

MINUTE ITEM
This Calendar Item No. 32
was approved as Minute Item
No. 32 by the State Lands
Commission by a vote of 2
to 0 at its 6/30/88
meeting.

CALENDAR ITEM

32

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S 29

06/30/88
W 17091
Lammers

SEVENTH MODIFICATION OF THE 1987-88
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 Seventh Modification of the 1987-88 Plan of Development and Operations and Budget, Long Beach Unit, providing updated production, injection, income and expenditure information, together with revised economic projections.

PART IV, PROCEDURES, of the Plan and Budget provides that exhibits showing estimates of 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.

The Seventh Modification revises Exhibits "C-3" and "C-4" in PART V of the subject Plan and Budget based on data available through March 31, 1988. This modification represents the City's review and projections for the last quarter and closing of the year. It does not augment the Budget or transfer funds within the existing budget. The City does not propose to remove any surplus funds from the budget.

The average oil production rate during the third quarter of the 1987-88 Plan Year was 54,061 barrels per day, 2,200 barrels per day less than originally estimated. The water production rate was 409,700 barrels per day, 34,800 barrels per day more than originally estimated. The water injection rate was 508,000 barrels per day, 21,700 barrels per day more than originally estimated. The City of Long Beach now estimates that the oil production rate for the year will be 54,830 barrels per day.

(ADDED 06/28/88)

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The oil rate is declining at a 10% per year rate. The water production rate is estimated at 408,720 barrels per day and the water injection rate 503,850 barrels per day for the year.

For the first three quarters the average oil rate was 55,500 barrels per day. The average water rate 411,100 barrels per day and the average injection rate 501,400 barrels per day.

During the third quarter work commenced on the first replacement of a subsea pipeline, a twelve-inch oil line between Island White and Island Grissom. A second drilling rig was reactivated on March 1, 1988.

Expenditures for the third quarter were \$24.2 million, \$5.3 million less than originally estimated, excluding carry over funds. For the first three quarters expenditure were \$77.1 million or 58% of the approved budget with carry over funds.

The City now projects expenditures for the year to be \$117.8 million with a carry out of \$3.0 million. Part of the reduced level of expenditures can be attributed to a reduction in the drilling rig activity from 18 rig-months to 15 as the rigs started late. Their projection for total income is \$269.3 million which would generate a net income of \$151.5 for the Unit.

Unit expenditures for the first 11 months through May were \$100.3 million which indicates an unusually high expenditure estimate by the City for June of \$17.5 million. Staff estimates unit expenditures for 1987-88 at \$112 million and a total income for the year of \$273 million. The net income for the Unit is estimated to be \$161 million. The increase in net income results from higher oil prices in the first six months than originally estimated. Oil prices for the last six months of the year will be lower than forecasted. There is current softness in oil pricing with the bench mark West Texas Intermediate crude having declined \$1.25 in the last seven weeks. Recent California price cuts to \$11.35 for 170 gravity Wilmington crude have returned posted prices to the depressed levels at the start of 1988.

The Commission's staff has reviewed the Seventh Modification and the estimated production, injection, expenditures and revenue shown in the revised exhibits. The City's projections of production and injection rates for the fourth quarter are reasonable. When the closing statement for the 1987-1988 Fiscal Year becomes available, it will be reviewed by the staff and reported to the Commission.

(ADDED 06/28/88)

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AB 884: N/A.

IT IS RECOMMENDED THAT THE COMMISSION:

1. ACCEPT THE SEVENTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1987 THROUGH JUNE 30, 1988.

(ADDED 06/29/88)

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