

35. FIFTH MODIFICATION OF THE 1975-1976 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 35, Mr. W. M. Thompson, Manager, Long Beach Operations, made a presentation to the Commission. He stated the staff is presently in a quandry due to the gravity differential for crude oil in the Wilmington Oil Field--it is between the State Lands Commission and the Federal Government, specifically the FEA. He requested the Commission to clarify the modification being requested by the City of Long Beach -- an augmentation of approximately \$3 million to the current year's Budget to be spent in the Long Beach Unit. In addition, Mr. Thompson requested direction from the Commission to determine if the staff is interpreting the Commission's attitude about making expenditures to accelerate future oil production.

A lengthy discussion followed. Mr. Thompson then suggested that the Commission defer the item until after March 1, the date of the next market time with the FEA. Chairman Kenneth Cory agreed the item should be deferred at this time, but clarified that if the FEA fails to arrive at a better price for the crude oil, it is the consensus of the Commission that it does not want to approve an augmentation at this time.

The Commission therefore unanimously approved deferring Calendar Item 35 attached, presented in the form of a resolution read into the record by William F. Northrop, Executive Officer, as follows:

IN VIEW OF THE PRESENT UNCERTAINTY AS TO THE FUTURE OF CRUDE OIL PRICING, THE COMMISSION DEFERS ACTING ON THE FIFTH MODIFICATION UNTIL THE MARCH MEETING. FUNDING IN THE AMOUNT OF \$246,000 IS NEEDED IN BUDGET ITEM B.1.c. FOR PAYMENT OF LONG BEACH OIL PRODUCTION BUSINESS LICENSE TAXES WHICH ARE DUE AND PAYABLE IN MARCH. IN ADDITION, \$154,000 IS NEEDED TO RESTORE FUNDS IN BUDGET ITEM B.4.c. ENVIRONMENTAL CONTROL. THE EXECUTIVE OFFICER IS DIRECTED TO TRANSFER \$400,000 IN FUNDS TO THESE TWO BUDGET ITEMS FROM SURPLUS FUNDS WITHIN THE BUDGET, AS HE IS AUTHORIZED TO DO UNDER SECTION 5(g) OF CHAPTER 138.

Attachment:

Calendar Item 35 (3 pages)

FIFTH MODIFICATION OF THE 1975-1976 PLAN OF DEVELOPMENT
AND OPERATIONS AND BUDGET, LONG BEACH UNIT,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach, pursuant to the provisions of Section 5(g), Chapter 138, Statutes of 1964, 1st E.S., has requested Commission approval of the Fifth Modification of the Plan of Development and Operations and Budget, Long Beach Unit (July 1, 1975 through June 30, 1976).

This Fifth Modification will provide nearly \$3 million for taxes submarine pipeline repairs, environmental control, and administrative overhead. The following funding is requested:

1. Personnel property, mining rights, and Long Beach oil production license taxes, \$2,329,000;
2. Submarine pipeline repairs, \$490,000;
3. Environmental control, \$154,000;
4. Administrative overhead, \$25,000.

The Division has reviewed the Fifth Modification and concurs with the need for the additional funds in these Budget Items. It is recommended that the necessary funding be provided either by transfers within the existing Budget or by Budget augmentation. The recommended method for providing funding is dependent upon the Federal Energy Administration's actions as to crude oil pricing by the date of Commission consideration of this Modification.

IF, AT THE TIME THIS FIFTH MODIFICATION IS CONSIDERED BY THE COMMISSION, THE FEDERAL ENERGY ADMINISTRATION HAS ESTABLISHED A PARITY AS TO THE GRAVITY DIFFERENTIAL FOR CRUDE OIL IN THE WILMINGTON FIELD, IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE BUDGET AUGMENTATION SET FORTH AS EXHIBIT "A", ATTACHED.

IN THE EVENT THE WILMINGTON FIELD CRUDE OIL PRICING STRUCTURE REMAINS UNCHANGED FROM THE DECEMBER 1973 LEVELS, IT IS RECOMMENDED THAT FUNDING FOR THE NECESSARY ITEMS BE OBTAINED BY TRANSFERS WITHIN THE EXISTING BUDGET. THIS ACTION IS CONSISTENT WITH THE COMMISSION'S POLICY AS TO EXPENDITURES FOR ACCELERATION OF CRUDE OIL PRODUCTION UNDER THE DECEMBER 1973 FREEZE OF CRUDE OIL PRICES IN THE LONG BEACH TIDELANDS.

A 52, 57, 58

S 27, 31

CALENDAR ITEM NO. 35. (CONTD)

In accordance with Part IV. A.4.c. of the 1975-1976 Plan and Budget, the following Plan Supplements for additional projects under \$100,000 have been approved by the Manager, Long Beach Operations, State Lands Division, and are hereby reported to the Commission and incorporated in the Plan. The Plan Supplements do not require action by the Commission.

Plan Supplement No. 4 - Install pressurization equipment in island electrical control rooms, estimated cost \$20,000.

Plan Supplement No. 6 - Lower pump and tubing into the liver of UP-Ford Zone Well G-603, estimated cost \$7,000.

PLAN SUPPLEMENT NO. 8 - Abandon the 237 Zone in Well A-403 and recomplete in the UP-Ford Zone, estimated cost \$55,000.

Plan Supplement No. 9 - Extend portions of the Pier J oil and gas gathering lines to provide facilities for Linalog surveys, estimated cost \$18,000.

Plan Supplement No.10 - Install catch basin, spill alarm and spill containment with remote annunciation at the Broadway-Mitchell Site, estimated cost \$16,200.

Attachment: Exhibit "A"

EXHIBIT "A"

BUDGET, PART III

	<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
<u>A. ESTIMATED EXPENDITURES FOR INVESTMENT</u>			
<u>1. Drilling and Development</u>			
a. <u>Development Drilling</u> (2) Ranger Zone	\$6,941,000	\$ (23,000)	\$ 6,918,000
<u>B. ESTIMATED EXPENDITURES FOR EXPENSE</u>			
<u>1. Unit Taxes and Licenses</u>			
a. Personal Property Taxes	\$2,350,000	\$ 209,000	\$ 2,559,000
b. Mining Rights Taxes	9,000,000	1,120,000	10,120,000
c. L.B. Oil Prod. Lic. Tax	1,900,000	1,000,000	2,900,000
<u>2. Operating Expense</u>			
b. <u>Field Systems</u>			
(1) Oil Gathering	\$ 990,000	\$ 245,000	\$ 1,235,000
(5) Gas Gathering	657,000	245,000	902,000
<u>4. Other Expense</u>			
c. <u>Environmental Control</u>	\$ 303,500	\$ 154,000	\$ 457,500
<u>C. ADMINISTRATIVE OVERHEAD</u>		<u>\$ 25,000</u>	
<u>TOTAL BUDGET AUGMENTATION</u>		<u>\$2,975,000</u>	