

MINUTE ITEM

9/29/75
CVB

29. REVIEW OF FOURTH QUARTER 1974-1975 FISCAL YEAR PRODUCTION AND REVENUE AND ESTIMATE OF 1975-1976 FISCAL YEAR PRODUCTION AND REVENUE PARCEL "A" CITY OF LONG BEACH, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

The attached Informative Calendar Item 27, was submitted to the Commission for information only, no action thereon being necessary. Mr. William F. Northrop, Executive Officer, stated that if the price of crude oil continues to be at its present rate, Parcel "A" will become uneconomical, thereby requiring cutbacks in production of crude oil. Mr. David K. Hayward, Assistant Manager, Long Beach Operations, made a presentation to the Commission relative to the economics involved.

Attachment:

Informative Calendar Item 27 (2 pages)

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27.

REVIEW OF FOURTH QUARTER 1974-1975 FISCAL YEAR
PRODUCTION AND REVENUE AND ESTIMATE OF
1975-1976 FISCAL YEAR PRODUCTION AND REVENUE
PARCEL "A" CITY OF LONG BEACH, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The Commission, at its January 1972 meeting, directed the Division to prepare and submit annual fiscal year estimates of oil and gas production, oil and gas liquids value, investment and expense expenditures, net revenue and net profits from Parcel "A", and to review quarterly such annual estimates. In compliance with this directive, estimates for the 1974-1975 fiscal year were prepared by the Division and presented to the Commission at its meeting of August 29, 1974.

The Division has reviewed these 1974-1975 fiscal year estimates in the light of actual production and expense through the end of the fiscal year. The Chapter 138 oil revenue for sharing from Parcel "A" during the 1974-1975 fiscal year was \$3,814,000, as estimated in the third quarterly review reported to the Commission at its June 24, 1975 meeting.

Two planned producing wells were not redrilled until the latter half of the fiscal year. Although the redrilling was successful, the increased production came too late in the fiscal year to have a substantial effect on the year's total production. Additionally, four injection wells were redrilled and an inner liner was installed in one injection well. The results of this water injection well work performed in order to maintain reservoir pressures will not become apparent for several months.

For the 1975-1976 fiscal year, the Division has prepared the following revenue estimate based on a 12% annual oil decline rate and August 1975 oil prices. Expenditures are based on the Parcel "A" budget as approved by the City of Long Beach, and reflects inflationary increases in costs. The Division has added \$190,000 for redrills and workovers which were in progress at the end of the 1974-1975 fiscal year, and \$140,000 for an anticipated increase in ad valorem taxes.

Following is a summary comparison of actual 1974-1975 fiscal year performance and revenue with the Division's 1975-1976 fiscal year estimate:

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CALENDAR ITEM NO. 27. (CONTD)

	<u>1974-75 F.Y.</u> <u>ACTUAL</u>	<u>1975-76 F.Y.</u> <u>ESTIMATED</u>	<u>CHANGE</u>
Oil Production, M Bbls.	2,024	1,855	- 169
Gross Income, M\$	8,644	7,920	- 724
Total Expenditures, M\$	4,819	5,760	+ 941
Revenue, M\$	3,825	2,160	-1,665
Net City-State Revenue after Contractor's 9% share and Miscellaneous Credits	3,814	2,390	-1,424

When production and cost information through the first quarter of the fiscal year becomes available it will be reviewed by the Division. The Commission will be informed of any revisions in oil revenue, such as may result from decontrol of crude oil prices, which may affect revenue to the State pursuant to Chapter 138, Statutes of 1964, 1st E.S.