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REVISIONS

CALENDAR ITEM

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THIRD MODIFICATION OF THE 1985-86  
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 submitted to the Commission the Third Modification of the 1985-86 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Fourth Modification revises Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through September 30, 1985. 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 quarter of the 1985-86 Plan Year was 73,166 barrels per day, 434 barrels per day less than originally estimated. The water production rate was 525,100 barrels per day, 19,100 barrels per day more than estimated and the water injection rate was 678,700 barrels per day, 17,000 barrels per day more than estimated. It is now estimated that the oil production rate for the year will be 72,892 barrels per day, 708 barrels per day less than originally estimated. The water production rate is now estimated at 534,100 barrels per day and the water injection rate 687,100 barrels per day for the year increases of 29,100 barrels per day and 17,400 barrels per day respectively.

It is becoming increasingly evident that the estimated oil rate for 1985-86 was overly optimistic. This is more apparent in the production for the current quarter. Fewer well completions as a result of eliminating one drilling rig in late 1984-85 and extended drilling times for equity work have had an effect on maintaining the oil rate. Of equal importance is evidence that the increased injection rates that initially lead to higher gross and net oil rates on which the forecast was based have now resulted in a higher water cut and lower oil rate.

Expenditures for the first quarter were \$47.1 million, when adjusted for a mining rights tax credit of \$2.4 million. Expenditures are \$2.5 million or approximately 5 percent less than originally estimated, excluding carry over funds. The reduction in expenditures is about equally distributed between the Development Drilling Program and the Oil and Gas Production Program. While waste disposal costs continue to remain substantially higher than budget because of inability to obtain permits for the dumping of the major part of drill cuttings and mud at sea and the lack of local disposal sites, funding is at least currently available from elsewhere in the budget. Some additional funds will also be required in the energy intensive accounts because of the higher fluid volumes being handled.

Based on the above and allowing for less significant adjustments, expenditures against the 1985-86 budget are expected to be approximately \$201 million. This allows for credits of \$2.4 million. Carry-over is estimated at \$7 million, leaving a surplus of \$21.3 million in the \$229.3 adjusted budget for the year.

Total Unit income for the 1985-86 fiscal year has been adjusted downward because of the decrease in estimated oil rate. Oil and gas prices were also slightly lower in the first quarter than originally estimated. The City now estimates net income to be \$406 million. The original estimate in the current Plan and Budget was \$411 million. The figures do not reflect any federal windfall profit tax imposed on the individual participants in the Unit.

The Commission's staff has reviewed the Third Modification and the estimated production, injection, expenditures and revenue shown in the revised exhibits. When actual information through the second quarter of the 1985-86 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

OTHER PERTINENT INFORMATION:

1. Pursuant to the Commission's delegation of authority and the State CEQA Guidelines (14 Cal. Adm. Code 15061), the staff has determined that this activity is exempt from the requirements of the CEQA because the activity is not a "project" as defined by CEQA and the State CEQA Guidelines.

Authority: P.R.C.: 21065 and 14 Cal. Adm. Code 15378.

2. Also in accordance with Part IV A. 4. a. and c., the following plan supplements are hereby reported to the Commission and incorporated into the plan. This reporting requires no action by the Commission.
  - a. Rent approximately 2.0 acres adjacent to THX drillsite from City of Long Beach for storage yard - \$73,000.
  - b. Prepare hazardous material management plans and install leak detection system for underground tanks - \$28,000.
  - c. Purchase two high efficiency replacement electric motors for water injection system - \$98,000.
  - d. Install three artificial reefs to mitigate loss of marine benthic habitat from island expansion - \$35,000.
  - e. Construct an employee change room on Pier J - \$25,000.
  - f. Open an escrow account with Southern California Edison to reserve capacity for a cogeneration power plant - \$80,000.
  - g. Modify and relocate microwave system in conjunction with THUMS' office relocation - \$72,000.
  - h. Purchase motor controllers for water injection plant - \$80,000.

CALENDAR ITEM NO. 28 (CONT'D)

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE THIRD MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1985 THROUGH JUNE 30, 1986.
2. FIND THAT THE ACTIVITY IS EXEMPT FROM THE REQUIREMENTS OF THE CEQA PURSUANT TO 14 CAL. ADM. CODE 15061 BECAUSE THE ACTIVITY IS NOT A PROJECT AS DEFINED BY P.R.C. 21065 AND 14 CAL. ADM. CODE 15378.