MINUTE ITEM

This Calendar Item No. 22 was approved as Minute Item No. 22 by the State Lands Commission by a vote of 2 to 0 at its 9/25/86 meeting.

CALENDAR ITEM

22

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09/25/86
W 17089
Lammers

SECOND MODIFICATION OF THE 1986-87
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY

The City of Long Beach has submitted to the Commission the Second Modification of the 1986-87 Plan of Development and Operations and Budget of the Long Beach Unit. The Second Modification reduces the Budget by an additional $15,459,000 to $137,000,000 and modifies the Plan, when necessary, to meet the lower expenditure rate. The most significant Plan change is the reduction of drilling activity to one active drilling rig for the balance of the year.

With the average posted price of 17° API Wilmington crude oil declining to under $8.50 per barrel in July the need for additional cost reduction measures for the Long Beach Unit appeared crucial. It was agreed to reduce drilling activity and the Field Contractor reviewed areas where additional savings might be made or expenditures were expected to be less than budgeted. Resulting reductions approximated $18.5 million. It was found however that the energy savings from interruptible service were less than previously estimated by $3 million. These funds were returned to the budget with the net effect of a $15.5 million reduction.

While crude oil prices have recently recovered somewhat the increase has not been sufficient to warrant additional drilling rig activity. Desirable new well locations were becoming a rarity before oil prices started to decline and rig activity reductions had already been planned. Cost reduction programs developed by the Unit Operator and the Field Contractor that will not effect production should be put into effect or continued under any circumstances.

Details of the cost reductions and the affected Budget Items together with the new budgeted amounts are presented in the attached Field Contractors request for this Modification. Also presented in that request are revised Exhibits "C-3" and "C-4" which detail the lower anticipated levels of production and injection resulting from this modification, the current oil price, the reduced rate of expenditures, and the anticipated net income.

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.

EXHIBIT: A. Field Contractor's Request Letter.

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 SECOND MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1986 THROUGH JUNE 20, 1987.

EXHIBIT "A" W 17089

THUMS LONG BEACH

P.O. BOX 2900 · LONG BEACH, CALIFORNIA 90801

September 16, 1986

Mr. J. R. Hemphill, Director
Department of Oil Properties
333 West Ocean Boulevard
Long Beach, CA 90802

Dear Mr. Hemphill:

Subject: Thums Request No. [illegible]
Second Modificati[illegible] the Plan of Development and Op[illegible]ons and Budget of the Long Beach Unit (July 1, 1986 through June 30, 1987)

In accordance with provisions of Part IV, Section A-1, of the 1986-1987 Plan and Budget, we are submitting for your approval the Second Modification of the Plan of Development and Budget of the Long Beach Unit covering the period July 1, 1986 through June 30, 1987.

This modification further reduces the scope of the 1986-1987 Plan and Budget because of the continued uncertainty concerning oil prices. The average unit crude oil price, after a temporary 1 month drop, is currently slightly above a $10/barrel figure. (The First Modification of the 1986-1987 Plan was based on the assumption of a $10/barrel oil price). Included in this second modification is a revised Part III showing the present budget resulting from the first modification and carry-ins from the 1985-1986 Plan and Budget; changes made by this modification; and the adjusted budget.

These changes result from the reduction from two to one drilling rig in August, greater than anticipated personnel reduction resulting from Thums' Early Separation Enhancement Plan, anticipated savings in the taxes and fees levied on the Long Beach Unit, adjusted energy and water supply costs, and reduction of activity in the Oil and Gas Production, and Management Programs.

Also included are revised Exhibits C-3 and C-4 which detail the lower anticipated levels of production and injection resulting from this modification, the current oil price, the reduced level of expenditures, and the anticipated net income.

(PAGES 149-149.11 ADDED 09/24/86)

After approval, the total revised budget will be $137,000,000. Revenues of $237,119,000 are anticipated by this modification, resulting in a net operating profit of $100,115,000 to the Unit.

Your approval of this Second Modification to the 1986-1987 Plan and Budget is requested at your earliest convenience.

Yours very truly,

F. X. Pendarvis
General Manager

Attachment

BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
A.	DRILLING AND DEVELOPMENT PROGRAM			
	I. Drilling and Redrilling			
	a. Investment			
11-401	(1) Development Drilling	11,067	(4,317)	6,750
11-403	(2) Wells - Redrill/Recomplete	0	0	0
11-462	(3) Leasehold Improvements	0	0	0
11-468	(4) Drilling Equipment	0	0	0
11-469	(5) Waste Disposal	45	(45)	0
	Total Investment	11,112	(4,362)	6,750
	b. Expense			
11-941	(1) Oil Well Redrill	1,353	(653)	700
11-946	(2) Injection Well Redrill	1,168	0	1,168
11-951	(3) Operations - Salaried Employees	1,227	(737)	490
11-961	(4) Marine Transportation	523	(67)	456
11-962	(5) Leasehold Improvements/Maintenance	895	(70)	825
11-968	(6) Drilling Equipment/Support	1,717	(671)	1,046
11-969	(7) Waste Disposal	2,301	(1,218)	1,083
	Total Expense	9,184	(3,416)	5,768
	Total Drilling and Redrilling	20,296	(7,778)	12,518
	Total Investment	11,112	(4,362)	6,750
	Total Expense	9,184	(3,416)	5,768
	Total Drilling and Development Program	20,296	(7,778)	12,518
10-989	Administrative Overhead	811	(312)	499
	Program Total	21,107	(8,090)	13,017

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BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUST BUDGET
B.	OIL AND GAS PRODUCTION PROGRAM			
	1. Oil Well Repairs			
	a. Investment			
21-453	(1) Production Equipment	50	(40)	10
	Total Investment	50	(40)	10
	b. Expense			
21-900	(1) Direct Oil Well Charges	13,931	(247)	13,684
21-942	(2) Oil Well Workover	2,550	(58)	2,492
21-953	(3) Production Support-Equipment	634	(16)	618
21-955	(4) Production Support-Services	969	(434)	535
21-961	(5) Marine Transportation	521	(67)	454
21-969	(6) Waste Disposal	840	(115)	725
	Total Expense	19,446	(937)	18,508
	Total Oil Well Repairs	19,496	(977)	18,518
	2. Fluid Lifting			
	a. Investment			
22-410	(1) Subsurface Equipment	50	0	50
22-411	(2) Hydraulic Lift - Surface	475	(50)	425
22-412	(3) Scale and Corrosion Control	0	0	0
22-418	(4) Submersible Lift - Surface	46	0	46
22-456	(5) Production Test and Monitoring	182	(90)	92
22-465	(6) Communication	80	(80)	0
	Total Investment	833	(220)	613
	b. Expense			
22-911	(1) Hydraulic Lift-Surface	1,169	103	1,272
22-912	(2) Scale and Corrosion Control	405	(26)	379
22-918	(3) Submersible Lift-Surface	8,861	1,131	9,992
22-950	(4) Prod. Operators - Hourly Employees	3,020	(742)	2,278
22-951	(5) Operations - Salaried Employees	2,017	(2)	2,015
22-956	(6) Production Test and Monitoring	1,329	(121)	1,208
22-965	(7) Communications	233	(11)	222
	Total Expense	17,034	332	17,366
	Total Fluid Lifting	17,867	112	17,979

BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
B.	OIL AND GAS PRODUCTION PROGRAM (cont.)			
	3. Surface Fluid Handling			
	a. Investment			
23-405	(1) Oil Gathering	0	0	0
23-406	(2) Oil Treating	0	0	0
23-407	(3) Oil Storage	0	0	0
23-408	(4) Oil Transfer	0	0	0
	Total Investment	0	0	0
	b. Expense			
23-905	(1) Oil Gathering	1,768	(7)	1,761
23-906	(2) Oil Treating	1,098	(12)	1,086
23-907	(3) Oil Storage	110	(1)	109
23-908	(4) Oil Transfer	810	5	815
	Total Expense	3,786	(15)	3,771
	Total Surface Fluid Handling	3,786	(15)	3,771
	4. Gas Handling			
	a. Investment			
24-409	(1) Gas Gathering	0	0	0
24-416	(2) Gas Treating	0	0	0
	Total Investment	0	0	0
	b. Expense			
24-909	(1) Gas Gathering	366	(41)	325
24-916	(2) Gas Treating	697	0	697
	Total Expense	1,063	(41)	1,022
	Total Gas Handling	1,063	(41)	1,022

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BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
B.	OIL AND GAS PRODUCTION PROGRAM (cont.)			
	5. Production Maintenance			
	a. Investment			
25-458	(1) Automotive Equipment	84	0	84
25-460	(2) General Field Equipment	110	(80)	30
25-461	(3) Marine Equipment	0	0	0
25-462	(4) Leasehold Improvements	38	0	38
25-464	(5) Electrical	195	0	195
25-466	(6) Fresh Water Systems	0	0	0
25-497	(7) Environmental Control	0	0	0
	Total Investment	427	(80)	347
	b. Expense			
25-951	(1) Operations - Salaried Employees	2,027	(100)	1,927
25-957	(2) Security Guard Services	410	(210)	200
25-958	(3) Automotive Equipment	334	(54)	280
25-960	(4) Field Expense	2,318	(228)	2,090
25-961	(5) Marine Transportation	1,500	(282)	1,218
25-962	(6) Leasehold Improvements/Maintenance	4,361	(378)	3,07[illegible]
25-964	(7) Electrical Expense	2,110	(95)	2,015
25-966	(8) Fresh Water System	282	(1)	281
25-967	(9) Warehouse Maintenance and Supplies	1,254	(214)	1,040
25-997	(10) Environmental Control	1,262	(197)	1,065
	Total Expense	15,850	(1,759)	14,091
	Total Production Maintenance	16,277	(1,839)	14,438
	Total Investment	1,310	(340)	970
	Total Expense	57,178	(2,420)	54,758
	Total Oil and Gas Program	58,488	(2,760)	55,728
20-989	Administrative Overhead	2,340	(111)	2,229
	Program Total	60,828	(2,871)	57,957

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BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
C.	ENHANCED RECOVERY AND STIMULATION PROGRAM			
	1. Stimulation			
	a. Investment			
31-417	(1) Steam Injection	0	0	0
	Total Investment	0	0	0
	b. Expense			
31-917	(1) Steam Injection	0	0	0
31-940	(2) Oil Well Stimulation	204	(100)	104
	Total Expense	204	(100)	104
	Total Stimulation	204	(100)	104
	2. Steam Drive			
	a. Investment			
32-401	(1) Development Drilling	0	0	0
32-417	(2) Steam Injection	0	0	0
	Total Investment	0	0	0
	b. Expense			
32-900	(1) Direct Oil Well Charges	0	0	0
32-917	(2) Steam Injection	0	0	0
32-920	(3) Direct Injection Well Chrgs.	0	0	0
32-940	(4) Oil Well Stimulation	0	0	0
	Total Expense	0	0	0
	Total Steam Drive	0	0	0
	Total Investment	0	0	0
	Total Expense	204	(100)	104
	Total Enhanced Recovery and Stimulation Program	204	(100)	104
30-989	Administrative Overhead	8	(4)	4
	Program Total	212	(104)	108

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BUDGET CODE AND ACCOUNT NUMBER D.		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
	WATER INJECTION PROGRAM			
	1. Injection Well Repairs			
	a. Investment			
41-402	(1) Conversions	1,289	0	1,289
41-412	(2) Scale and Corrosion Control	0	0	0
	Total Investment	1,289	0	1,289
	b. Expense			
41-920	(1) Direct Injection Well Chrgs.	3,426	(77)	3,349
41-945	(2) Injection Well Stimulation	317	(82)	235
41-947	(3) Injection Well Workover	1,700	0	1,700
	Total Expense	5,443	(159)	5,284
	Total Injection Well Repairs	6,732	(159)	6,573
	2. Water Injection System			
	A. Investment			
42-414	(1) Produced Water Handling	0	0	0
42-425	(2) Water Injection	310	0	310
	Total Investment	310	0	310
	b. Expense			
42-914	(1) Produced Water Handling	5,430	(103)	5,327
42-925	(2) Water Injection	11,102	498	11,600
42-926	(3) Water Source Wells	170	9	179
42-927	(4) Pressured Water	3,560	(204)	3,356
42-928	(5) Water Injection Fresh Water	48	204	252
42-929	(6) Renovated Water	0	0	0
	Total Expense	20,310	404	20,714
	Total Water Injection System	20,620	404	21,024
	Total Investment	1,599	0	1,599
	Total Expense	25,753	245	25,998
	Total Water Injection Program	27,352	245	27,59[illegible]
40-989	Administrative Overhead	960	9	969
	Program Total	28,302	254	28,556

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BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
E.	MANAGEMENT PROGRAM			
	1. Management Expense			
	a. Investment			
51-463	(1) Fire Protection/Safety Equipment	10	0	10
51-483	(2) Data Processing	174	(74)	100
51-484	(3) General Office Equipment	11	0	11
	Total Investment	195	(74)	121
	b. Expense			
51-963	(1) Fire Protection and Safety	741	4	745
51-980	(2) Mgmt. and Adm. Salaries and Benefits	7,073	(430)	6,643
51-981	(3) Employee Expense	60	0	60
51-982	(4) Professional Services	192	0	192
51-983	(5) Data Processing	1,129	(106)	1,023
51-984	(6) General Office Equipment/Expense	487	0	487
51-985	(7) Engineering Services	4,153	(814)	3,339
	Total Expense	13,805	(1,346)	12,459
	Total Management Expense	14,000	(1,420)	12,580
	2. General Expense			
	b. Expense			
52-976	(1) Unit Operator's Billable Costs	4,055	0	4,055
52-977	(2) Unit Equity Expense	426	0	426
52-978	(3) Townlot Participation Adm.	5	0	5
52-986	(4) Management Projects	1,838	(548)	1,290
52-994	(5) Extraordinary Losses & Claims	15	0	15
52-999	(6) Prior Year Expense Adjustments	35	0	35
	Total Expense	6,374	(548)	5,826
	Total General Expense	6,374	(548)	5,826
	Total Investment	195	(74)	121
	Total Expense	20,179	(1,894)	18,285
	Total Management Program	20,374	(1,968)	18,406
50-989	Administrative Overhead	811	(79)	732
	Program Total	21,185	(2,047)	19,138

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BUDGET CODE AND ACCOUNT NUMBER		(Thousands of Dollars) CURRENT BUDGET AMOUNT	MODIFICATION	ADJUSTED BUDGET
F.	TAXES, PERMITS AND LAND RENTAL PROGRAM			
	1. Taxes			
	b. Expense			
61-810	(1) Impr. and Pers. Prop. Taxes	1,900	0	1,900
61-811	(2) Mining Rights Taxes	14,000	(2,500)	11,500
61-812	(3) L.B.&U. Prod. License	2,700	(80)	2,620
	Total Expense	18,600	(2,580)	16,020
	Total Taxes	18,600	(2,580)	16,020
	2. Permits			
	b. Expense			
62-828	(1) Petroleum and Gas Fund Assessment	475	(21)	454
62-829	(2) Other Taxes	0	0	0
62-970	(3) Permits, Licenses & Fees	270	0	270
	Total Expense	745	(21)	724
	Total Permits	745	(21)	724
	3. Land Rentals			
	b. Expense			
63-971	(1) Land Rentals	1,167	0	1,167
63-975	(2) Pipeline Permits	246	0	246
	Total Expense	1,413	0	1,413
	Total Land Rental	1,413	0	1,413
	Total Investment	0	0	0
	Total Expense	20,758	(2,601	18,157
	Total Taxes, Permits and Land Rental Program	20,758	(2,601)	18,157
60-989	Administrative Overhead	67	0	67
	Program Total	20,825	(2,601)	18,224
	Total Budget Investment	14,216	(4,776)	9,440
	Total Budget Expense	133,256	(10,186)	123,070
	Total Budget Admin. Overhead	4,987	(497)	4,490
	Total Budget	152,459	(15,459)	137,000
8.	BUDGET CONTINGENCY FUND	500	0	500

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1986-87 LBU PLAN AND BUDGET

EXHIBIT C-3

PRODUCTION AND PRICES

	Estimated 3rd Quarter 1986	Estimated 4th Quarter 1986	Estimated 1st Quarter 1987	Estimated 2nd Quarter 1987	TOTAL
Oil Production (1,000 Bbl.) (B/D)	5,712 62,500	5,642 61,800	5,620 60,800	5,400 59,200	22,274
Gas Production (1,000 MCF.) (MCF/D)	1,200 13,125	1,186 12,978	1,139 12,706	1,134 12,432	4,678
Water Production (1,000 Bbl.) (1,000 B/D)	34,447 377.5	34,649 379.7	34,903 382.5	35,159 385.3	139,158
Water Injection (1,000 Bbl.) (1,000 B/D)	43,800 480.0	43,800 480.0	42,800 480.0	43,800 480.0	175,200
Oil Price ($/Bbl.)	10.11	10.11	10.11	10.11	
Gas Price Adjusted ($ per MCF of total produced gas)	2.55	2.55	2.56	2.55	

1986-87 LBU PLAN AND BUDGET

EXHIBIT C-4

NET INCOME

(Data In Thousands of Dollars)

	Estimated 3rd Quarter 1986	Estimated 4th Quarter 1986	Estimated 1st Quarter 1987	Estimated 2nd Quarter 1987	TOTAL
ESTIMATED INCOME					
Oil Income	57,748	57,041	55,807	54,594	225,190
Gas Income	3,060	3,022	2,955	2,892	11,929
TOTAL INCOME	60,808	60,062	58,763	57,485	237,119
ESTIMATED EXPENDITURES					
Development Drilling Program	3,254	3,254	3,254	3,255	13,017
Oil & Gas Production Program	14,489	14,489	14,489	14,490	57,957
Enhanced Recovery Program	27	27	27	27	108
Water Injection Program	7,139	7,139	7,139	7,139	28,556
Management Program	4,784	4,784	4,785	4,785	19,138
Taxes, Permits & Land Rental Program	1,206	7,906	1,206	7,906	18,224
TOTAL EXPENDITURES	30,899	37,599	30,900	37,602	137,000
NET INCOME	29,909	22,463	27,863	19,864	100,119

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