MINUTE ITEM

This Calendar Item No. 30
was approved as Minute Item
30 by the State Lands
Commission by a vote of 2
to 0 at its 8/28/86
meeting.

CALENDAR ITEM

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08/28/86
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APPROVAL OF THE FINAL REPORT AND CLOSING STATEMENT OF THE 1985-86, PLAN OF DEVELOPMENT, OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach has requested Commission approval of the Final Report and Closing Statement of the Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1985 through June 30, 1986. This Final Report and Closing Statement, submitted in accordance with Part IV, E.3, of the subject Plan and Budget, summarizes the work accomplished under the Plan and reconciles the funds expended pursuant to the modified Budget.

The severe drop in oil price in early 1986 had its effect on the 1985-1986 Plan and Budget. The Seventh Modification, approved in April 1986, changed the plan to cut back drilling rig activity and make other corrections needed to cope with the significant drop in income. Many low oil producing and/or high water producing wells were shut in as no longer economical to operate and injection was reduced in line with the lower withdrawal. These changes are reflected in this closing statement.

During the 1985-86 fiscal year oil production totaled 25.72 million barrels and gas production was 5.46 billion cubic feet. At an average price of $16.30 per barrel of oil and $3.00 per thousand cubic feet of gas, the total value of Long Beach Unit production was $487.1 million. After deduction of $195.4 million in expenditures remaining net income attributable to the Unit was $291.6 million.

A total of 45 new wells and 10 redrills were spudded and completed during the fiscal year or were drilling at the end of the fiscal year. An additional five new wells in progress at the start of the plan year were completed. All redrills were to the same zone.

(ADDED 08/25/86)

The oil production was 4.3 percent lower and the water production rate 1.9 percent lower than the estimates included in the original economic projections. The water injection rate was 4.9 percent lower than projected.

With Commission approval, the Plan was modified nine times during the year. These included the Seventh Modification discussed earlier and three quarterly reviews.

Two projects totaling $475,000 were added to the Plan and funded by transfer, and funding for equity coring, originally carried into budget, was increased twice for a total of $1,849,000 by transfer. Funds were also transferred to cover a Thums personnel accounting change. There were no augmentations to the Budget during 1985-86. The modified Budget, including the investment fund carry-in from the previous year, totaled $229,340,000.

As of June 30, 1986 unexpended budget funds totaled $33,932,000 including $4,992,000 which became a part of the investment carry-over to the 1986-87 Budget and a surplus of $28,940,000. These figures include a $2,400,000 tax credit.

Following is s comparison between the 1985-1986 Budget as modified and expenditures (in thousands of dollars):

	Program	Approved Budget*	Budget Expenditures**	Unexpended Budget
A.	Drilling & Development	$ 63,777	$ 51,185	$ 12,592
B.	Oil & Gas Production	77,489	67,503	9,986
C.	Enhanced Recovery & Stimulation	2,105	516	1,589
D.	Water Injection	38,969	34,405	4,564
E.	Management	23,809	21,983	1,826
F.	Taxes, Permit & Land Rental	23,191	19,816	3,375
	Total Budget	229,340	195,408	33,932
	Carry-over		4,992	

*Including carry-in from 1984- 1985, modifications and budget transfers.

**Totals reflect a $2,400,000 credit.

The annual carry-over for projects is a result of the time between commitment for a project, design, bidding, procurement, construction, billing and payment.

The Commission staff has reviewed the Final Report and Closing Statement and found it to be an accurate summary of expenditures for the Long Beach Unit under the 1985-86 Plan Budget.

AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE FINAL REPORT AND CLOSING STATEMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1985 THROUGH JUNE 30, 1986.

(ADDED 08/25/86)