

MINUTE ITEM

This Calendar Item No. 21
was approved as Minute Item
No. 21 by the State Lands
Commission by a vote of 3
to 0 at its 4-28-76
meeting.

MINUTE ITEM

4/28/76
WMI

21. PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1976, THROUGH JUNE 30, 1977, CITY OF LONG BEACH, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 21, Mr. W. M. Thompson, Manager, Long Beach Operations, summarized the proposed item. The Commission unanimously approved the resolution as presented in Calendar Item 21 attached, with the understanding that there will be additional allocations based on presentations to the Commission of future developers.

Attachment:

Calendar Item 21 (2 pages)

PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, JULY 1, 1976, THROUGH JUNE 30, 1977,
CITY OF LONG BEACH, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The 1976-1977 Plan of Development and Operations and Budget for the Long Beach Unit was developed by the City of Long Beach, following generalized criteria established by the State Lands Commission in February 1976. These criteria require stabilizing all Unit expenditures until there is some resolution by the Federal Energy Administration on future California crude oil prices in order to achieve parity with the rest of the United States.

The Budget, as prepared by the City of Long Beach, approved by the City Council and transmitted to the State Lands Commission for their consideration totals \$62,041,000. This includes \$3,721,000 for Investment, \$14,570,000 for Unit Taxes and Licenses, \$42,000,000 for Expenses Other than Unit Taxes and Licenses, and \$1,750,000 for Administrative Overhead.

The level of Expense-type expenditures, exclusive of Unit Taxes and Licenses is comparable to the 1975-1976 Fiscal Year. Funds will be available to offset the cost of inflation and additional fluid throughput. The Investment Budget includes \$1 million in drilling funds and \$1.9 million for completion of produced water handling facilities.

California crude oil prices were penalized by the May 15, 1973 price freeze, and all attempts to achieve parity to date have been unsuccessful.

The action by the FEA on crude oil price adjustment under the Energy Policy and Conservation Act, that was passed by the Congress, has been under consideration by that agency since February 1976. It is their intent, as expressed in hearings on March 17 and 18, 1976, to establish a price pattern for the 39-month-period commencing March 1, 1976 and extending through May 1979. At the time of preparation of this calendar item for the agenda of the April 28, 1976 State Lands Commission meeting, final action by the FEA had not been announced. However, of two principal future pricing proposals considered by the FEA at the March hearings, one proposal would allow no increase in the price of lower tier crude oil, and it outlined a proposed decline method to provide for incentive. However, because of past large expenditures and successful efforts to arrest the rate of oil production decline during the past few years, the proposed decline method would probably allow very little, if any, oil production from the Long Beach Unit to be classified as upper tier crude oil during the next 39 months. If this alternative, of the two proposed, is finally adopted by the FEA, it would

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have the result of a reduction in current crude oil value in the Long Beach Unit, due to the impact of inflation and increased costs.

The final crude oil price pattern is expected to be announced by early April. It is suggested that as soon as that determination is made by the FEA, the City of Long Beach and the State Lands commission jointly consider any necessary changes in the investment and expense funds of the proposed Budget and any revisions of the Plan as submitted. Such mutual agreement can be presented during the State Lands Commission meeting, and these changes in the Long Beach Unit Plan of Development and Operations and Budget could then be incorporated into a future first modification of said Plan and Budget.

DEPENDING UPON ACTIONS TAKEN BY THE FEDERAL ENERGY ADMINISTRATION TO RELIEVE THE FREEZE SINCE 1973 ON CRUDE OIL PRICES IN THE LONG BEACH TIDELANDS, BY THE DATE OF CONSIDERATION OF THIS ITEM BY THE STATE LANDS COMMISSION, IT IS RECOMMENDED THAT EITHER:

- A) THE COMMISSION APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1976, THROUGH JUNE 30, 1977" AS SUBMITTED, OR
- B) THE COMMISSION APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1976, THROUGH JUNE 30, 1977", AS SUBMITTED, SUBJECT TO CHANGES AGREED TO BY THE CITY OF LONG BEACH AND THE STATE LANDS COMMISSION, TO BE INCORPORATED INTO THE FIRST MODIFICATION OF THIS PLAN AND BUDGET.