

MINUTE ITEM

This Calendar Item No. 29
was approved as Minute Item
29 by the State Lands
Commission by a vote of 3
0 at its 5-31-78
meeting.

CALENDAR ITEM

29.

5/78
Thompson

EIGHTH MODIFICATION OF THE 1977-1978
PLAN OF DEVELOPMENT AND OPERATION AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The Commission's staff, together with representatives of the City of Long Beach have prepared the Eighth Modification of the Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1977, through June 30, 1978, providing updated production, injection, income and expenditure information, together with revised economic projections.

The Eighth Modification revised Exhibits C-3 and C-4 in PART V of the subject Plan and Budget based on data available through March 31, 1978. 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. This modification satisfies that provision. It does not augment the Budget, nor transfer funds within the existing Budget.

The average oil production rate during the January through March 1978 quarter was 73,467 B/D which was 1,633 B/D below the previously estimated rate of 75,100 B/D. This decrease is due to the continuing reservoir decline rate. Some arresting of this decline is expected during the final quarter of the fiscal year. Actual gas production averaged 14,044 Mcf/D, 155 Mcf/D above the 13,889 Mcf/D estimated rate. The water injection rate of 461,667 B/D was 49,444 B/D below the previously estimated 511,111 B/D rate, as the result of loss of injectivity in several aquifer injection wells.

The reduction in oil production from that which was forecast was off set by an increase in the composite crude oil value that occurred principally because there was an increase in the amount of upper tier oil production relative to lower tier. The overall increase in value forecast for the third quarter was 13¢ per barrel. Of this amount, about 3¢ was due to a lower tier crude oil price increase by one contractor in February. The remainder is attributed to the higher ratio of upper tier to lower tier crude oil produced during that quarter. As a result, third quarter oil income was \$92,000 higher than previously estimated.

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The prices paid for Long Beach Unit crude oil, however, remain nearly 70¢ per barrel below the Department of Energy (DOE) ceiling price level, due in part to the impact of the entitlements program. Net income to the Long Beach Unit during the January through March, 1978 quarter was \$22,102,000, or \$4,547,000 more than estimated in the previous revision of Economic Projection presented to the Commission at its February 23, 1978 meeting. This increase in net income is principally the result of reduced expenditures that were 21% below the previous estimate. As of the end of the third quarter of the 1977-1978 fiscal year, Long Beach Unit income for the entire fiscal year is estimated to be \$74,700,000, or \$5,427,000 above the previous estimate.

As of the end of the third quarter of the 1977-1978 fiscal year, the Long Beach Unit Budget, as modified, was \$94,501,000. Total estimated expenditures are \$81,897,000, resulting in an apparent Budget surplus of \$12,604,000. Committed investment projects, however, that cannot be completed before the end of the fiscal year will account for about \$7½ million of this unexpended Budget surplus. Funding for these projects will be carried over into the 1978-1979 Budget. After this Budget carryover, approximately \$5 million of unexpended funds will remain in the Budget at the end of the 1977-1978 fiscal year.

The Commission's staff has reviewed the Eighth Modification and finds that the estimated production, injection, expenditures and revenue shown in the revised exhibits are reasonable. When actual total 1977-1978 fiscal year information becomes available, it will be reviewed by the staff and reported to the Commission.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE EIGHTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1977 THROUGH JUNE 30, 1978.

Additionally, in accordance with PART IV, A.4.c. of the 1977-1978 Plan of Development and Operations and Budget for the Long Beach Unit, the following Plan Supplements for additional projects under \$100,000 have been approved by the Director, Department of Oil Properties, City of Long Beach and the Manager, Long Beach Operations, State Lands Commission and are hereby reported to the Commission and incorporated in the Plan. Funds for these Plan Supplements have been provided within specific Budget Items or by transfer within the existing Budget. Plan Supplements do not require action by the Commission.

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Plan Supplement	Description
No. 6	Purchase 2, three-quarter ton pickup trucks for use by mechanics. The estimated cost is \$12,000.
No. 7	Provided mechanical sludge collecting and oil skimming equipment for the concrete API skim basin on Island White. The estimated cost is \$42,000.
No. 8	Purchase a replacement 10-ton forklift for use on Pier J. The estimated cost is \$42,000.
No. 9	Purchase a replacement for the Sigma-2 computer. The estimated cost is \$80,000.
No. 10	Install additional tubing in Union Pacific-Ford Zone Well C-602 to lower pump into liner for additional submergence. The estimated cost is \$16,000.