

MINUTE ITEM

Calendar Item No. 34

Approved as Minute Item

34 by the State Lands

Commission by a vote of 2

0 at its 12/12/1989

Meeting.

CALENDAR ITEM

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Naughton

FIRST MODIFICATION OF THE 1989-90
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 First Modification of the 1989-90 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information together with revised economic projections.

The First Modification revised Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through September 30, 1989. 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. After its review, the City does not propose a modification of the Plan or Budget or transfer of funds between programs.

The average oil production rate during the first quarter of the 1989-90 Plan Year was 47,742 barrels per day, 34 barrels per day less than originally estimated. The water production rate was 423,336 barrels per day, 3,564 barrels per day less than originally estimated. The water injection rate was 512,612 barrels per day, 3,508 barrels per day less than originally estimated. The City of Long Beach now estimates that the oil production rate for the year will average 46,499 barrels per day. The water production rate for the year is estimated at

CALENDAR ITEM NO. 34 (CONT'D)

429,255 barrels per day and the water injection rate at 517,858 barrels per day. The original budget estimated rates for the year for net oil, water production, and water injection were 46,507, 430,145, and 518,742 barrels per day, respectively. Gas production averaged 8,850 thousand cubic feet per day during the first quarter and is now expected to average 8,466 MCF/day for the year, as compared to 8,408 MCF/day average estimated in the original budget.

Expenditures during the first quarter were \$28.65 million, \$3.033 million less than originally estimated, excluding carry over funds. Expenditures were lower than anticipated because a number of budgeted projects had not yet been completed by the end of the first quarter.

Expenditures for the year against the 1989-90 budget are currently projected by the City to be \$139,750 million, \$1.63 million less than the original budget, plus carry-over of \$141.377 million.

Anticipated total Unit income for the 1989-90 fiscal year has been adjusted upward to \$243,797 million from \$204.940 million estimated in the original budget. This is because of higher oil prices. The City now estimates net Unit income for the year to be \$104,047 million, an increase of \$36,428 million over the estimate projected in the original budget.

The Commission's staff has reviewed the First Modification including the estimated production, injection, expenditures and revenue shown in the revised exhibits. When actual information through the second quarter of the 1989-90 fiscal year becomes available, it will be reviewed by the staff and reported to the Commission.

In accordance with PART IV A., one Plan Supplement, to lease an electrostatic plotter for use in equity mapping at an estimated cost of \$35,000, was incorporated into the Plan in the first quarter and is hereby reported to the Commission. Funding by a budget transfer may be necessary later in the year. This report requires no action by the Commission.

AB 884: N/A.

CALENDAR ITEM NO. 34 (CONT'D)

EXHIBIT: A. Request from City of Long Beach for
Approval of the First Modification to Plan
of Development, and Operations and Budget.

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACCEPT THE FIRST MODIFICATION OF THE PLAN OF DEVELOPMENT
AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1989
THROUGH JUNE 30, 1990.

EXHIBIT "A"

CITY OF LONG BEACH

DEPARTMENT OF OIL PROPERTIES

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802 • (213) 590-6354

November 7, 1989

Ms. Claire T. Dedrick
Executive Officer
State Lands Commission
245 West Broadway - Suite 425
Long Beach, California 90802

**Subject: REQUEST FOR APPROVAL OF THE FIRST MODIFICATION TO
THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT (JULY 1, 1989 THROUGH JUNE 30,
1990)**

Dear Ms. Dedrick:

In accordance with the provisions of Part IV, Section A, and Part V of the 1989-1990 Plan and Budget, we are submitting for your approval the First Modification of the plan of Development and Operations and Budget of the Long Beach Unit covering the period July 1, 1989 through June 30, 1990.

The First Modification revises Exhibits C-3 and C-4 and is based on data available through September 30, 1989. It does not change the latest approved budget of \$141,377,000 or transfer funds within the existing budget.

Maps are not included since their latest revisions are on file with the Field Contractor, Unit Operator, and the State Lands Commission. Later revisions of the exhibits may be required to reflect changing conditions.

This budget comparison is based on commitments and expenditures incurred in the six programs through the First Quarter of Fiscal Year 1989-1990.

A. Drilling and Development Program

Two drilling rigs have been in operation throughout the quarter. During this time, three producers were completed, one each in Terminal 90N, Terminal VIIIA and Terminal VI zones. On September 30, 1989, the total

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number of active wells was 1,214, of which 895 are producers and 319 are injectors. (Six abandoned wells, one a producer and eight injectors, are excluded from these totals.)

B. Oil and Gas Production Program

The Unit oil production rate averaged 47,739 bbls/day and gas production 8,850 Mcf/D. The oil rate was within one percent of that rate originally estimated in Exhibit C-3, and the gas volume was higher than anticipated.

Total program funds were 22 percent expended.

C. Enhanced Recovery and Stimulation Program

No funds were budgeted or expended.

D. Water Injection Program

Water injection averaged 512,612 bbls/day for the quarter compared to 516,000 bbls/day estimated in the original Exhibit C-3.

Total program funds were 22 percent expended.

E. Management Program

Total funds were 21 percent expended.

F. Taxes, Permits and Land Rental Program

Total program funding as 12 percent expended.

During this quarter, a Plan Supplement to lease an electrostatic plotter for use in equity mapping was submitted and approved.

Total expenditures for the first quarter were \$28,650,087. The projected total expenditures for the Fiscal Year are shown in the revised C-4 and its attachment. No reduction in budgeted funds is suggested in this Modification.

Total unit income for the first quarter of the 1989-1990 Plan Year was higher than anticipated. Net income was \$34,991,000 (compared to an estimate of \$21,347,000). The total unit income for the current Fiscal Year is now estimated to be \$104,047,000, \$36,428,000 higher than the \$67,619,000 projected when the original Plan and Budget was prepared.

Claire T. Dedrick
November 7, 1989
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The City of Long Beach, as Unit Operator of the Long Beach Unit, approves this proposed Modification. In accordance with section 5 of Chapter 138, First Extraordinary Session, your approval of this proposed Modification is requested.

Very truly yours,



Xenophon C. Colazas
Director

XCC:slg

Attachments

FIN 312.002

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NUMBER OF WELLS
As of 9/30/89

	<u>Producers</u>	<u>Injectors</u>	<u>Total</u>
Grissom	190	63	253
White	151	72	223
Chaffee	201	79	280
Freeman	233	54	287
Pier J (Inc. THX)	<u>120</u>	<u>51</u>	<u>171</u>
Total	895	319	1214
Tar V	10	2	12
Ranger (All Areas)	699	268	967
Upper Terminal & Lower Terminal VI, VII	61	18	79
Terminal (Blocks VII, 90)	50	17	67
Union Pacific-Ford (All Areas)	71	14	85
237 (All Areas)	<u>4</u>	<u>0</u>	<u>4</u>
Total	895	319	1214

(Figures exclude abandoned producer and 7 abandoned injectors)

PRODUCTION - OIL

	<u>Average B/D</u> <u>07/01/89 - 09/30/89</u>	<u>Cumulative</u> <u>Bbls. 09/30/89</u>
Grissom	8,629	122,896,688
White	9,253	117,714,370
Chaffee	11,898	145,771,309
Freeman	13,146	199,199,453
Pier J	<u>4,813</u>	<u>120,148,570</u>
Total	47,739	705,730,390
Tar V	51	1,114,133
Ranger (All Areas)	35,003	539,922,453
Upper Terminal & Lower Terminal VI, VII	3,760	54,730,358
Terminal (Blocks VII, 90)	5,275	32,668,624
Union Pacific-Ford (All Areas)	3,650	73,436,211
237 (All Areas)	<u>0</u>	<u>3,858,611</u>
Total	47,739	705,730,390

PRODUCTION - GAS

	<u>Average B/D</u> <u>07/01/89 - 09/30/89</u>	<u>Cumulative</u> <u>Bbls. 09/30/89</u>
Grissom	678	18,455,403
White	886	30,513,275
Chaffee	2,307	52,601,308
Freeman	4,100	72,408,546
Pier J	<u>877</u>	<u>20,637,185</u>
Total	8,850	194,615,717
Tar V	11	431,670
Ranger (All Areas)	6,098	122,523,438
Upper Terminal & Lower Terminal VI, VII	350	6,703,126
Terminal (Blocks VII, 90)	956	10,341,448
Union Pacific-Ford (All Areas)	1,435	50,350,766
237 (All Areas)	<u>0</u>	<u>4,255,269</u>
Total	8,850	194,615,717

PRODUCTION - WATER

	<u>Average B/D</u> <u>07/01/89 - 09/30/89</u>	<u>Cumulative</u> <u>Bbls. 09/30/89</u>
Grissom	92,379	636,022,898
White	82,197	487,302,771
Chaffee	73,070	351,222,202
Freeman	99,115	598,166,014
Pier J (Inc. THX)	<u>76,574</u>	<u>555,122,378</u>
Total	423,335	2,627,836,263
Tar V	288	4,764,561
Ranger (All Areas)	375,309	2,286,123,156
Upper Terminal & Lower Terminal VI, VII	26,818	193,325,797
Terminal (Blocks VII, 90)	10,815	39,236,513
Union Pacific-Ford (All Areas)	10,105	101,198,346
237 (All Areas)	<u>0</u>	<u>3,187,890</u>
Total	423,335	2,627,836,263

INJECTION WATER

	<u>Average B/D</u> <u>07/01/89 - 09/30/89</u>	<u>Cumulative</u> <u>Bbls. 09/30/89</u>
Grissom	118,568	925,280,378
White	92,600	787,930,875
Chaffee	98,736	841,363,641
Freeman	110,301	684,140,219
Pier J (Inc. THX)	<u>92,407</u>	<u>746,623,453</u>
Total	512,612	3,985,338,566

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1989-1990 PLAN AND BUDGET

EXHIBIT C-3

ECONOMIC PROJECTIONS - BASIC DATA

	ACTUAL THIRD QUARTER 1989	ESTIMATED FOURTH QUARTER 1989	ESTIMATED FIRST QUARTER 1990	ESTIMATED SECOND QUARTER 1990	TOTAL
OIL PRODUCTION (1000 BBL) (BBL/DA)	4,392 47,742	4,318 46,942	4,131 45,899	4,131 45,397	16,972
GAS PRODUCTION (1000 MCF) (MCF/DA)	814 8,850	780 8,473	750 8,329	746 8,194	3,090
WATER PRODUCTION (1000 BBL) (1000 BBL/DA)	38,947 423.3	39,480 429.1	38,811 431.2	39,440 433.4	156,678
WATER INJECTION (1000 BBL) (1000 BBL/DA)	47,160 512.6	47,650 517.9	46,761 519.6	47,447 521.4	189,018
OIL PRICE (\$/BBL)	\$14.09	\$13.93	\$13.93	\$13.93	
GAS PRICE ADJUSTED (\$/MCF OF TOTAL PRODUCED GAS)	\$2.16	\$2.16	\$2.16	\$2.16	

OIL PRICE AS OF 10/9/89

CITY OF LONG BEACH
11/07/89

1989-1990 PLAN AND BUDGET

EXHIBIT C-4

ECONOMIC PROJECTIONS

(DATA IN THOUSANDS OF DOLLARS)

	ACTUAL THIRD QUARTER 1989	ESTIMATED FOURTH QUARTER 1989	ESTIMATED FIRST QUARTER 1990	ESTIMATED SECOND QUARTER 1990	TOTAL
ESTIMATED INCOME					
OIL INCOME	\$61,883	\$60,150	\$57,545	\$57,545	\$237,123
GAS INCOME	\$1,758	\$1,685	\$1,620	\$1,611	\$6,674
TOTAL INCOME	\$63,642	\$61,835	\$59,165	\$59,156	\$243,797
ESTIMATED EXPENDITURES					
DEVELOPMENT DRILLING PROGRAM	\$3,759	\$5,235	\$5,235	\$5,235	\$19,464
OIL AND GAS PRODUCTION PROGRAM	\$13,349	\$15,451	\$15,451	\$15,452	\$59,703
ENHANCED RECOVERY PROGRAM	\$0	\$0	\$0	\$0	\$0
WATER INJECTION PROGRAM	\$5,225	\$6,299	\$6,299	\$6,300	\$24,123
MANAGEMENT PROGRAM	\$4,552	\$5,573	\$5,573	\$5,574	\$21,272
TAXES, PERMITS AND LAND RENTAL PROGRAM	\$1,765	\$6,238	\$947	\$6,238	\$15,188
TOTAL EXPENDITURES	\$28,650	\$38,796	\$33,505	\$38,799	\$139,750
NET INCOME	\$34,991	\$23,039	\$25,660	\$20,357	\$104,047

CITY OF LONG BEACH

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ATTACHMENT TO EXHIBIT C-4
 PLAN AND BUDGET 1989-1990
 (THOUSANDS OF DOLLARS)

ADJUSTED ESTIMATED ESTIMATED ESTIMATED
 BUDGET EXPEND. CARRY OUT SURPLUS
 =====

A. DRILLING & DEVELOPMENT PROGRAM:

1. DRILLING & REDRILLING	\$19,715	\$18,715	\$0	\$1,000
ADMINISTRATIVE OVERHEAD	\$789	\$749	\$0	\$40
PROGRAM TOTAL:	\$20,504	\$19,464	\$0	\$1,040

B. OIL AND GAS PROD. PROGRAM

1. OIL WELL REPAIRS:	\$18,149	\$17,988	\$0	\$161
2. FLUID LIFTING:	\$15,867	\$15,848	\$0	\$19
3. SUR. FLUID HANDLING:	\$5,613	\$5,636	\$0	(\$23)
4. GAS HANDLING:	\$1,731	\$1,550	\$0	\$181
5. PROD. MAINTENANCE:	\$16,529	\$16,385	\$0	\$144
ADMINISTRATIVE OVERHEAD	\$2,316	\$2,296	\$0	\$20
PROGRAM TOTAL:	\$60,205	\$59,703	\$0	\$502

C. EOR & STIMULATION PROGRAM:

1. STIMULATION:	\$0	\$0	\$0	\$0
2. STEAM DRIVE:	\$0	\$0	\$0	\$0
ADMINISTRATIVE OVERHEAD	\$0	\$0	\$0	\$0
PROGRAM TOTAL:	\$0	\$0	\$0	\$0

D. WATER INJECTION PROGRAM:

1. INJECTION WELL REPAIR:	\$5,675	\$5,595	\$0	\$80
2. WATER INJECTION SYSTEM:	\$17,694	\$17,689	\$0	\$5
ADMINISTRATIVE OVERHEAD	\$843	\$839	\$0	\$4
PROGRAM TOTAL:	\$24,212	\$24,123	\$0	\$89

REVISED BY THE
 CITY OF LONG BEACH
 10/25/89

ATTACHMENT TO EXHIBIT C-4
 PLAN AND BUDGET 1989-1990
 (THOUSANDS OF DOLLARS)

	ADJUSTED BUDGET	ESTIMATED EXPEND.	ESTIMATED CARRY OUT	ESTIMATED SURPLUS
E. MANAGEMENT PROGRAM:				
1. MANAGEMENT EXPENSE:	\$14,707	\$14,702	\$0	\$5
2. GENERAL EXPENSE:	\$5,816	\$5,756	\$0	\$60
ADMINISTRATIVE OVERHEAD	\$825	\$814	\$0	\$11
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PROGRAM TOTAL:	\$21,348	\$21,272	\$0	\$76
F. TAXES, PERMITS & LAND RENTAL PROGRAM:				
1. TAXES:	\$12,565	\$12,565	\$0	\$0
2. PERMITS:	\$624	\$679	\$0	(\$55)
3. LAND RENTAL:	\$1,836	\$1,860	\$0	(\$24)
ADMINISTRATIVE OVERHEAD	\$83	\$84	\$0	(\$1)
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PROGRAM TOTAL:	\$15,108	\$15,188	\$0	(\$80)
TOTAL ESTIMATED INVESTMENT:	\$14,022			
TOTAL ESTIMATED EXPENSES:	\$120,946			
TOTAL ESTIMATED OVERHEAD:	\$4,782			
TOTAL ESTIMATED EXPENDITURES:	\$139,750			
TOTAL ESTIMATED CARRY OUT:	\$0			
TOTAL ESTIMATED SURPLUS:	\$1,628			
TOTAL BUDGET:	\$141,377			

REVISED BY THE
 CITY OF LONG BEACH
 10/25/89