

MINUTE ITEM
This Calendar Item No. 29
was approved as Minute Item
No. 29 by the State Lands
Commission by a vote of 3
0 at its 10/26/89
meeting.

CALENDAR ITEM

A 57, 58

29

10/26/89

W 17096

S 29

Naughton

FIRST QUARTER REPORT
1989-90 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET
LONG BEACH UNIT, WILMINGTON OIL FIELD
LOS ANGELES COUNTY

On September 30, 1989, the end of the first quarter of the 1989-90 fiscal year for the Long Beach Unit (Unit) Plan of Development and Operations and Budget, the adjusted budget was \$141,377,000, including administrative overhead costs. This amount consisted of the \$137,321,000 approved by the Commission on March 23, 1989 (Minute Item 28), plus \$4,056,000 carried over into 1989-90 to fund uncompleted 1988-89 projects still in progress on June 30, 1989.

During the first quarter, one plan supplement was approved to add the lease of a high-speed computer plotter for Unit equity-mapping projects. The cost of this project, estimated to be \$35,000 for one year, was funded within the existing approved budget.

Expenditures during the first quarter amounted to \$28,650,087 or 20.3 percent of the total budget. A plot of Unit expenditures through the first quarter is shown on Exhibit 1.

Oil production amounted to 4.392 million barrels and gas production was 814 million cubic feet. Projections for the quarter at the time the plan and budget was approved were 4.395 million barrels of oil and 793 million cubic feet of gas. A plot of Unit oil production rates is shown on Exhibit 2. At an average value of \$14.10 per barrel of oil and \$2.12 per thousand cubic feet of gas, the total value of Long Beach Unit production during the first quarter was \$63.657 million. This

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was higher than the \$53.057 million projected when the Unit budget was approved in March 1989. At that time, anticipated prices for Long Beach Unit production during the first quarter were expected to average \$11.65 per barrel of oil and \$2.34 per thousand cubic feet of gas. A plot of Unit oil prices is shown on Exhibit 3. Net income from Unit operations during the first quarter amounted to \$35.007 million. This is approximately \$13.4 million more than predicted at the beginning of the budget year, and is due mainly to the fact that total revenue was approximately \$10.7 million more than projected in the first quarter and expenditures were approximately \$3.0 million less than projected. The relationship between oil and prices and revenue to costs is shown on Exhibits 3 and 4.

Unit production experienced a greater than expected decline rate through the quarter. The July rate, at 48,576 barrels per day (B/D) was higher than the 47.776 B/D projected average for the quarter. However, the rate had declined to an average of 46,743 B/D for the month of September. This represents an annual production decline rate of 16.6 percent, whereas the anticipated decline was expected to continue at the generally five-percent rate experienced in the previous year. The staff is currently examining measures to arrest and reverse this high decline rate.

Significant accomplishments in each budget program during the first quarter were:

A. DRILLING AND DEVELOPMENT PROGRAM

Two drilling rigs were active during the first quarter. Three new producing wells and two new injection wells were completed. Two producing wells were converted to injection. Drilling activity was in the Ranger, Upper Terminal, Terminal, and UP Ford zones. This work is expected to add at least 450 barrels of oil per day to Unit production.

The adjusted budget for the Drilling and Development Program was \$20,504,000 of which \$3,758,800 (18.3%) were expended by September 30, 1989. A plot of monthly expenditures is shown on attached Exhibit 5.

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B. OIL AND GAS PRODUCTION PROGRAM

The Unit produced 4.392 million barrels of oil and 814.217 million cubic feet of gas during the first quarter. Average rates were 47,742 barrels of oil and 8,850 thousand cubic feet of gas per day versus projected rates of 47,776 B/D of oil and 8,624 MCF/D of gas. Program expenditures plotted as dollar-per-barrel of oil produced are shown on Exhibit 6. The principal function of the program is to produce gross fluid. The gross production was over 43.232 million barrels during the period, averaging 469,918 B/D for the first quarter. The projected rate was 474,700 B/D. The gross fluids rates and program expenditures plotted as dollars per barrel of gross-produced fluids are shown on Exhibit 7. A plot showing the numbers of active and shut-in-producing wells in the Unit is shown on Exhibit 8. The total number of producing wells decreased from 900 to 895 over the quarter as a result of three wells being shut-in and two converted to injection.

Major non-routing projects in progress include the construction of two 30,000-barrel oil storage tanks at the Pier J-6 site, replacement of deteriorated oil and gas gathering lines, repairing cracked well cellar walls on Pier J, and replacement of the auxiliary motor control center which operates the fire pumps on Island Chaffee. These are carry-over projects from 1988-89.

The adjusted budget for the Oil and Gas Production Program was \$60,205,000 of which \$13,349,041 (22.2%) were expended at the end of the first quarter. A plot of monthly expenditures is shown on attached Exhibit 9.

C. ENHANCED RECOVERY AND STIMULATION PROGRAM

No funds were budgeted for 1989-90 and no activity took place in this program.

D. WATER INJECTION PROGRAM

A total of 47.160 million barrels of water were injected during the first quarter. The average rate was 512,612 barrels per day which was 0.68 percent less than the 516,100 barrels per day projected. Gross-produced fluids amounted to 43.232 million barrels so the injection/production fluids volume ratio

CALENDAR ITEM NO. 29 (CONT'D)

averaged 1.09 percent for the quarter. Plots of water injection rates and program expenditures as dollar-per-barrel of water injected are shown on Exhibit 10. The cost per injected barrel continues to remain constant.

Major non-routing projects in progress included the installation of programmable monitors on all water injection pumps and the purchase and installation of two new gas-induced oil/water separators on Pier J.

The adjusted budget for the Water Injection Program amounted to \$24,212,000 of which \$5,225,418 (21.6%) were expended at the end of the first quarter. A plot of monthly expenditures is shown on attached Exhibit 11.

E. MANAGEMENT PROGRAM

The major portion of this program consists of expenditures for salaries, benefits, and expenses of the field contractor's management and administrative personnel, engineering and consultant services, data processing equipment purchases and operating costs, office expenses, including rental, supplies and services, and the Unit operator's billable costs. Other significant items include Unit equity expense, special management projects, townlot participation administration and special studies related to Unit waste management and disposal. A plot of program expenditures as dollar-per-barrel of oil produced is shown on Exhibit 12. The cost trend is continuing to increase due to the declining oil production rate.

Projects in progress during the first quarter included the purchase of additional Unit computer disk storage capacity and the purchase of a computer software system for general petroleum management applications.

The adjusted budget provided \$21,348,000 for the Management Program of which \$4,552,054 (21.3%) were expended during the first quarter. A plot of monthly expenditures is shown on Exhibit 13. Expenditures continue to be at about the same level as those incurred throughout 1988-89.

CALENDAR ITEM NO. 29 (CONT'D)

F. TAXES, PERMITS, AND LAND RENTALS PROGRAM

Budget funds for the Taxes, Permits, and Land Rental Program in 1989-90 amount to \$15,108,000 of which \$1,764,773 (11.7%) were expended in the first quarter. The major cash outflow in this program occurs with tax payments in December and April of the budget year. Expenditures for the fiscal year in this program are currently projected to be about 86 percent of the amount budgeted. This is because the prevailing oil price on lien date combined with anticipated Unit expenditures produces a current market value that is lower than the Proposition 13 valuation. A plot of program expenditures is shown on Exhibit 14.

A summary of the Long Beach Unit 1989-90 Plan and Budget activity during the first quarter ending September 30, 1989 (in thousands of dollars) is:

<u>Program Budget*</u>	<u>Adjusted to 09/30/89</u>	<u>Expenditures</u>
A. Drilling and Development	\$ 20,504	\$ 3,759 (18.3%)
B. Oil and Gas Production	9,205	13,349 (22.2%)
C. Enhanced Recovery and Stimulation	-0-	-0-
D. Water Injection	24,212	5,225 (21.6%)
E. Management	21,348	4,552 (21.3%)
F. Taxes, Permits, and Land Rentals	<u>5,108</u>	<u>1,765</u> (11.7%)
TOTALS	\$141,377	\$28,650 (20.3%)

*Includes funds carried over from 1988-89

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A plot of the combined expenditures of the Oil and Gas Production, Water Injection, and Management programs, as a dollar-per-barrel of oil cost, is shown on Exhibit 15.

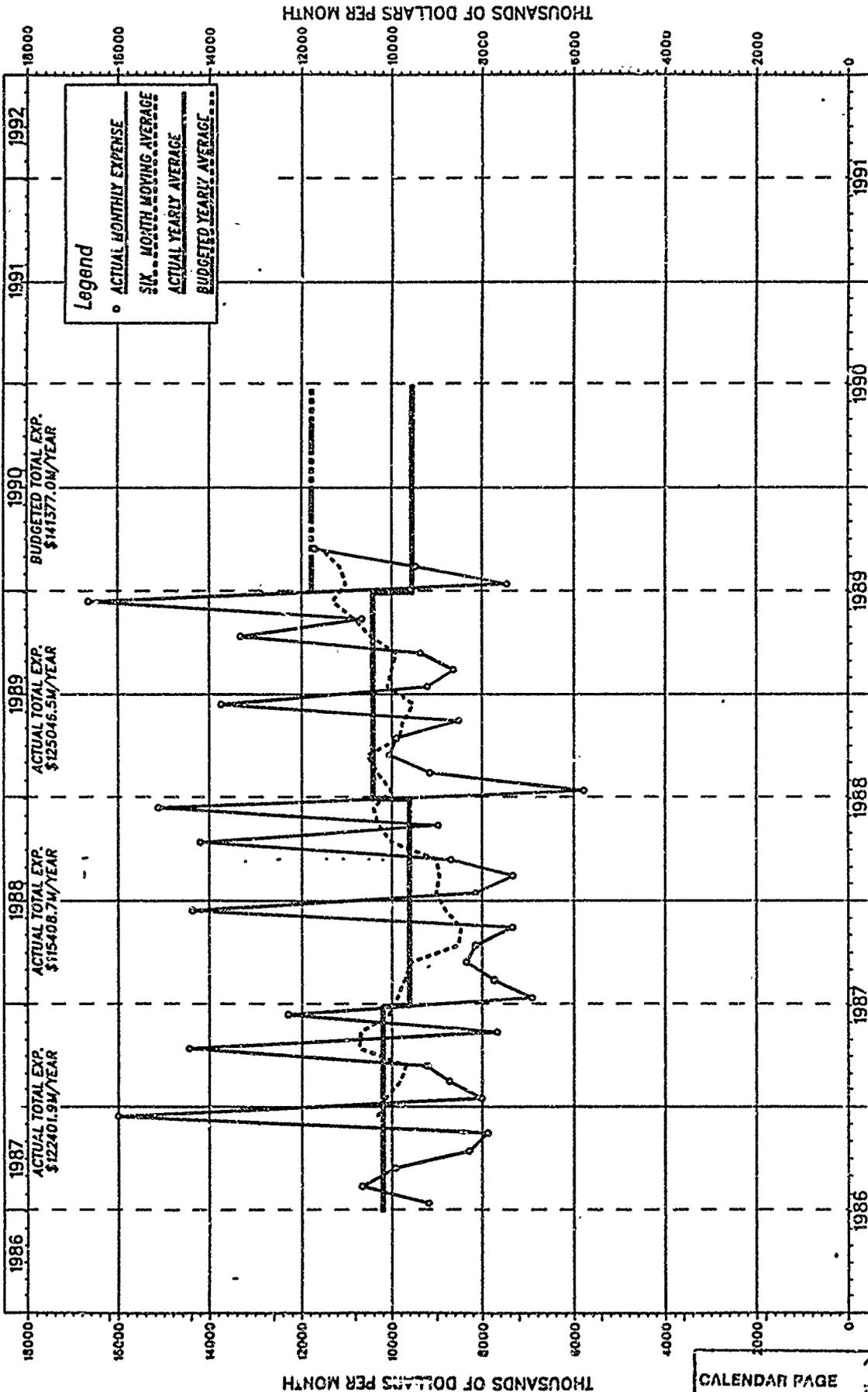
AB 884: N/A.

- EXHIBITS:
1. Total Budget Expenditures.
 2. Oil Production Rate.
 3. Oil Price and Costs.
 4. Oil Revenue and Costs.
 5. Drilling and Development Program Expenditures (Program "A").
 6. Program "B" Costs Dollar-Per-Barrel Oil.
 7. Program "B" Costs Dollar-Per-Barrel Gross Fluid.
 8. Producing Well County.
 9. Oil and Gas Production Program Expenditures (Program "B").
 10. Program "D" Costs Dollar-Per-Barrel Injected Water.
 11. Water Injection Program Expenditures (Program "D").
 12. Program "E" Costs Dollar-Per-Barrel Oil.
 13. Management Program Expenditures (Program "E").
 14. Taxes, Permit, and Land Rental Program Expenditures (Program "F").
 15. Programs "B", "D", and "E" Combined Costs Dollar-Per-Barrel Oil.

EXHIBIT 1

L O N G B E A C H U N I T

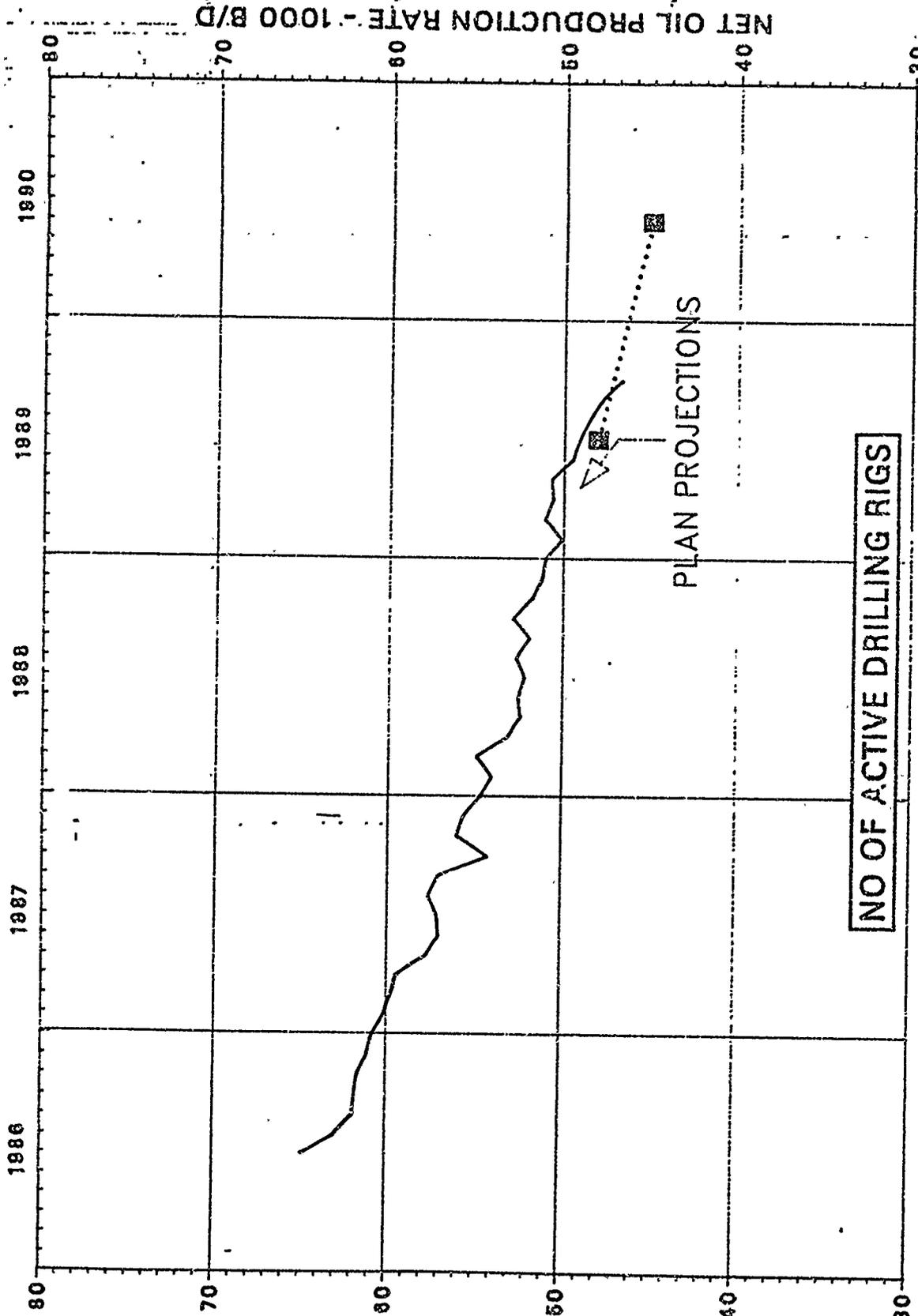
TOTAL BUDGET --- INCLUDING ADMIN. OVERHEAD
 --- FISCAL YEAR ---



October 17 1989

LONG BEACH UNIT OIL PRODUCTION RATE

EXHIBIT 2



NET OIL PRODUCTION RATE - 1000 B/D

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NO OF ACTIVE DRILLING RIGS

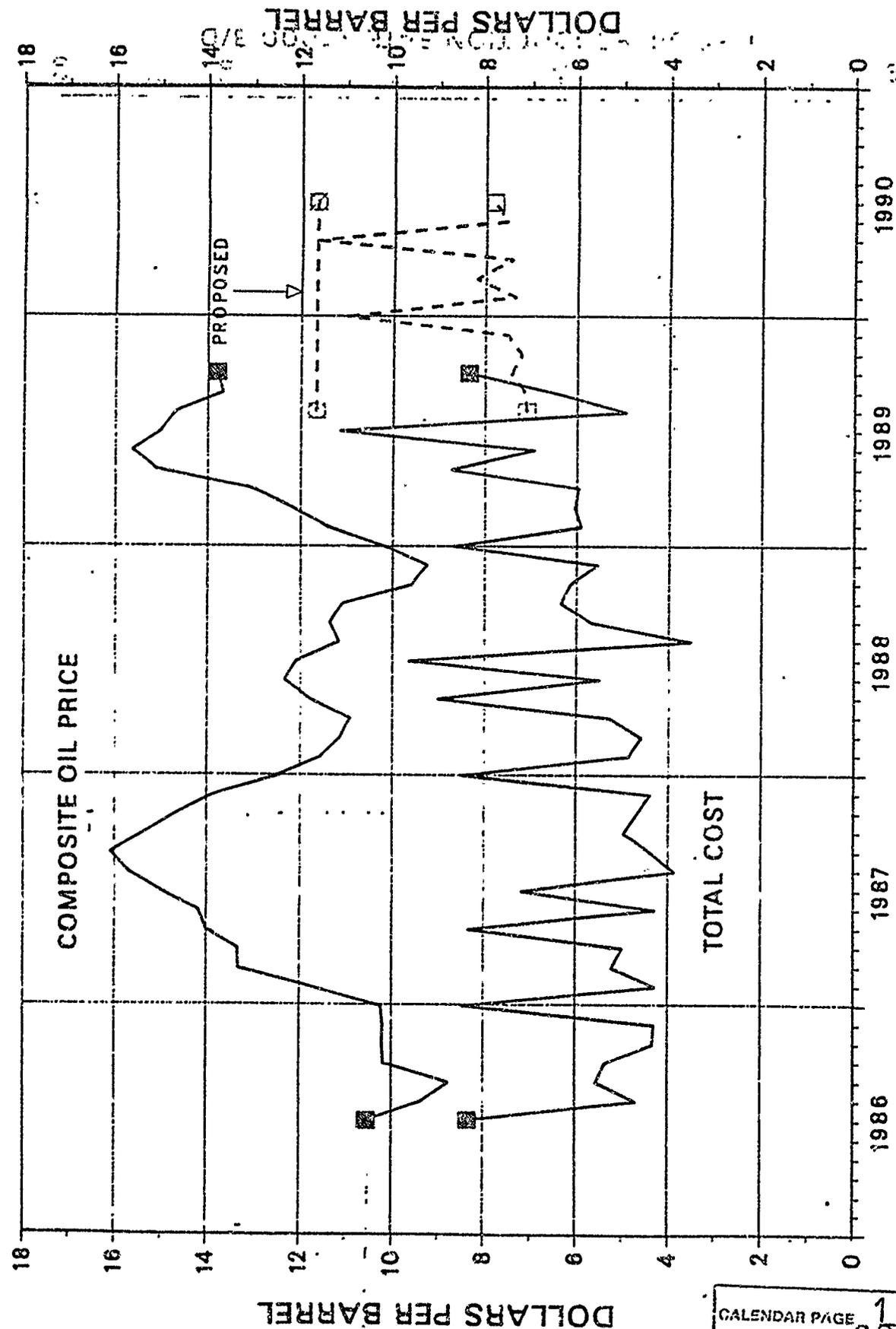
2 - 1 -> 0 - 1 -> 2

October 30 1990

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LONG BEACH UNIT



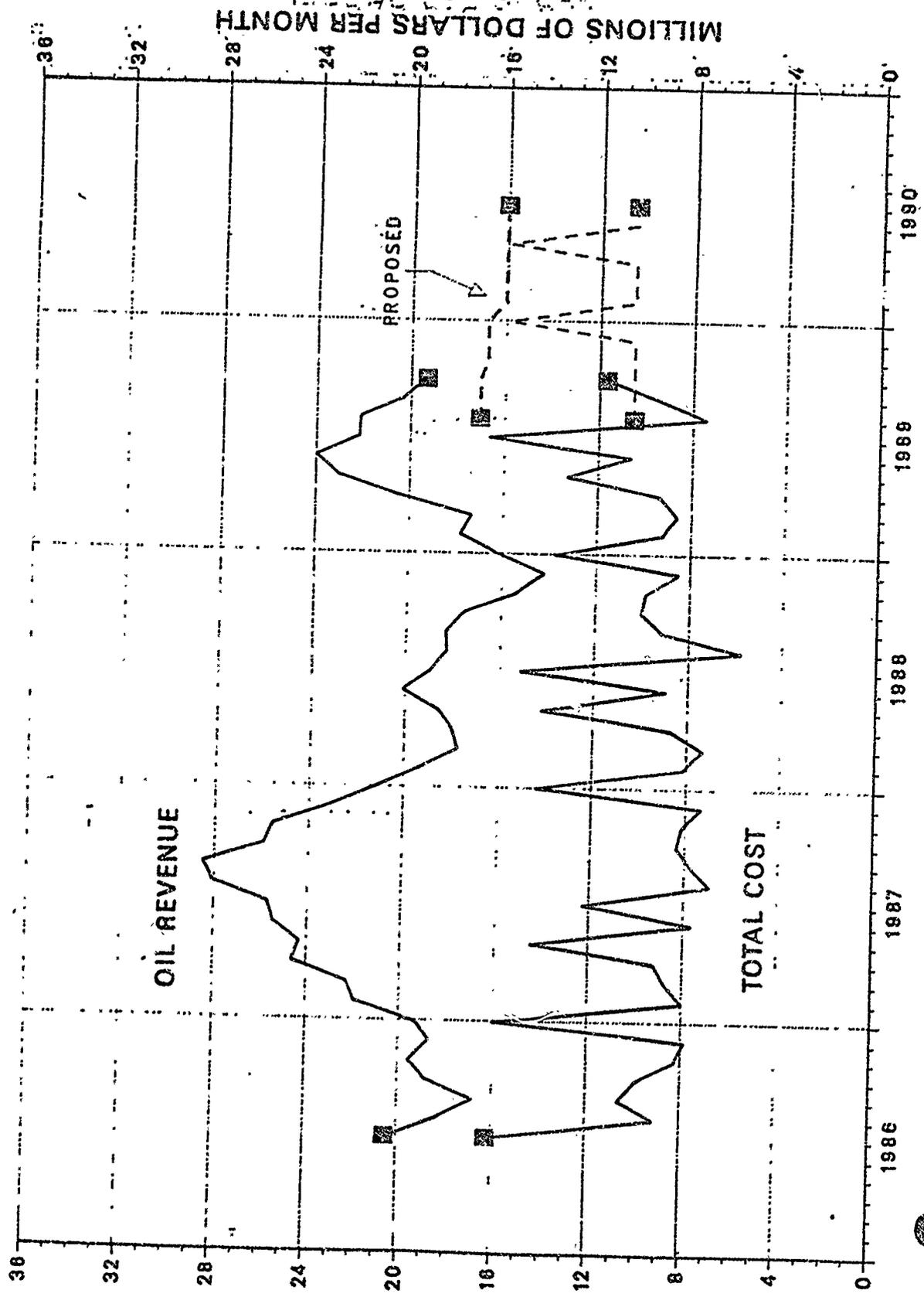
DOLLARS PER BARREL

DOLLARS PER BARREL

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LONG BEACH UNIT

EXHIBIT 4



MILLIONS OF DOLLARS PER MONTH

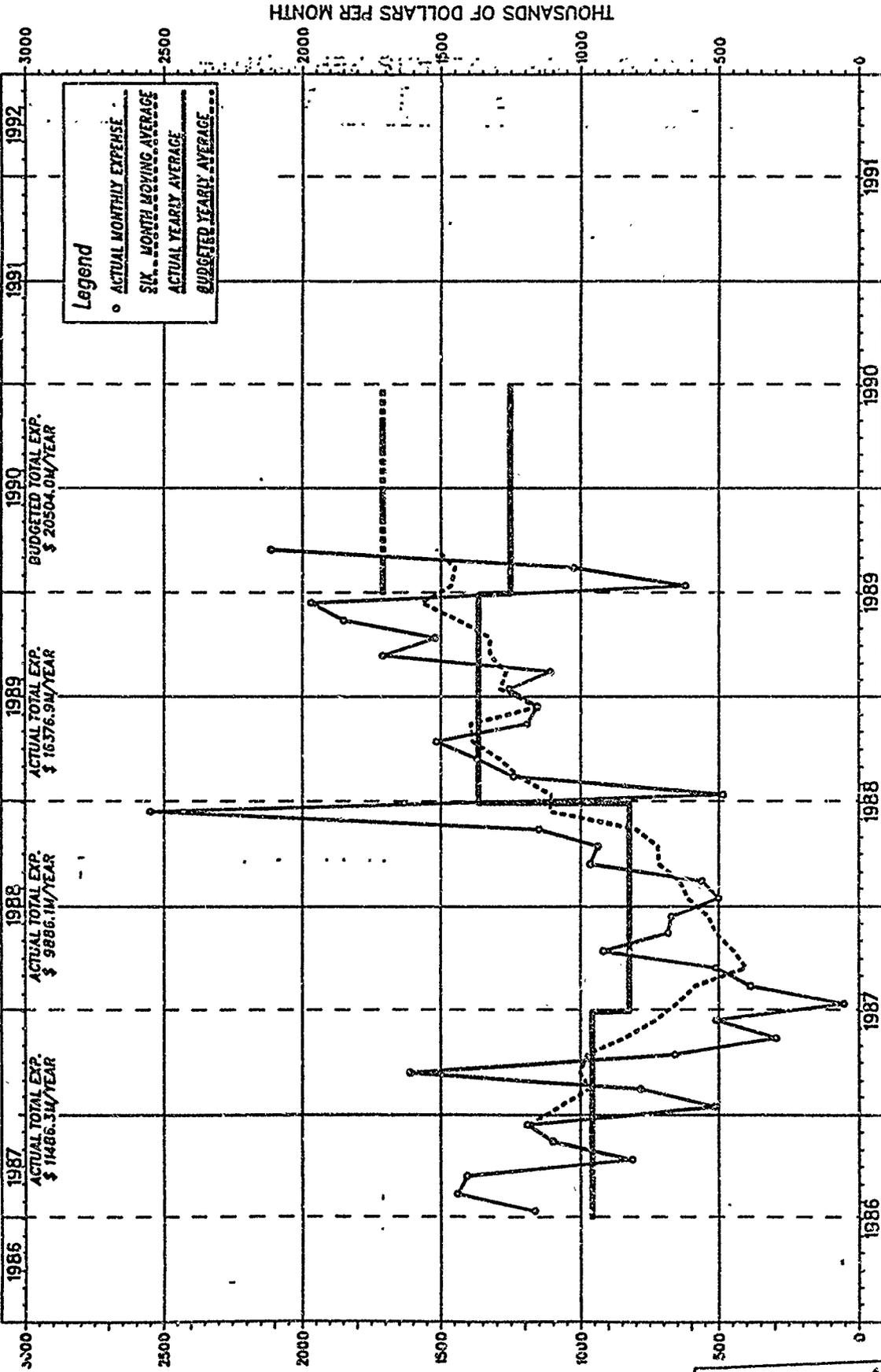
MILLIONS OF DOLLARS PER MONTH

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U.S. GOVERNMENT PRINTING OFFICE: 1985 O-345-110

DRILLING & DEVELOPMENT PROGRAM
 LONG BEACH UNIT TOTAL

PROGRAM A
 FISCAL YEAR

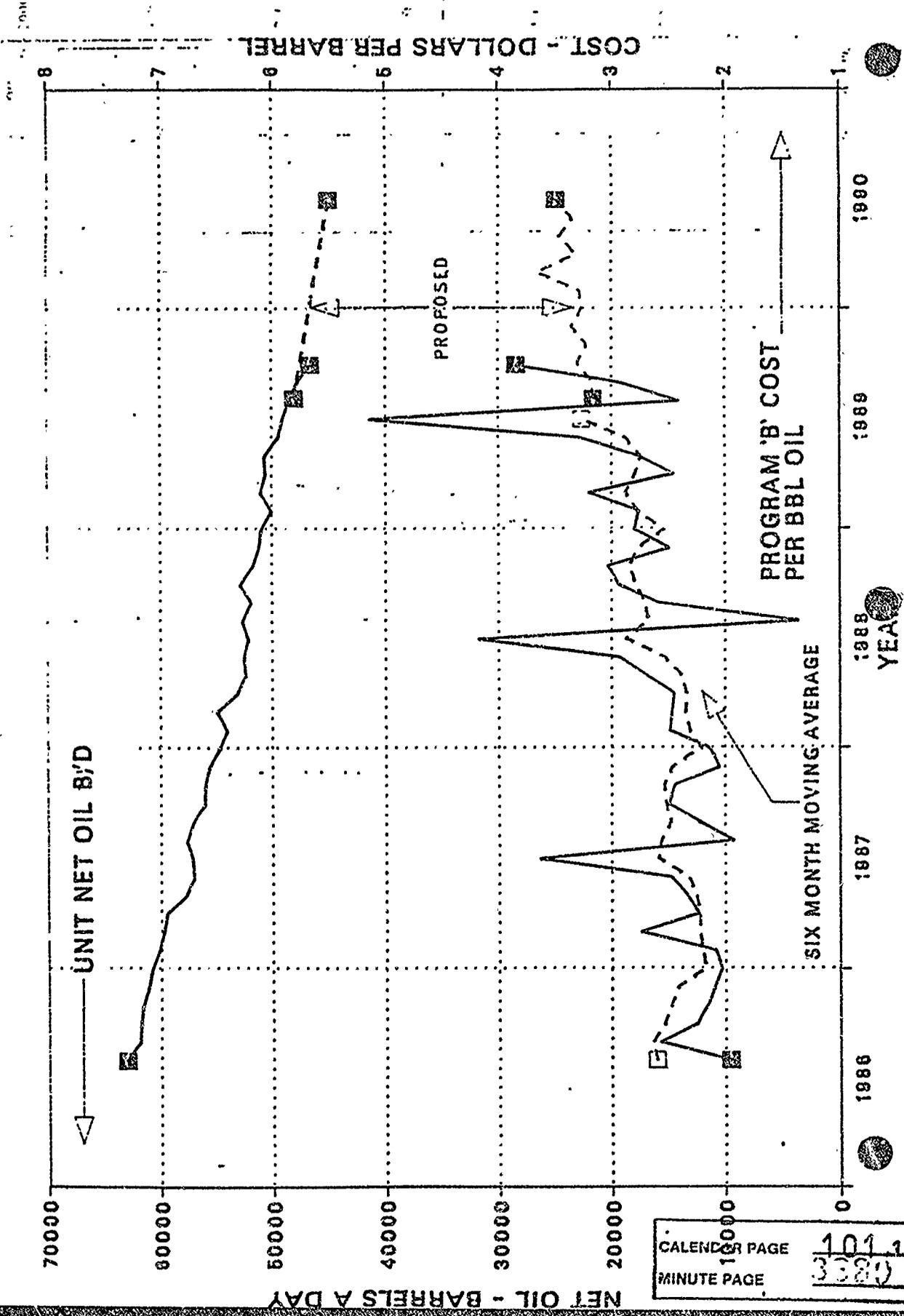


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OIL & GAS PRODUCTION PROGRAM COSTS EXPRESSED AS \$/BBL OIL

EXHIBIT 6

LONG BEACH UNIT



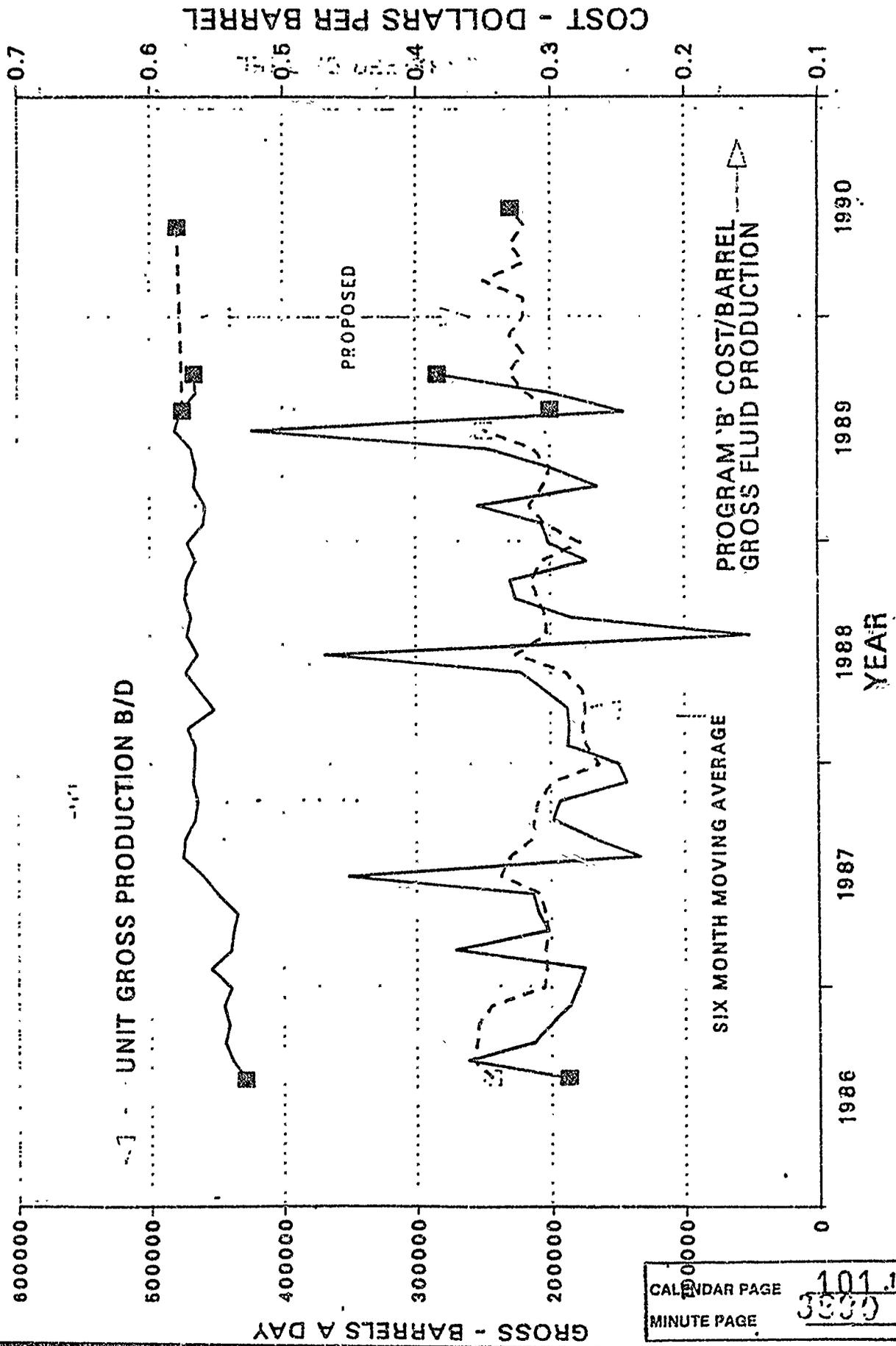
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EXHIBIT 7

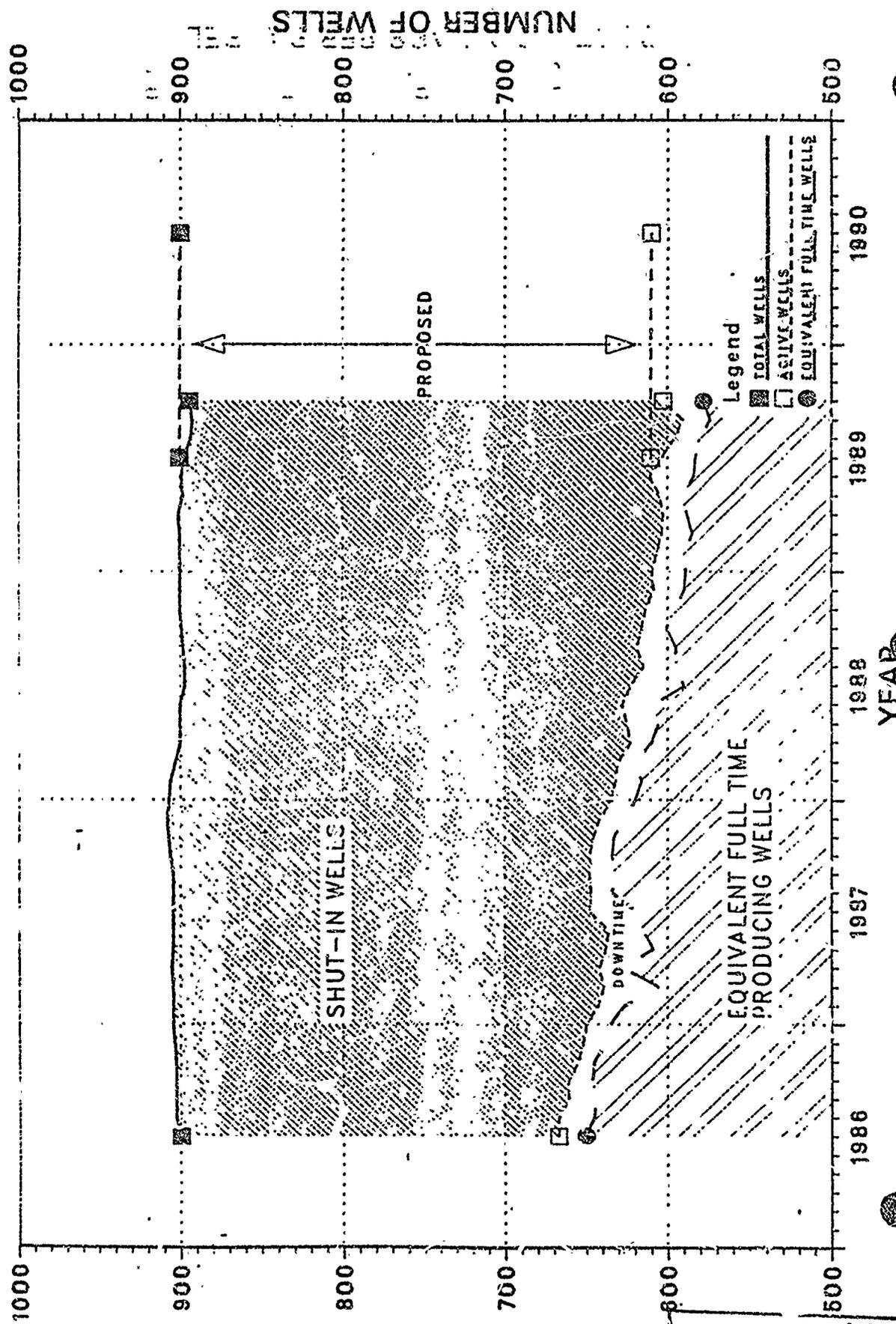
OIL & GAS PRODUCTION PROGRAM COSTS
EXPRESSED AS \$/BBL GROSS FLUID

LONG BEACH, UNIT



LONG BEACH UNIT PRODUCING WELLS

EXHIBIT 8



NUMBER OF WELLS

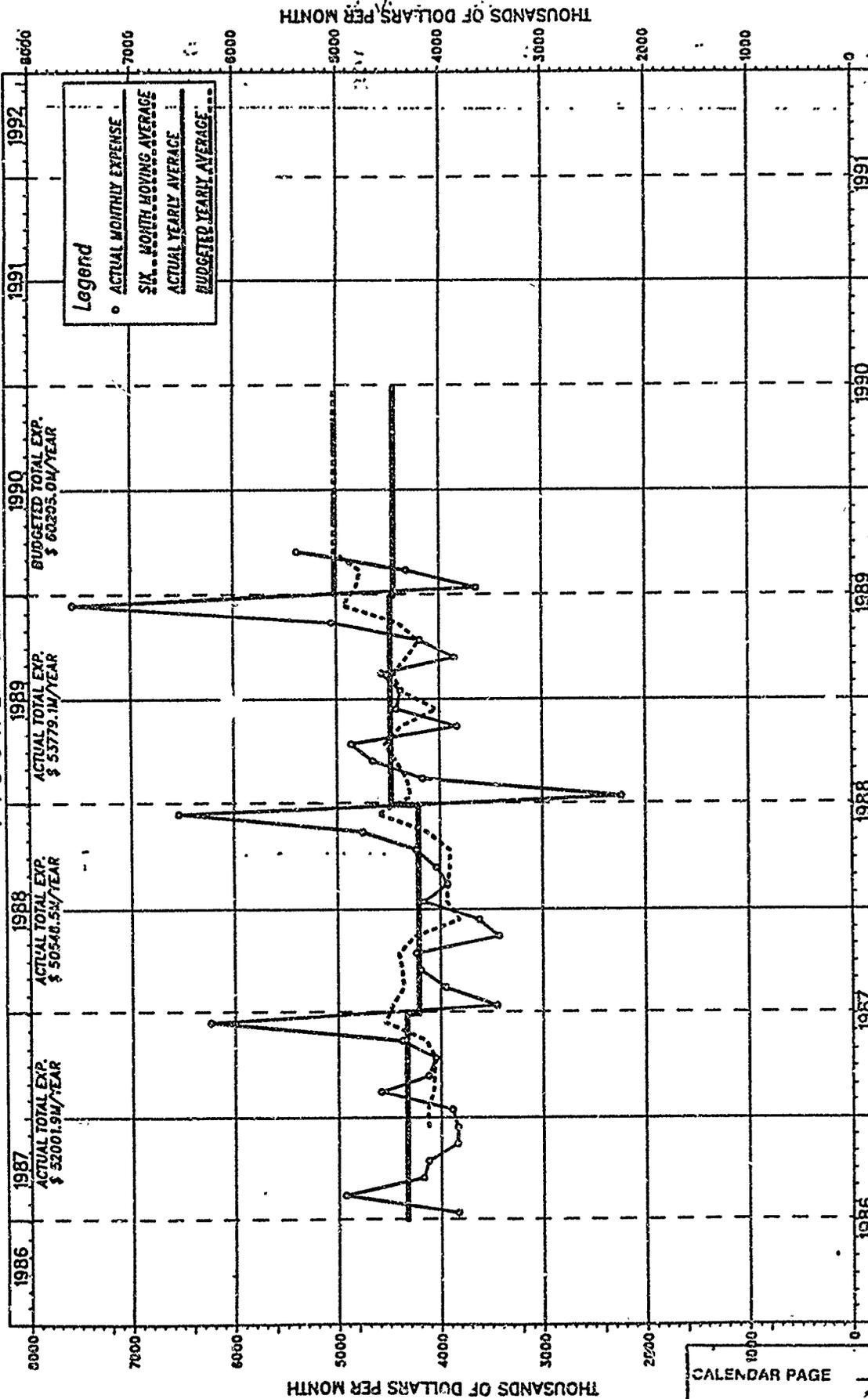


EXHIBIT 9

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

PROGRAM B

FISCAL YEAR



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101/14

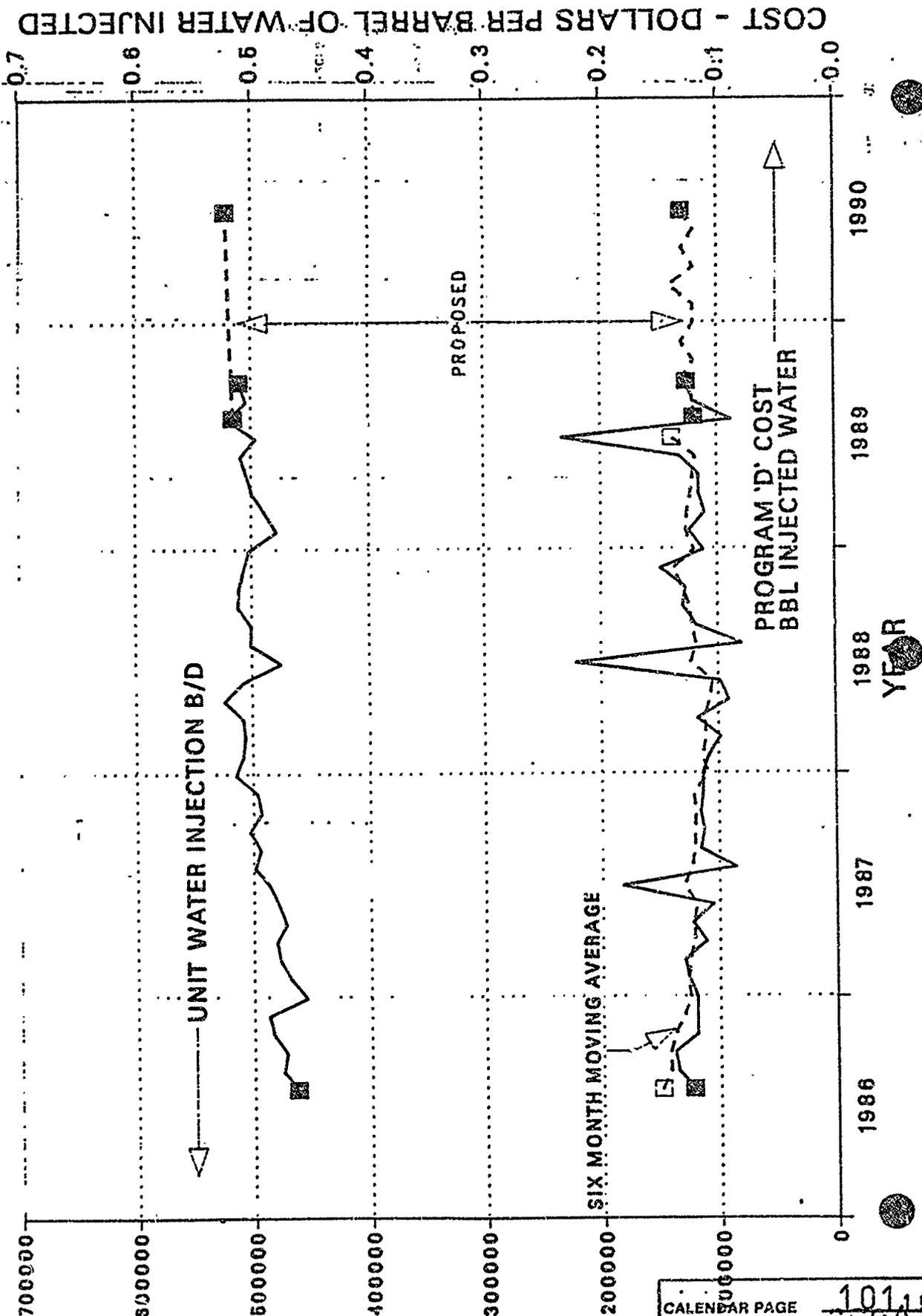
MINUTE PAGE

300

WATER INJECTION PROGRAM COSTS EXPRESSED AS \$/BBL OF INJECTED WATER INJECTION

EXHIBIT 10

LONG BEACH UNIT



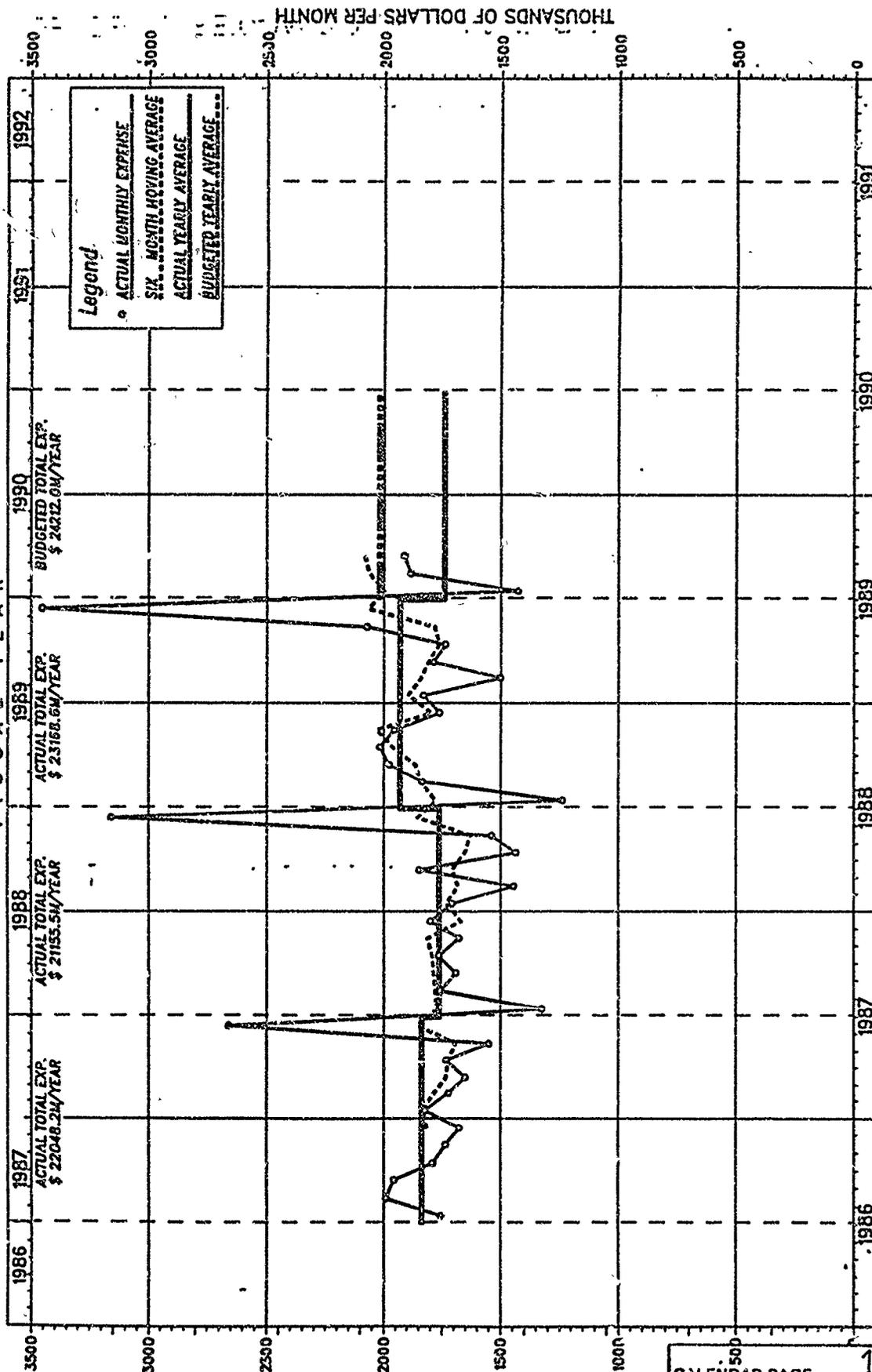
WATER INJECTION - BARRELS A DAY

CALENDAR PAGE	10115
MINUTE PAGE	3803

EXHIBIT 11

WATER INJECTION PROGRAM
LONG BEACH UNIT TOTAL

PROGRAM D
FISCAL YEAR



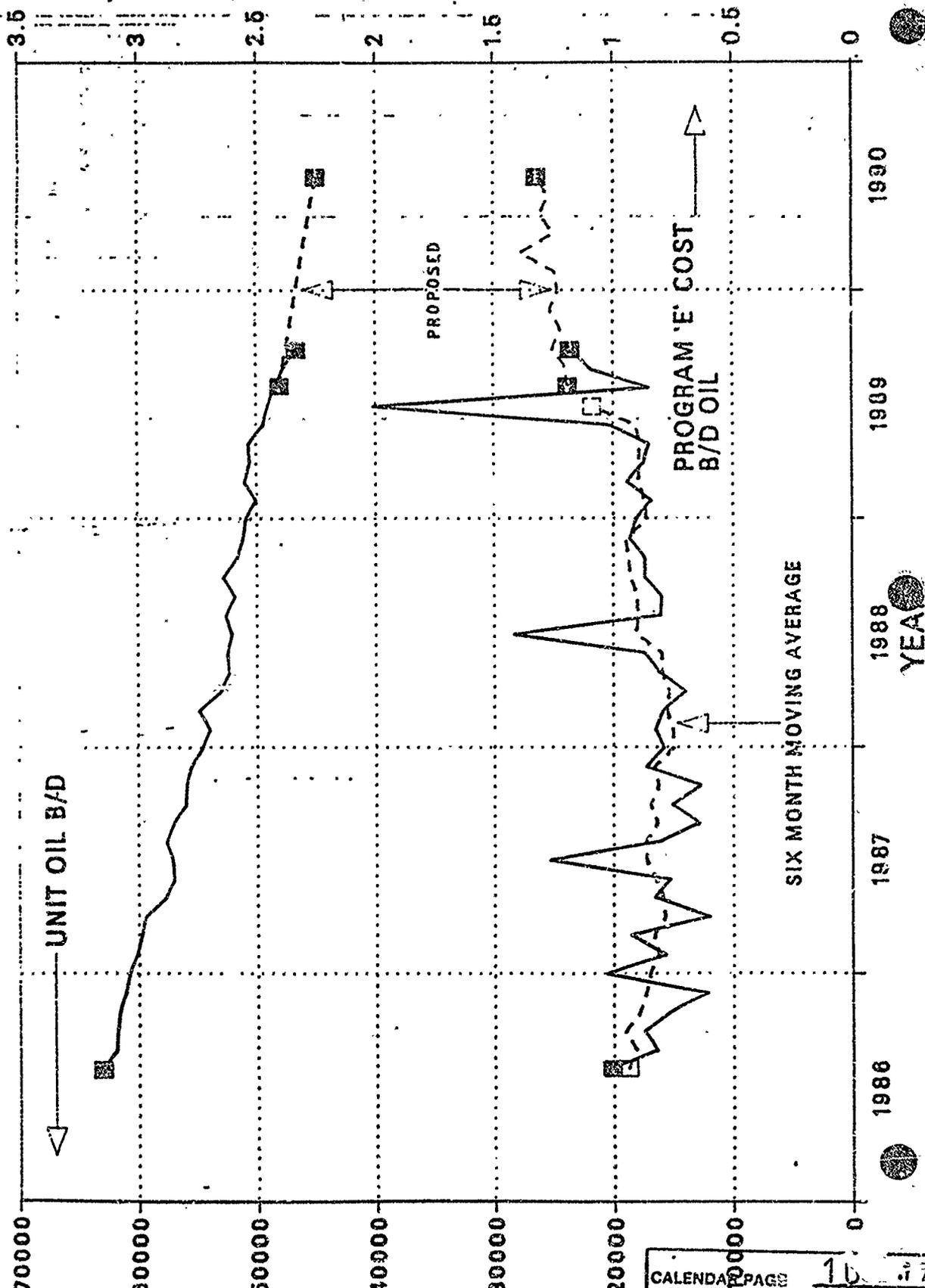
October 10 1989

CALENDAR YEAR

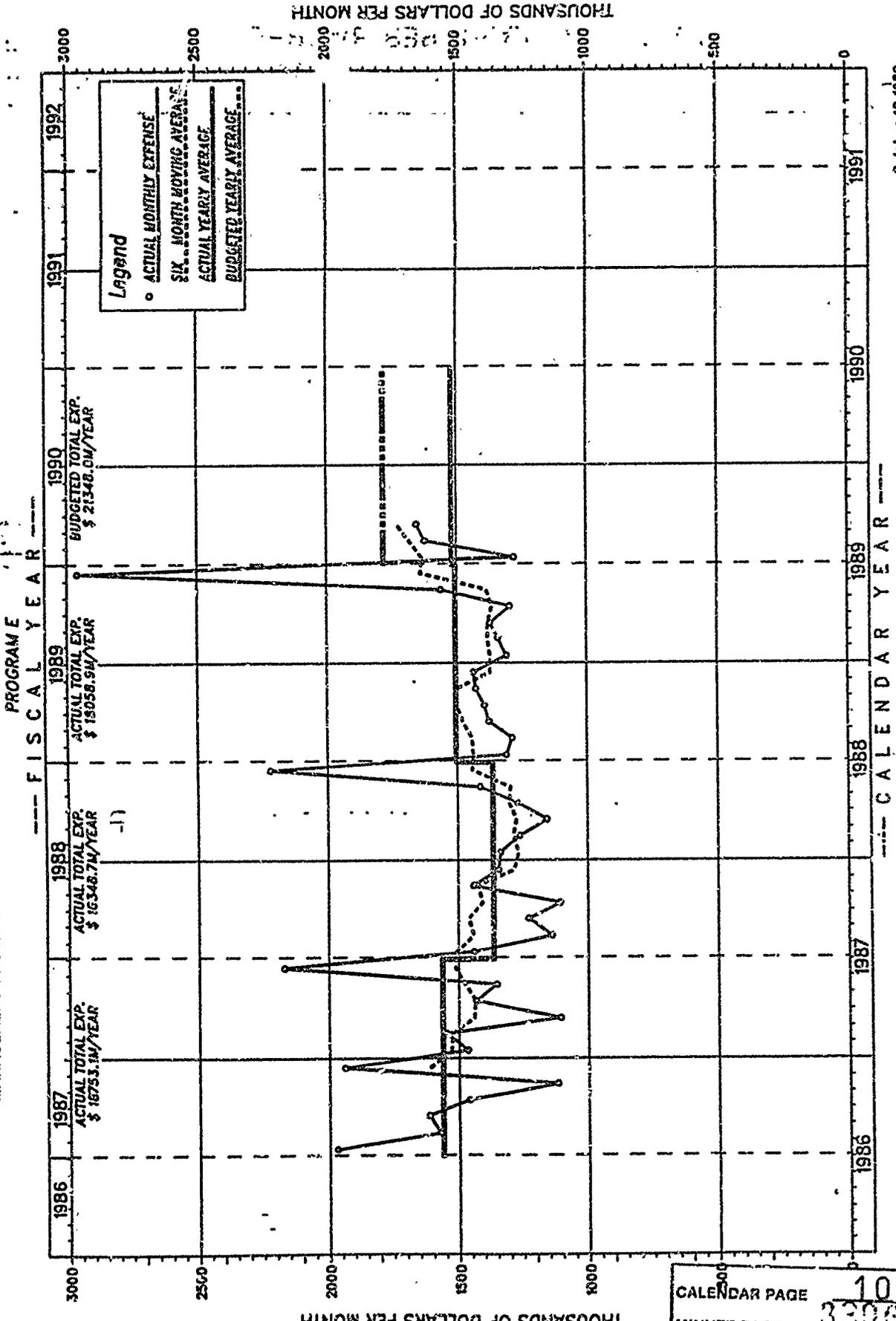
MANAGEMENT PROGRAM COSTS EXPRESSED AS \$/BBL OIL

EXHIBIT 12

LONG BEACH UNIT



MANAGEMENT PROGRAM
 LONG BEACH UNIT
 PROGRAM TOTAL



THOUSANDS OF DOLLARS PER MONTH

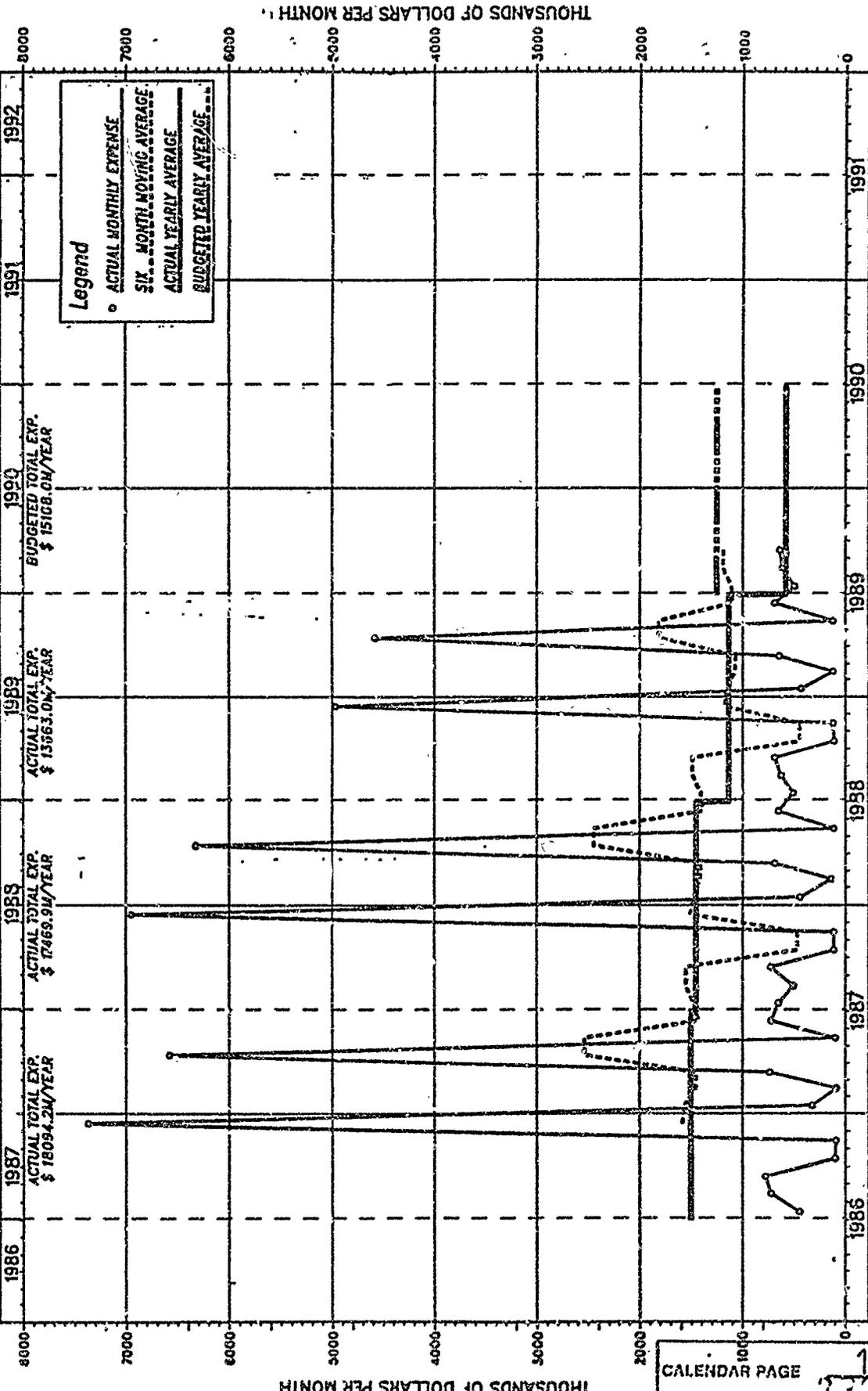
CALENDAR PAGE 101
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EXHIBIT 14.

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

PROGRAM F

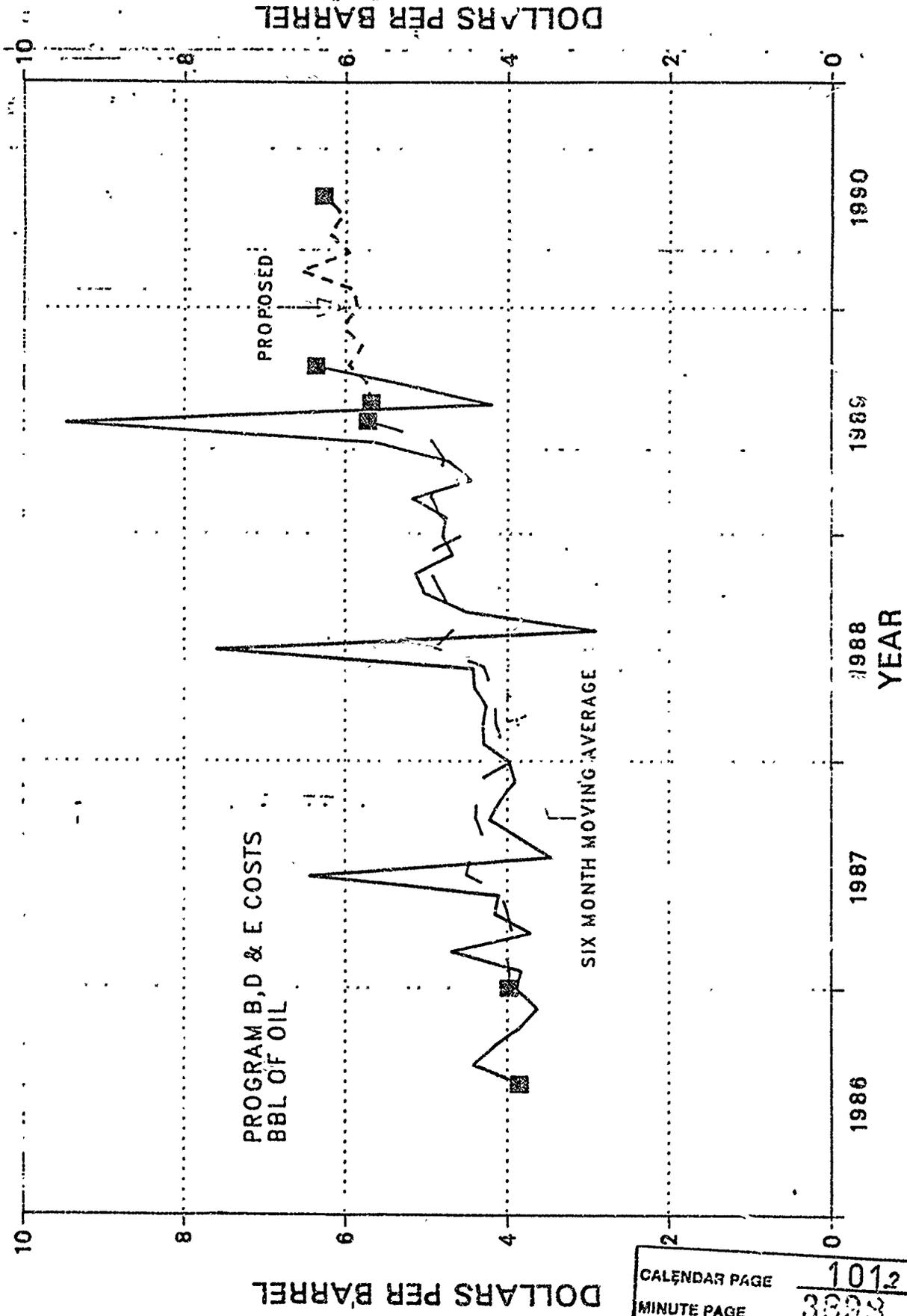
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OIL & GAS, WATER INJECTION AND MANAGEMENT PROGRAMS COSTS EXPRESSED AS \$/BBL OF OIL

EXHIBIT 5



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