

# MINUTE ITEM

This Calendar Item No. 24  
was approved as Minute Item  
No. 24 by the State Lands  
Commission by a vote of 2-2  
to 0 at its 2-27-80  
meeting.

## CALENDAR ITEM

24.

2/80  
Thompson

### FIFTH MODIFICATION OF THE 1979-1980 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD.

The Commission's staff, together with representatives of the City of Long Beach, have prepared the Fifth Modification of the 1979-1980 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditures information, together with revised economic projections. The Fifth Modification also provides for the acquisition of an additional drilling rig.

The Fifth Modification revises Exhibits C-3 and C-4 in Part V of the subject Plan and Budget based on data available through December 31, 1979. Part V, 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. This modification satisfies that provision.

The average oil production rate during the second quarter of the 1979-1980 Plan year was 66,120 B/D, 445 B/D less than the originally estimated rate. Actual gas production averaged 14,228 MCF/D, 641 MCF/D above the originally estimated rate, due to a slightly higher than anticipated gas-oil ratio. The water injection rate of 501,087 B/D was 38,930 B/D below the originally estimated rate, as a result of an unusual amount of work performed on injection wells, and on adjacent wells requiring reduction of injection rates while the work was being done.

Estimated investment, expense and overhead funds, as adjusted, totalled \$103,370,000 at the end of the second quarter. The original budget of \$80,449,000 was increased to \$82,778,000 on July 1, 1980 to include investment funds carried over from the prior fiscal year. This adjusted budget was augmented in October, 1979 for increased drilling, redrilling and workover activity.

Based on information available at the end of the second quarter of the 1979-1980 fiscal year, Long Beach Unit net income for the full year is expected to be \$347 million, before consideration of any potential federal excise tax

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on crude oil. The original estimate of net income was \$97.6 million, which was stated in the Plan and Budget as approved by the Commission at its April 1979 meeting. The increase is due to higher oil prices resulting primarily from the decontrol of heavy crude oil.

This Modification will also modify the Plan to provide for the purchase of an additional drilling rig. The Modification will modify the Budget by transferring \$3,000,000 of budgeted investment funds from PART III, A.1.a.(2), Development Drilling, Ranger Zone and \$1,300,000 of budgeted investment funds from PART III, A.1.a.(3) Terminal Zone to PART III, A.2.f.(2), Field Equipment, Drilling Equipment. The total Unit budget amount of \$103,590,000 remains unchanged. These transferred funds are required to authorize the purchase of the additional drilling rig which will be used primarily for drilling and redrilling wells on Island Freeman and Pier J.

With approval of this Modification the affected Budget Items will be revised as follows: (in thousands of dollars)

	<u>Current Budget</u>	<u>Fifth Modification</u>	<u>Adjusted Budget</u>
<u>PART III. A.</u>			
<u>ESTIMATED EXPENDITURES</u>			
<u>FOR INVESTMENT</u>			
1. <u>Drilling and Development</u>			
a. <u>Development Drilling</u>			
(1) Ranger Zone	\$10,252	(\$3,000)	\$7,252
(2) Terminal Zone	2,663	(1,300)	1,363
2. <u>FIELD AND WELL FACILITIES</u>			
a. <u>Field Equipment</u>			
(1) Drilling Equipment	\$4,963	\$4,300	\$9,263

The Commission's staff has recommends the purchase of this rig as part of the plan for the expanded redevelopment of the Long Beach Unit, resulting in the production of additional crude oil. The staff believes its recommendation is consistent with the Commission's policy of plowing back a reasonable portion of any increased revenue from crude oil. Funds that were budgeted for development drilling are now surplus because the existing drilling rigs have been required to perform an unusually large number of re-drilling operations which are funded in the expense part of the Budget.

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The Commission's staff recommends approval of the Fifth Modification which revises the estimated production, injection and expenditures and revenue as shown in the revised exhibits and provides for an additional drilling rig. When actual information through the third quarter of the 1979-1980 fiscal year becomes available, it will be reviewed by the staff and reported to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FIFTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1979 THROUGH JUNE 30, 1980.

Additionally, in accordance with Part IV. A. 4.c of the 1979-1980 Plan of Development and Operations and Budget for the Long Beach Unit, the following Plan Supplement for an additional project under \$100,000 has been approved by the Director, Department of Oil Properties, City of Long Beach and the Chief, Long Beach Operations, State Lands Commission and incorporated in the Plan. This project requires no action by the Commission.

Plan Supplement No. 1. Fabricate and install service platforms for flotation separators on Islands Grissom and White at an estimated cost of \$23,000.