

MINUTE ITEM

This Calendar Item No. 28  
was adopted as a Calendar Item  
by the State Lands  
Commission by a vote of 3  
to 0 at its meeting on  
meeting.

CALENDAR ITEM

28

06/26/86  
W 17084  
Lammers

A 57, 58

S 29

EIGHTH 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 Eighth 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 Eighth Modification revises Exhibits "C-3" and "C-4" in Part V of the subject Plan and Budget based on data available through March 31, 1986. 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 third quarter of the 1985-86 Plan Year was 69,956 barrels per day, 3,744 barrels per day less than originally estimated. The water production rate was 526,000 barrels per day, 8,600 barrels per day more than estimated and the water injection rate was 647,300 barrels per day; 25,300 barrels per day less than estimated. In the revised Exhibit "C-3" presented by the City, it is estimated that the oil production rate for the year will be 70,449 barrels per day, 3,151 barrels per day less than originally estimated. The water production rate is estimated at 513,200 barrels per day and the water injection rate 647,200 barrels per day for the year no change and a decrease of 22,600 barrels per day respectively from original estimates.

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It now appears that while the estimate average oil production rate for the last quarter of the Plan is reasonable the water production rate and water injection rate will be closer to 431,000 B/D and 553,000 B/D respectively. The oil production curtailed by shutting-in approximately 95 high cut wells for economic purposes will have a greater effect on gross production and injection than projected in preparing Exhibit "C-3".

Expenditures through the three quarters were \$145.1 million, before adjustment for a mining rights tax credit of \$2.4 million. On a prorated budget basis expenditures are \$8.5 million or approximately 6 percent less than originally estimated, excluding carry over funds, if the carry-over is included expenditures are \$33 million less. The reduction in expenditures is about equally distributed between the Development Drilling Program and the Oil and Gas Production Program. 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, however, funding is available from elsewhere in the budget.

Based on the above and allowing for less significant adjustments, expenditures against the 1985-86 budget are expected to be approximately \$195 million excluding the tax credits of \$2.4 million. Carry-over is estimated at \$4.5 million, leaving a surplus of \$32.2 million, including the credit, in the \$229.3 adjusted budget for the year.

Total Unit income for the 1985-85 Fiscal year has been adjusted downward because of the decrease in estimated oil rate and oil and gas prices. The City estimated net income to be \$294 million, at the revision date of April 25, 1986. The Commission's Staff current estimate for the budget year is \$295 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 Eighth Modification and the estimated production, injection, expenditures and revenue shown in the revised exhibits. When actual information through the fourth quarter of the 1985-86 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission as the Final Report and Closing Statement.

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.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. 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.
2. APPROVE THE EIGHTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1985 THROUGH JUNE 30, 1985.