B/D, 4,200 B/D more than the original estimate. Production for the last week of the period averaged 68,655 B/D, almost 8,500 B/D more than originally forecast. Gas production averaged 12,844 MCF/D during the first nine months, 2,179 MCF/D above the originally estimated rate due to the higher oil rate. Water Injection averaged 560,044 B/D for the first nine months, 14,469 B/D below the projected rate. However, injection for March 1984 averaged 612,536 B/D, approximately 30,000 B/D above the rate estimated in preparing the Plan.

Drilling rig activity was reduced from nine to eight rigs in early January as planned. During the first three quarters,

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56 new wells and 18 redrills were completed. Of the \$89.7 million adjusted budget for the Drilling and Development Program, \$58.1 million was expended. Of the expended amount, \$8.1 was for cellar expansion, with the balance directly related to rig activity. It is currently anticipated that about \$76.2 million will be expended, leaving a carry out of about \$9 million and surplus of \$4.5 million.

The adjusted budget provided \$82.7 million for the Oil and Gas Production Program of which \$55.3 million was expended through the third quarter. With the higher gross production rate and a slight increase in electrical energy cost, fourth quarter expenditures will increase somewhat. Total expenditures for this budget year for the program are now estimated at \$75.8 million.

In the Enhanced Recovery and Stimulation Program expenditures continue in the caustic flood demonstration even though caustic injection was terminated in December 1983. Softened water is still being injected to reduce the possibility of formation plugging, and cost centers are being retained to identify the high well maintenance costs associated with the project. A \$4.5 million refund was received in the third quarter for prepaid unused chemicals. While results of the pilot steam flood have been something less than dramatic, this project appears to be at least a marginal success. Expenditures for this Program through the first nine months were \$3.2 million, and total expenditures for the year are expected to be approximately \$4.2 million.

Although the water injection rate is now significantly higher than originally estimated total injection for the year, it is not expected to be significantly different than planned because of the lower injection rate in the first two quarters. Through nine months, \$21 million of the \$35.3 million budgeted for the Water Injection Program had been expended. Even with a higher expenditure rate in the fourth quarter because of the additional injection, a \$3 million surplus is expected in expense funding. Also, most of the investment funding will be carried into the next year. As a result, expenditures are not expected to exceed \$30 million.

The Management Program expenditures for the past two years have been distorted by the island repair and armor rock expenditures for the storm damage in early 1983. The City credited \$5.5 million to this program in the last quarter from the caustic chemical refund and a refund on waste disposal taxes. The Commission staff does not agree with this unilateral type of augmentation and believes that augmentation of the Budget requires State Lands Commission approval. \$13.8 million of the \$19.5 million budgeted for this program was expended by the end of the third quarter. Both the Unit Operator's Billable costs and THMS Employees Salaries and Burden are exceeding budget and approximately \$0.9 million will be required for these budget items.

Expenditures under the Taxes, Permits and Land Rental Program are extremely irregular because of installment paying. However, they are expected to be very close to the modified budget of \$24.9 million.

Based on these estimates total Unit expenditures for the year will be \$230 million with a carry-over of \$13 million and a budget surplus of \$16 million.

The adjusted total budget as of March 31, 1984, 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 \$334.3 million reflecting \$5.5 million credit and refunds. The original estimate in the 1983-1984 Plan and Budget approved by the Commission was \$266,699,000. The Commission staff's current estimate is \$335 without credits or refunds using slightly higher oil production rates and lower costs than was used in our previous quarterly review. 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 Eleventh Modification and finds that the estimated production, injection,

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expenditures and revenue shown in the revised exhibits are reasonable. When actual information through the fourth quarter of the 1983-1984 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

EXHIBITS: A. and B. Economic Projections -
 Basic Data.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

APPROVE THE ELEVENTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1983 THROUGH JUNE 30, 1984.

EXHIBIT "A"

1983-1984 PLAN AND BUDGET

EXHIBIT C-3

ECONOMIC PROJECTIONS - BASIC DATA

FURNISHED BY THE CITY OF LONG BEACH

	Actual 3rd Quarter	Actual 4th Quarter	Actual 1st Quarter	Estimated 2nd Quarter	TOTAL
Oil Production (1,000 Bbl.) (B/D)	5,900 64,130	5,898 64,112	6,084 66,856	6,325 69,500	24,207
Gas Production (1,000 MCF.) (MCF/D)	1,183 12,864	1,113 12,101	1,236 13,587	1,366 15,013	4,898
Water Production (1,000 Bbl.) (MB/D)	37,941 412.4	37,742 410.2	39,214 431.3	41,450 455.5	156,377
Water Injection (1,000 Bbl.) (MB/D)	47,371 514.9	52,983 575.9	53,658 589.7	56,875 625.0	210,887
Oil Price (\$/Bbl.)	22.45	22.16	22.38	22.40	
Gas Price Adjusted (\$/per MCF of total produced gas)	3.43	3.56	3.60	3.65	

(Rev. 4/24/84)

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EXHIBIT "B"

LONG BEACH UNIT
1983-1984. PLAN AND BUDGET

EXHIBIT C-4

ECONOMIC PROJECTIONS
(Data in Thousands of Dollars)

FURNISHED BY THE CITY OF LONG BEACH

	Actual 3rd Quarter 1983	Actual 4th Quarter 1983	Actual 1st Quarter 1984	2nd Quarter 1984	TOTAL
<u>ESTIMATED INCOME</u>					
Oil Income	132,455	132,469	136,160	141,680	542,764
Gas Income	4,058	3,962	4,450	4,986	17,456
TOTAL INCOME	<u>136,513</u>	<u>136,431</u>	<u>140,610</u>	<u>146,666</u>	<u>560,220</u>
<u>ESTIMATED EXPENDITURES</u>					
Development Drilling Program	20,722	19,078	18,273	18,337	76,410
Oil & Gas Production Program	18,903	18,091	18,262	20,767	76,023
Enhanced Recovery Program	1,178	1,115	923	1,270	4,489
Water Injection Program	7,036	6,970	6,953	9,003	29,962
Management Program	4,879	4,134	(251)	5,270	14,032
Taxes, Permits & Land Rental Program	1,908	10,778	1,079	16,703	24,468
TOTAL EXPENDITURES	<u>54,626</u>	<u>60,166</u>	<u>45,242</u>	<u>65,350</u>	<u>225,384</u>
NET INCOME	<u>81,887</u>	<u>76,265</u>	<u>95,368</u>	<u>81,316</u>	<u>334,836</u>

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EXHIBIT "B" (continued)

ATTACHMENT TO EXHIBIT C-4

LONG BEACH UNIT

PLAN AND BUDGET 1983-1984

(THOUSANDS 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	86,040	73,471	9,200	3,369
Administrative Overhead	3,651	2,939	368	344
Program Total	89,691	76,410	9,568	3,713
B. Oil & Gas Production Program				
1. Oil Well Repairs	24,872	23,312	0	1,560
2. Fluid Lifting	24,007	21,900	370	1,737
3. Surface Fluid Handling	3,642	3,570	0	72
4. Gas Handling	1,151	1,052	0	99
5. Production Maintenance	25,492	23,265	515	1,712
6. Special Projects	352	0	0	352
Administrative Overhead	3,181	2,924	35	222
Program Total	82,697	76,023	920	5,754
C. Enhanced Recovery & Stimul. Prog.				
1. Caustic Flood	5,088	3,874	0	1,214
2. Steam Drive	388	106	0	282
3. Stimulation	898	336	0	562
Administrative Overhead	255	173	0	82
Program Total	6,629	4,489	0	2,140
D. Water Injection Program				
1. Injection Well Repair	7,509	5,685	474	1,350
2. Water Injection System	26,393	23,125	1,783	1,485
Administrative Overhead	1,356	1,152	90	114
Program Total	35,258	29,962	2,347	2,949

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EXHIBIT "B" (continued)
 ATTACHMENT TO EXHIBIT C-4
 LONG BEACH UNIT
 PLAN AND BUDGET 1983 - 1984
 (THOUSANDS OF DOLLARS)

	<u>Budgeted Funds</u>	<u>Estimated Expenditures</u>	<u>Estimated Carry Out</u>	<u>Estimated Surplus/(Deficit)</u>
E. Management Program			450	(279)
1. Management Expense	9,947	9,776	0	5,067
2. General Expense	8,783	3,716	18	191
Administrative Overhead	749	540		
Program Total	19,479	14,032	468	4,979
F. Taxes, Permits, & Land Rental Prog.				0
1. Taxes	22,537	22,537	0	408
2. Permits	1,065	657	0	26
3. Land Rental	1,251	1,225	0	1
Administrative Overhead	50	49	0	
Program Total	24,903	24,468	0	435
Estimated Investment Expenditures		55,874		
Estimated Expense Expenditures		161,733		
Estimated Administrative Overhead		7,777		
Estimated Total Expenditures		225,384		
Estimated Carry Out		13,303		
Estimated Surplus/Deficit		19,970		

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