

MINUTE ITEM

This Calendar Item No. 53
was submitted for information
only, no action thereon
being necessary.

INFORMATIVE CALENDAR ITEM

CALENDAR ITEM

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STATUS REPORT 1987-1988 PLAN YEAR
LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

With Commission approval, the 1987-1988 Plan of Development and Operations was modified seven times during the year. The original Budget submitted to the Commission by the City of Long Beach amounted to \$130,411,000. The carry-in from 1986-1987 added \$1,705,000 for a total budget of \$132,116,000. The First Modification reduced the budget by \$99,000 from \$132,116,000 to \$132,017,000.

A total of 7 new wells and 10 redrills were spudded and completed during the year. No new wells or redrills were in progress at the start of the plan year. These wells added 1,390 barrels of oil per day production to the Unit.

Budget - Exhibits 1-6.

One budget modification reduced the budget to more accurately reflect the anticipated scope of one project in the Plan:

- 1) First Budget Modification reduced the budget by \$99,000. This modification was because contingent funding for expected waste site cleanup costs for prior years disposals in the Drilling and Development Program was no longer considered necessary.

Three budget modifications added projects to the Plan:

- 1) First Budget Modification added the paving of J-3 drillsite. The cost of \$166,000 was funded by a transfer.

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- 2) Second Budget Modification added an additional four months of drilling rig activity, primarily to allow for the redrilling of existing wells, with a total of \$2,600,000 funded by transfer.
- 3) Sixth Budget Modification added the replacement of a large oil storage tank by two smaller tanks. The estimated \$650,000 cost was part of a total \$1,721,000 transferred between several accounts by this Modification.

Three budget modifications transferred and reallocated funds within the budget for taxes and expense items:

- 1) First Budget Modification transferred \$115,000 to a new Waste Disposal Budget Item Account No. 52-969, for non-operating liabilities previously budgeted elsewhere.
- 2) Fourth Budget Modification transferred \$815,000 within the budget into Taxes, Permits and Land Rental Programs to provide for additional mining rights taxes and land rental expense.
- 3) Sixth Budget Modification transferred \$105,000 to Waste Disposal Budget Item Account No. 21-969 and \$800,000 to the Leasehold Improvements Budget Item Account No. 25-962 in the Oil and Gas Production Program. This was required due to a change in charging waste disposal expenditures. Also \$100,000 was transferred to the Fresh Water Budget Item Account No. 25-977, to cover an increase in the cost of purchased makeup water.

As of June 30, 1988, unexpended budget funds totaled \$16.61 million including \$3.39 million which became a part of the carry-over to the 1988-1989 Budget and a surplus of \$13.2 million. The surplus resulted mainly from three factors:

- (a) Start up of a second drilling rig, planned for about the middle of the budget year, was delayed until March 1988.
- (b) Electrical energy cost were lower because Southern California Edison lowered its rate charges during the year.
- (c) The overall budget was over-funded. Several planned projects were not initiated.

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Following is a comparison between the 1987-88 Budget as modified and expenditures (in thousands of dollars):

<u>Program</u>	<u>Approved Budget*</u>	<u>Budget Expenditures</u>	<u>Unexpended Budget</u>
A. Drilling & Development	\$ 13,082	\$ 9,886	\$ 3,196
B. Oil and Gas Production	56,226	50,548	5,677
C. Enhanced Recovery & Stimulation	0	0	0
D. Water Injection	26,015	21,156	4,860
E. Management	18,934	16,349	2,585
F. Taxes, Permit & Land Rental	17,760	17,470	290
 Total Budget	 \$132,017	 \$115,409	 \$ 16,608
Carry-over to '88-'89	\$ 3,394		

* Including carry-in from 1986-1987, modifications and budget transfers.

Electrical Energy Expenditures - Exhibit 7.

The PUC approved a request from Southern California Edison to restructure their billing procedures applicable to commerce and industry effective January 1, 1988. The effects of this restructuring placed a greater burden on energy consumed during the time related "on peak" period of the day. The "on peak" period now pertains to the hours 12:00 p.m. to 6:00 p.m. on week days, except holidays from the first Sunday in June through the first Sunday in October. Since the Long Beach Unit consumes electrical energy on a rather constant basis, the change resulted in an overall energy cost savings of overall cost savings of over 20% a year with the largest part by far of the savings occurring during the non-summer billing period when there is no "on peak" period.

As can be seen from Exhibit 7 (Electrical Energy Costs), the average cost for each KWH of energy consumed during 1988-89 will vary from a low of 3.7 cents during the winter months to a high of about 6.5 cents during the summer months. The weighted average cost for each KWH consumed

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during 1988-89 is estimated to be about 4.70 cents compared to a weighted average cost of about 5.85 cents for 1987-88. This equates to a saving of about \$4,000,000 a year.

Production Rate - Exhibit 8.

During the 1987-1988 Plan year, oil production totaled 20.04 million barrels and gas production was 3.42 billion cubic feet.

The oil production was 3 percent lower and the water production rate 5 percent higher than the original estimates in the economic projections. The water injection rate was 4 percent higher than projected.

Net Revenue - Exhibits 9 and 10.

At an average of \$13.20 per barrel of oil and \$2.49 per thousand cubic feet of gas, the total value of Long Beach Unit production was \$272.7 million. After deduction of \$115.4 million in expenditures, remaining net income attributable to the Unit was \$157.3 million.

Oil Price Trend and 1988-1989 Potential Net Revenue Ranges - Exhibits 9 and 10.

An estimated oil price of \$11.00 per barrel was used to prepare the Plan of Development and Operations and Budget for 1988-1989. This would produce estimated oil revenue of \$204.2 million for the year. For each \$1 per barrel change in the oil price, \$18.6 million should be added or deleted from the estimated oil revenue.

AB 884: N/A.

- EXHIBITS:
1. Total 1987-88 Budget Expenditures.
 2. Drilling and Development Program Expenditures.
 3. Oil and Gas Production Program Expenditures.
 4. Water Injection Program Expenditures.
 5. Management Program Expenditures.

CALENDAR ITEM NO. 53 (CONT'D)

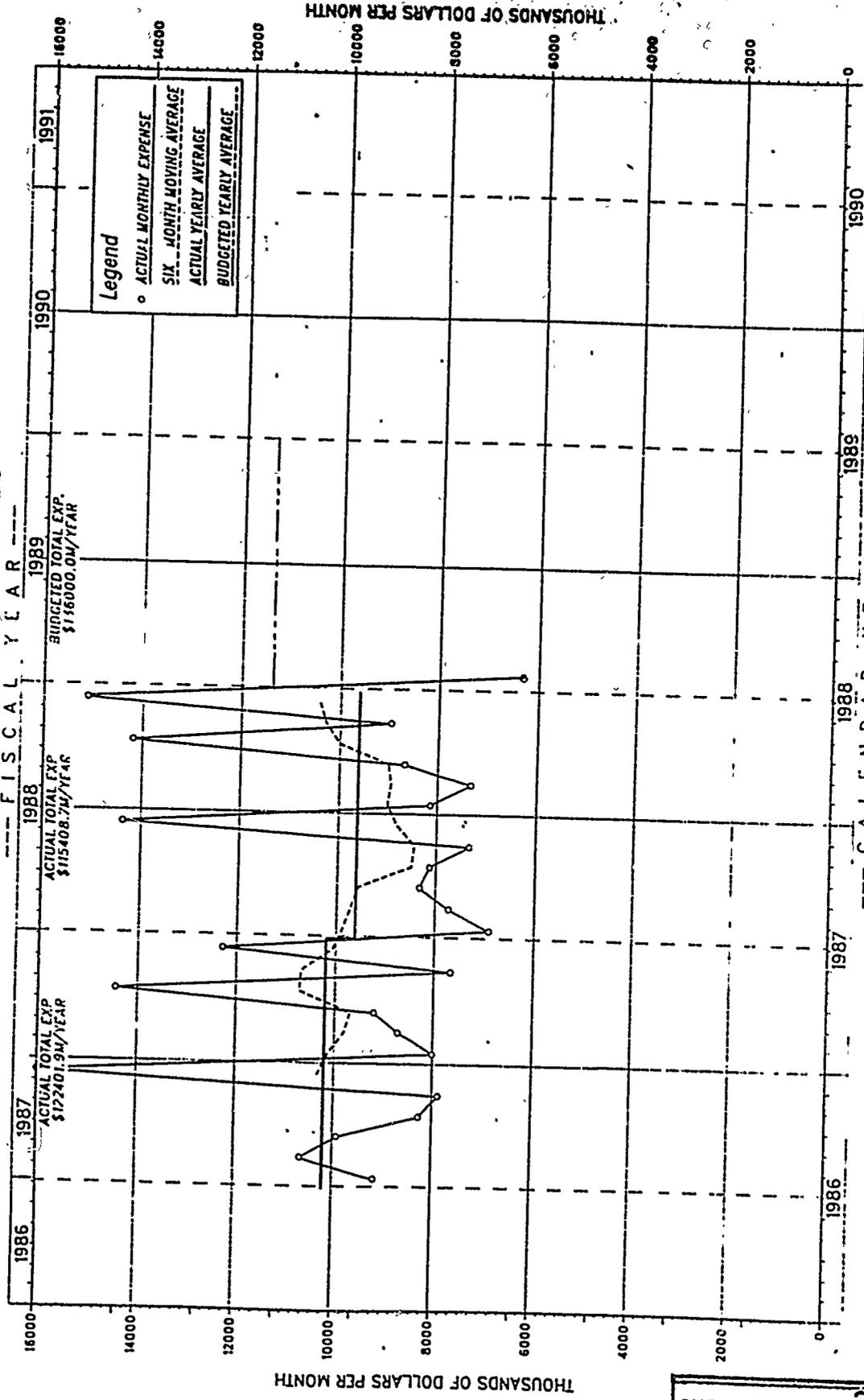
6. Taxes Permits and Land Rental Program Expenditure.
7. Electrical Energy Costs.
8. Oil Production Rate.
9. Oil Revenue/Costs.
10. Composite Oil Price/Costs.

EXHIBIT 1

LONG REACH UNIT

TOTAL BUDGET -- INCLUDING ADMIN. OVERHEAD

--- FISCAL YEAR ---



THOUSANDS OF DOLLARS PER MONTH

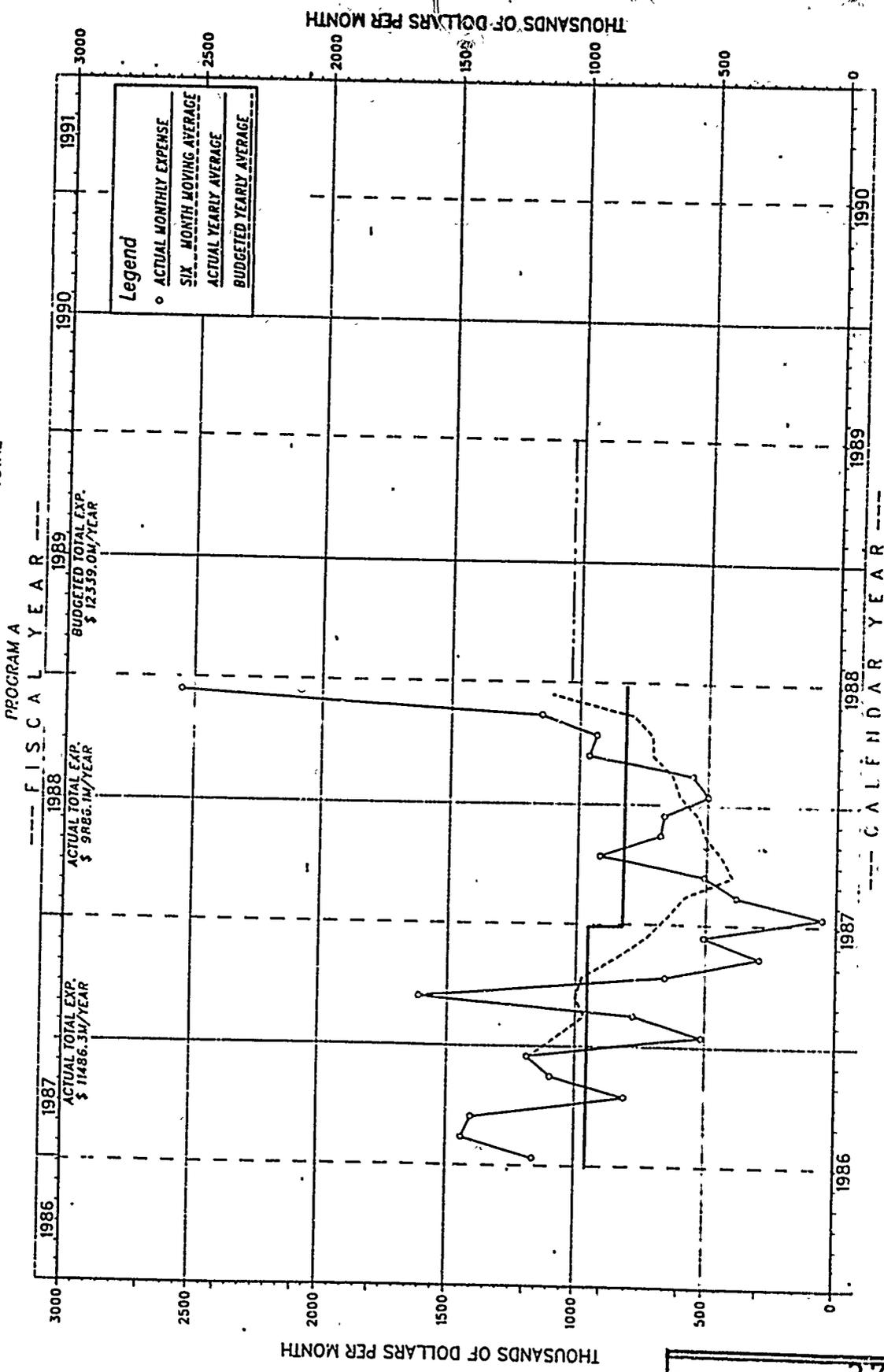
THOUSANDS OF DOLLARS PER MONTH

Legend
 ○ ACTUAL MONTHLY EXPENSE
 --- SIX-MONTH MOVING AVERAGE
 ACTUAL YEARLY AVERAGE
 -.-.- BUDGETED YEARLY AVERAGE

July 26 1988

EXHIBIT 2

DRILLING & DEVELOPMENT PROGRAM
 LONG BEACH UNIT TOTAL

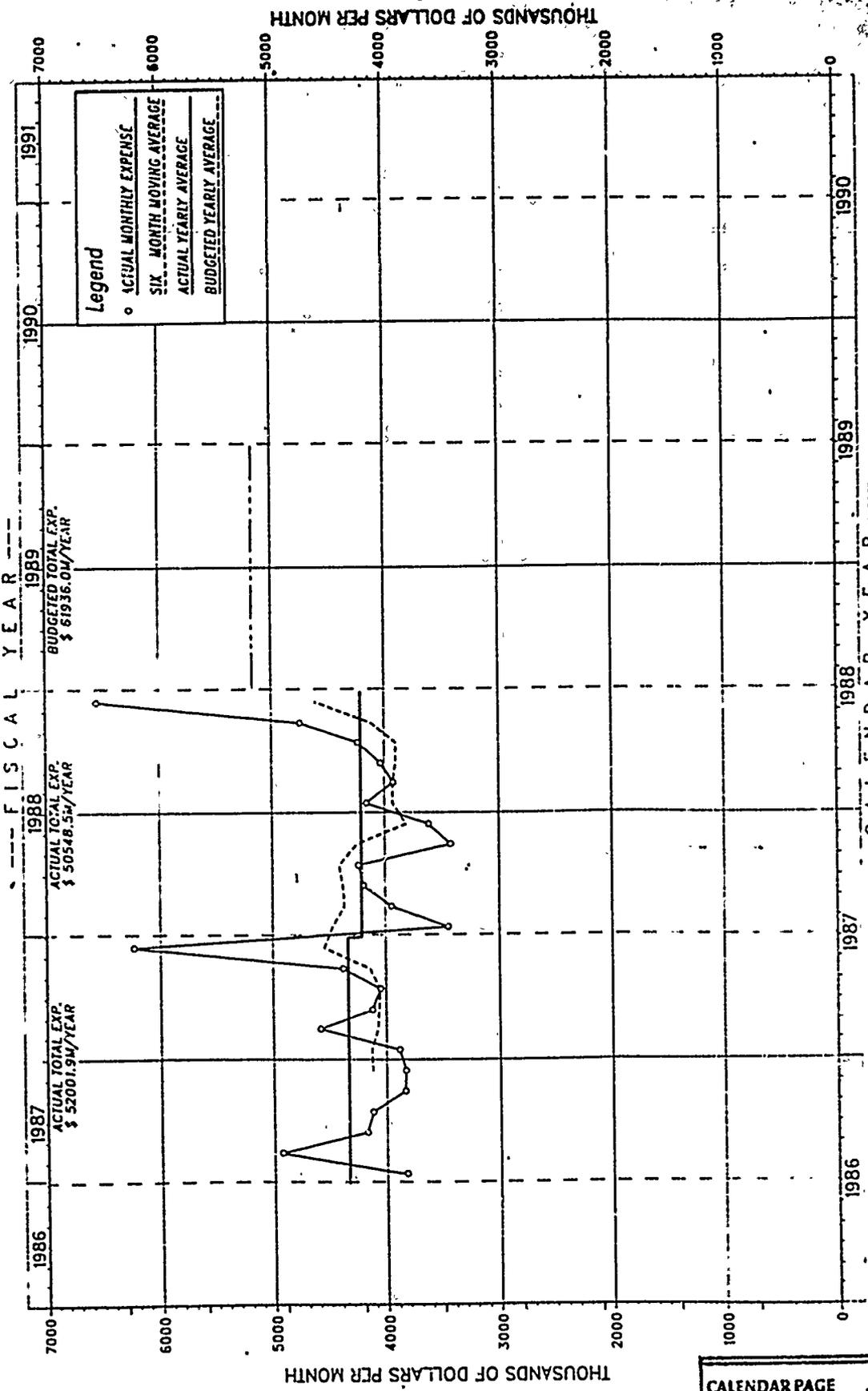


Jul, 26 1988

EXHIBIT 3

L O N G B E A C H U N I T
OIL & GAS PRODUCTION PROGRAM

PROGRAM B



July 26 1988

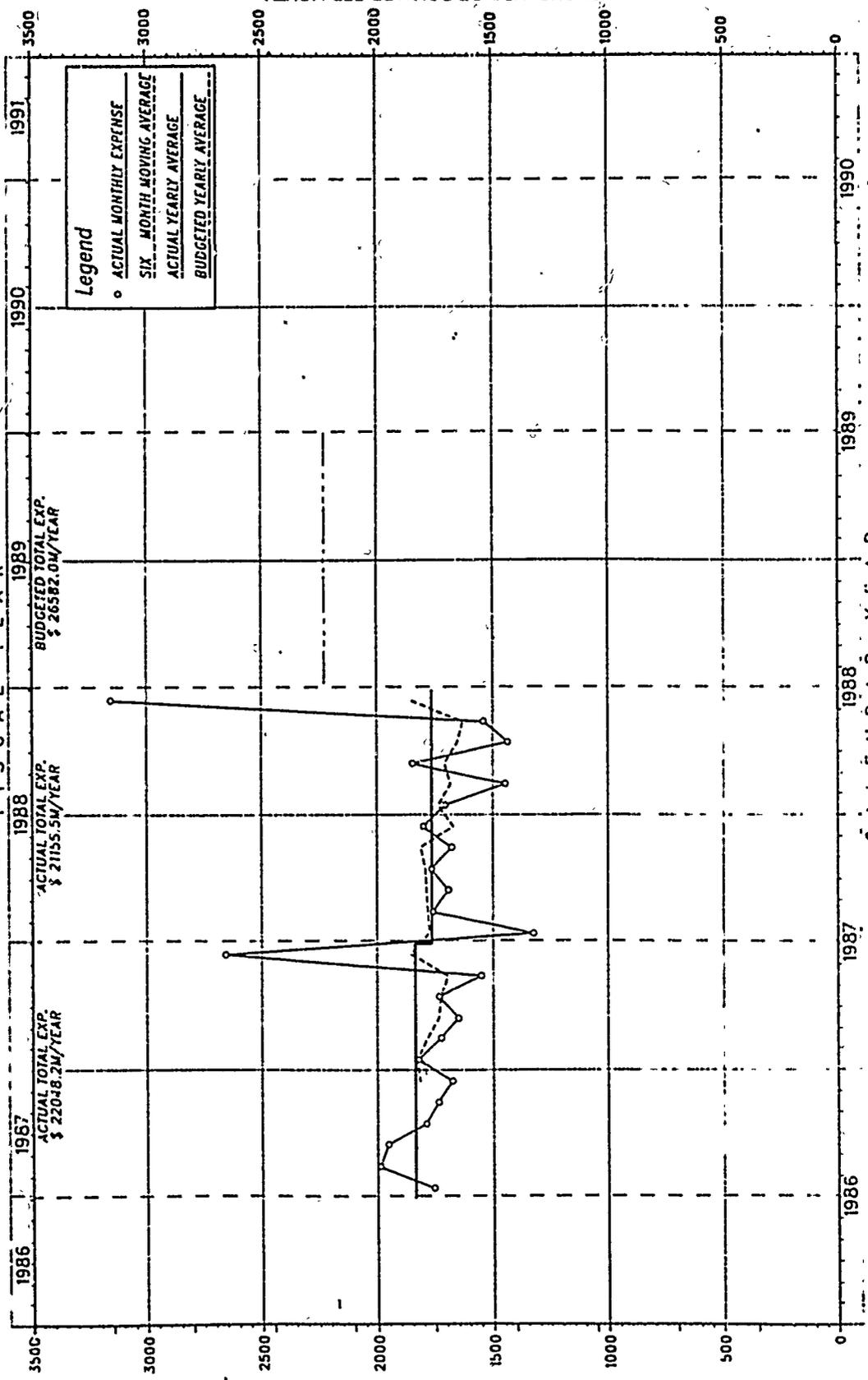
CALENDAR PAGE 371.7
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L O N G B E A C H U N I T
WATER INJECTION PROGRAM

EXHIBIT 4

PROGRAM D

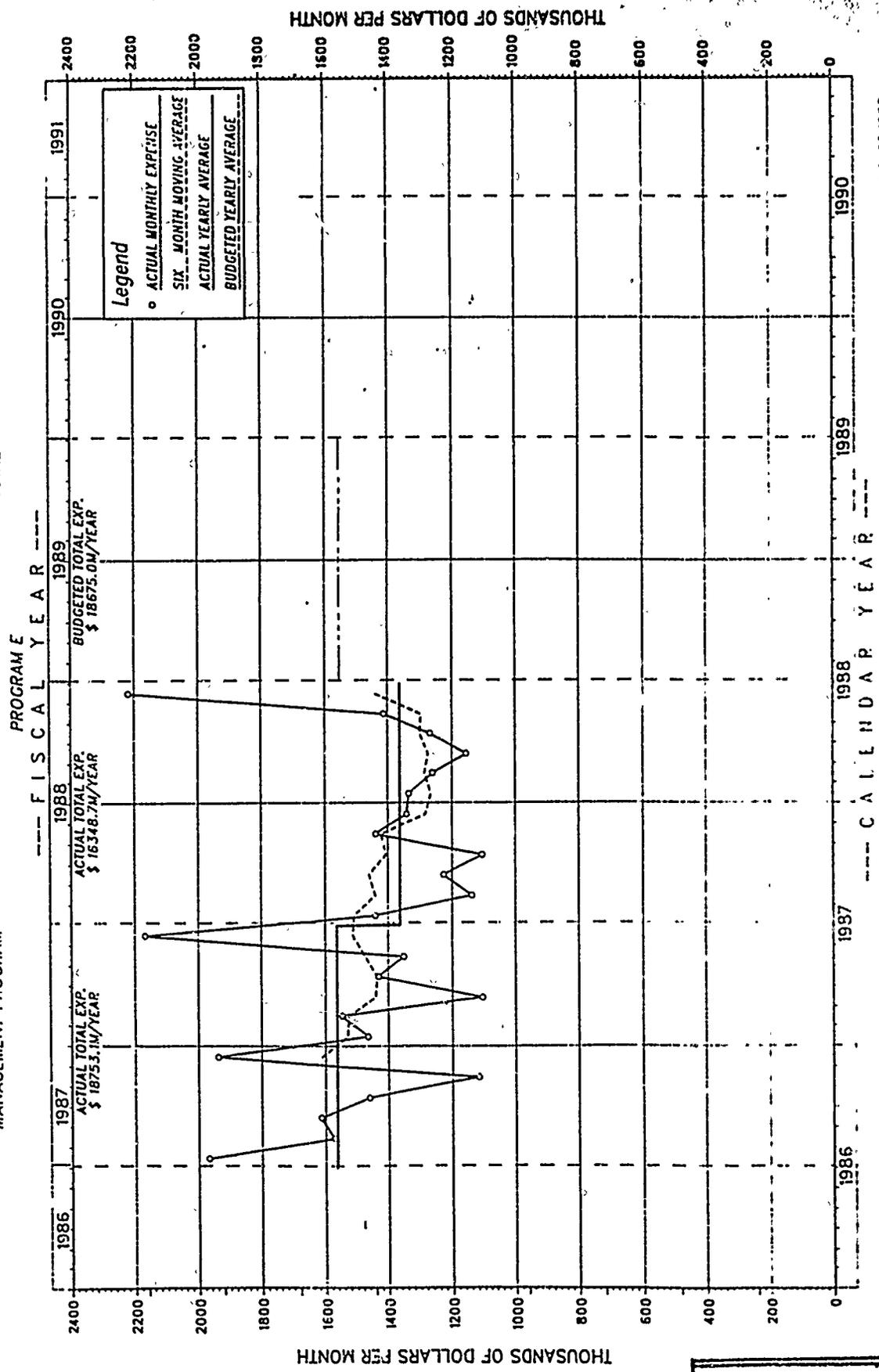
FISCAL YEAR



July 26 1988

EXHIBIT 6

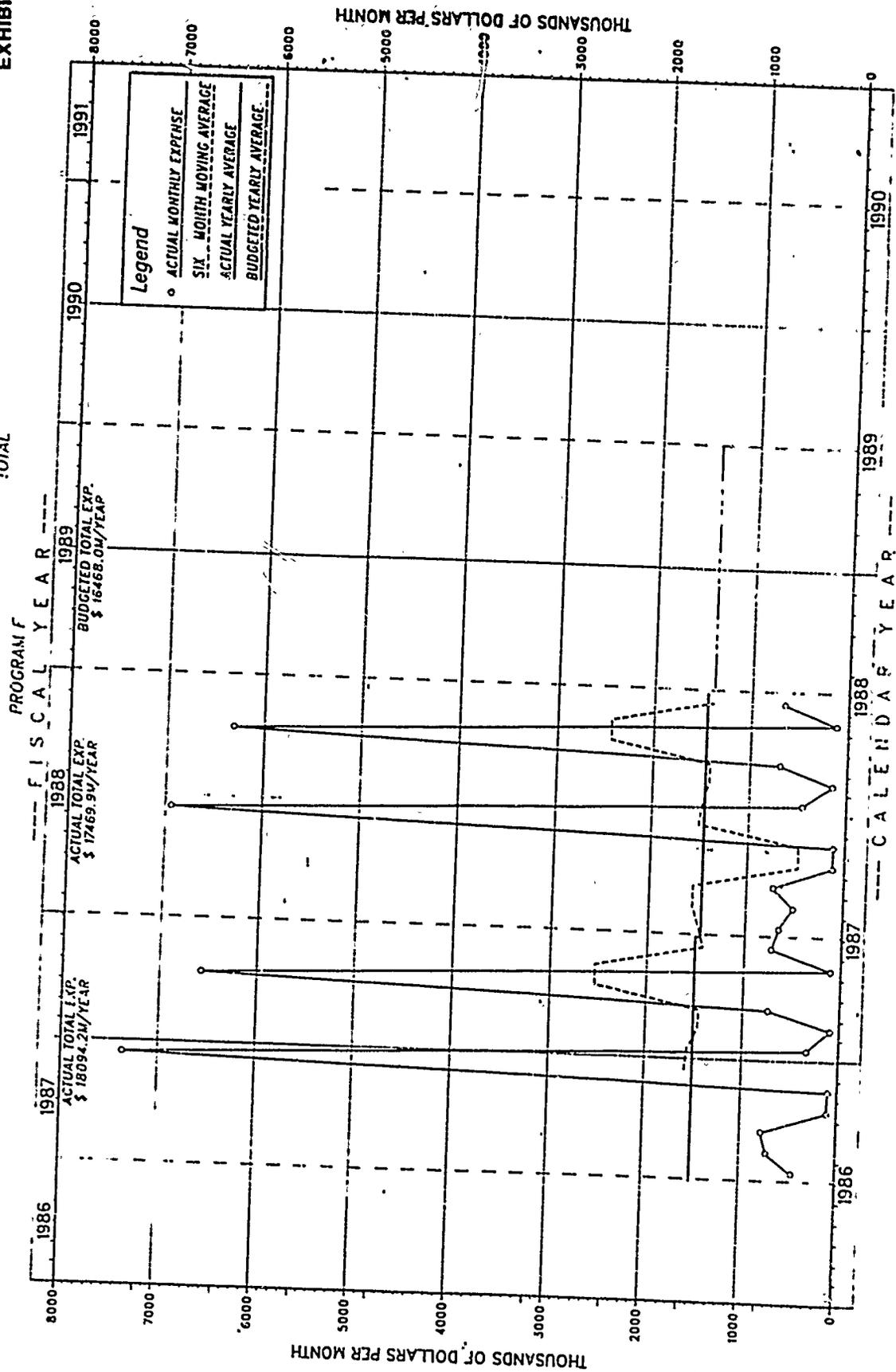
MANAGEMENT PROGRAM LONG BEACH UNIT TOTAL



July 26 1985

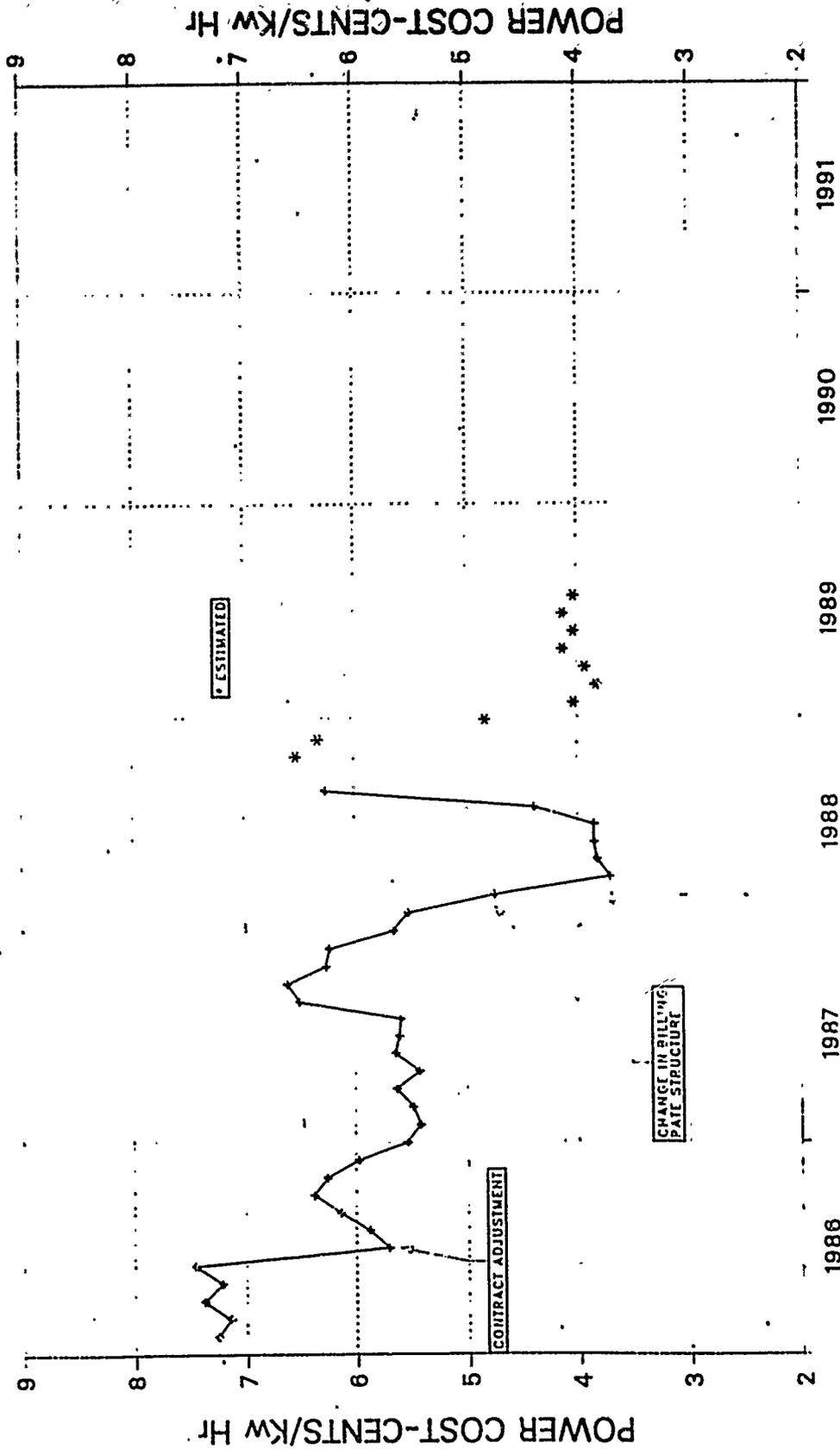
EXHIBIT 6

L O N G B E A C H U N I T
TAXES, PRMTS. & RENTAL PROGRAM



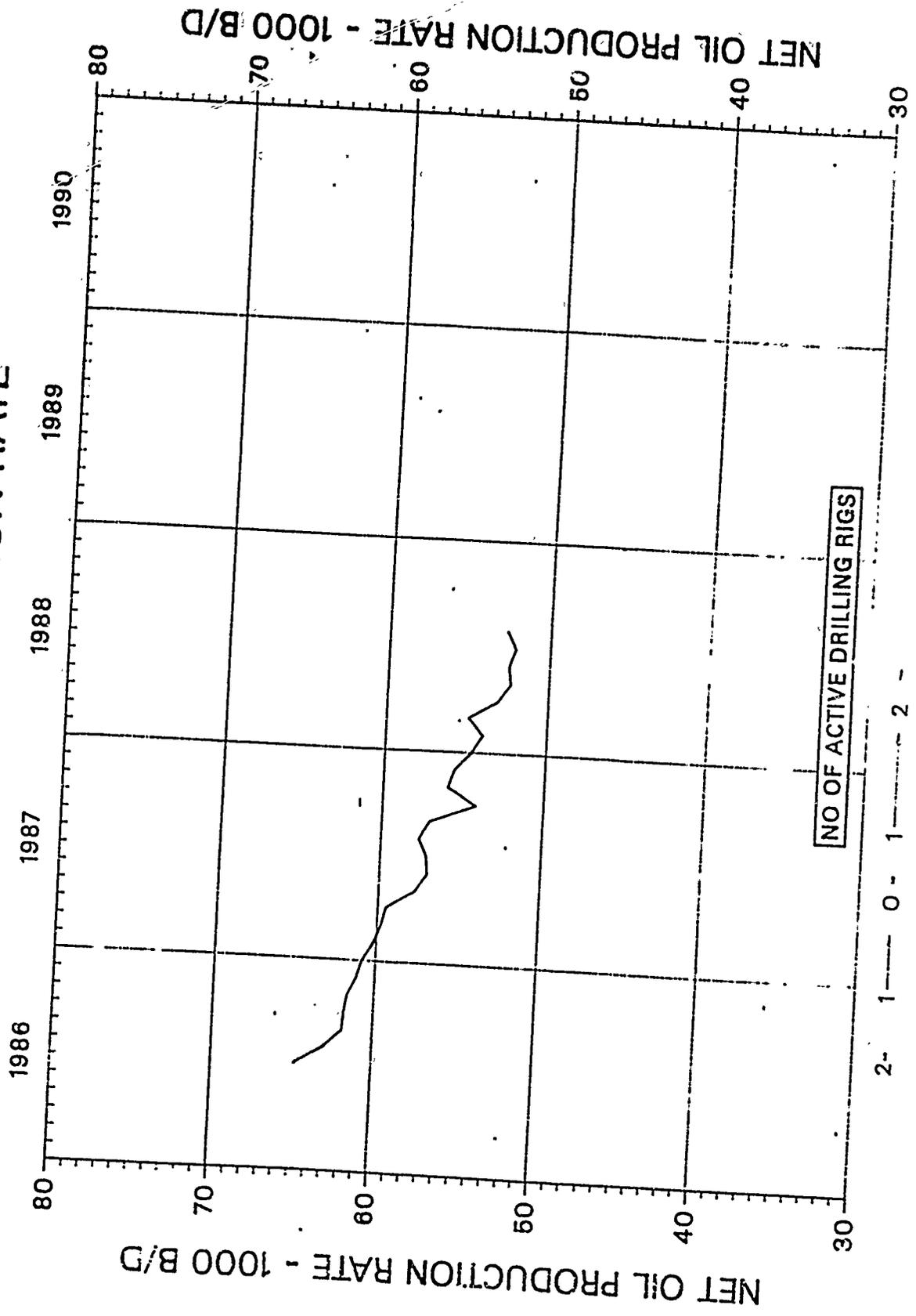
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LONG BEACH UNIT ELECTRICAL ENERGY COSTS



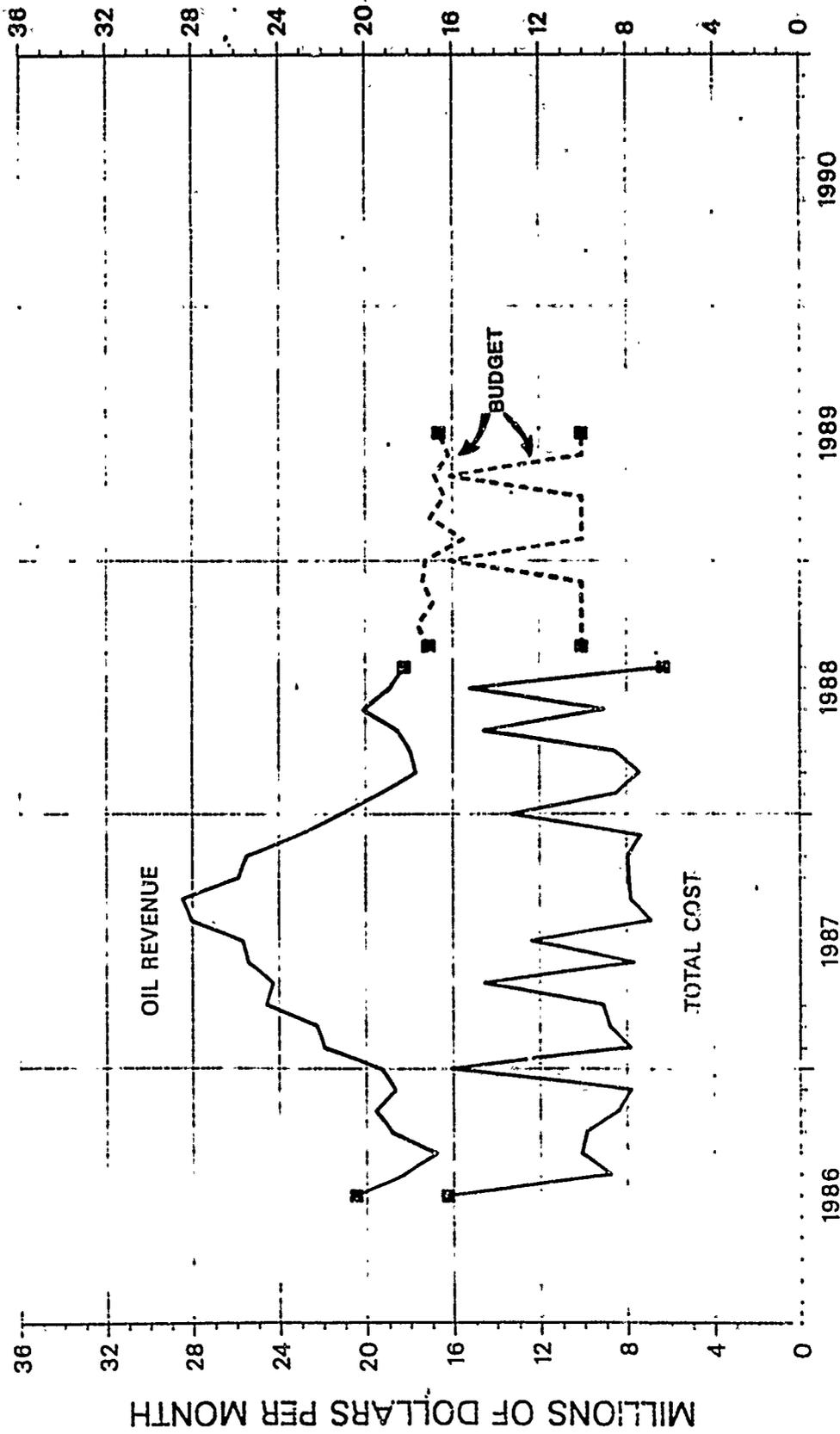
August 8 1988

LONG BEACH UNIT OIL PRODUCTION RATE



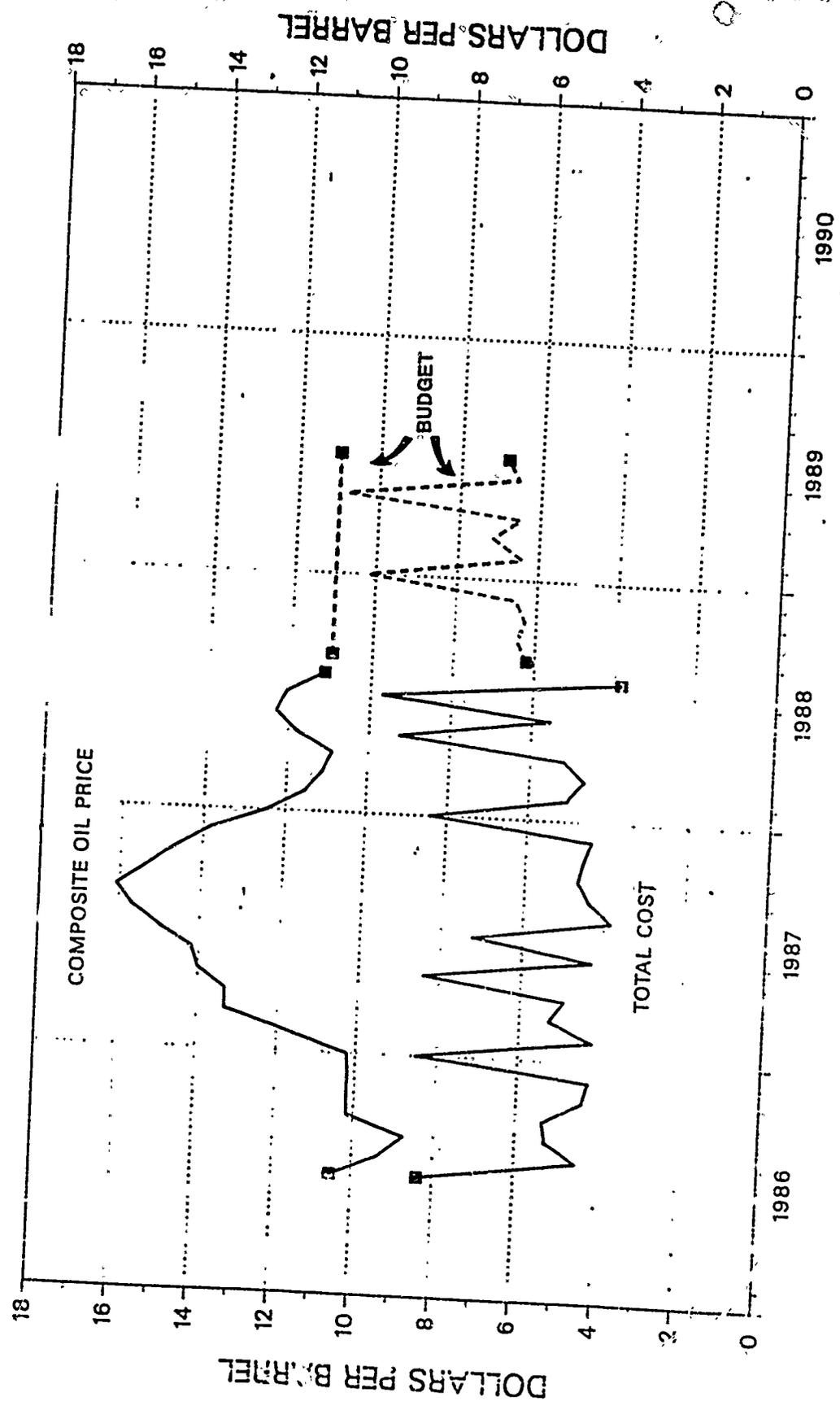
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LONG BEACH UNIT



August 8 1988

LONG BEACH UNIT



August 8 1988