

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 2
to C at its 6/26/85
meeting.

CALENDAR ITEM

A 57, 58

S 29

: 35

06/27/85
W 17082
Lammers

TENTH MODIFICATION OF THE 1984-85
PLAN OF DEVELOPMENT, OPERATIONS AND BUDGET
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY
REVISING ECONOMIC PROJECTIONS

The City of Long Beach, has submitted to the Commission the Tenth Modification of the 1984-85 Plan of Development, Operations and Budget, Long Beach Unit, providing updated production and 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 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, nor transfer funds within the existing budget.

The average oil production rate during the first nine months of the 1984-85 Plan Year was 72,299 barrels per day, 7,602 barrels per day more than the originally estimated rate. The water injection rate of 646,400 barrels per day was 61,436 barrels per day above the projected figure. The City's staff now estimates that the net oil rate for the year will be 72,580 barrels per day with the gross rate 571,600 barrels per day and the injection rate 650,000 barrels per day.

The increased oil rate results from the subzoning being carried out through the drilling program, and more efficient water flooding.

Expenditures in the first nine months were \$155.0 million, when adjusted for \$5.1 million in credits. This is only 61.7 percent of budgeted funds (64 percent adjusted for semi-annual tax payments). As anticipated, and following the pattern of the previous years, the drilling program is the most significantly overfunded area of the budget. Routine well maintenance, and workovers, are significantly less than planned. As a result of the increased fluid volumes being handled additional funding has been necessary in several of the energy intensive accounts. Also the delay in obtaining permits for ocean dumping of drilling cuttings and the increasing restrictions on local waste disposal sites has required additional funding for waste disposal.

The City estimates that expenditures against the 1984-85 budget will be approximately \$215.5 million excluding credits of \$5.1 million. Carry-over is estimated at \$10.2 million leaving a surplus of \$25.6 million in the \$251.3 adjusted budget for the year. The State estimates a surplus about \$1 million higher.

Total Unit income for the 1984-85 fiscal year has been adjusted upward because of the increase in estimated oil rate. The oil price was also slightly higher in the first half than originally estimated. Long Beach's net income estimate is now \$408.4 million excluding credits. The original estimate in the current plan and Budget was \$312 million. The difference is due to the higher than estimated oil rate and the estimated surplus. The figures do not reflect the reduction as to the Windfall Profit Tax imposed on the individual participants in the Unit. The State estimate of net income is \$410 million excluding credits.

The Commission's staff has reviewed the Tenth Modification and finds that the estimated production and injection expenditures and revenue shown in the revised exhibits are reasonable. When actual information for the 1984-85 Fiscal Year becomes available, a final report and closing statement will be prepared 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, OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1984 THROUGH JUNE 30, 1985.