

MINUTE ITEM  
This Calendar Item No. 20  
was approved as Minute Item  
No. 20 by the State Lands  
Commission by a vote of 3  
to 0 at its 3-25-76 MINUTE ITEM  
meeting.

3/25/76  
CVB

20. CONSIDERATION OF THE FIFTH MODIFICATION OF THE 1975-1976 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, AND RATIFICATION OF THE EXECUTIVE OFFICER'S APPROVAL OF THE TRANSFER OF LONG BEACH UNIT BUDGET FUNDS, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 20, Mr. W. M. Thompson, Manager, Long Beach Operations explained to the Commission the present pricing policy of the Federal Energy Administration concerning crude oil. In conclusion, he suggested that, consistent with Commission policy, the Commission transfer funds within the budget, rather than augment the budget. Mr. Thompson explained the proposed transfer would handle primarily the additional funds for mineral rights and personal property in the area. He therefore suggested that the Commission approve Staff Recommendation 1B and ratify the Executive Officer's action in Staff Recommendation 2.

Mr. George August, Deputy City Attorney, City of Long Beach, appeared stating the City is in accord with the choice of Recommendation 1B.

Based on Mr. Thompson's advice, the Commission unanimously approved the following resolution:

THE COMMISSION:

1. APPROVES FUNDING FOR THE NECESSARY ITEMS BY TRANSFERS OF SURPLUS FUNDS WITHIN THE EXISTING BUDGET AS SHOWN ON EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF, IN THE EVENT THE WILMINGTON FIELD CRUDE OIL PRICING STRUCTURE REMAINS UNCHANGED FROM THE DECEMBER 1973 LEVELS. THIS ACTION IS CONSISTENT WITH THE COMMISSION'S POLICY AS TO RESTRICTING EXPENDITURES FOR ACCELERATING THE PRODUCTION ON FUTURE RECOVERABLE CRUDE OIL WHILE THE FREEZE ON CRUDE OIL PRICES CONTINUES IN EFFECT IN THE LONG BEACH TIDELANDS; AND
2. RATIFIES THE EXECUTIVE OFFICER'S ACTION TRANSFERRING \$400,000 WITHIN THE EXISTING BUDGET TO PROVIDE FUNDING REQUIRED PRIOR TO THE MARCH 1976 COMMISSION MEETING, ATTACHED AS EXHIBIT "C" AND BY REFERENCE MADE A PART HEREOF.

Attachment:  
Calendar item 20 (6 pages)

CONSIDERATION OF THE FIFTH MODIFICATION OF THE 1975-1976  
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT,  
AND RATIFICATION OF THE EXECUTIVE OFFICER'S APPROVAL OF THE  
TRANSFER OF LONG BEACH UNIT BUDGET FUNDS,  
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, as submitted by the City of Long Beach, would provide nearly \$3 million for taxes, submarine pipeline repairs, environmental control, and administrative overhead. The City requested the following funding:

1. Personal 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 proposed Fifth Modification in light of current planning and expenditures. It concurs with Items (1) and (3), above, totaling \$2,483,000, but recommends deletion of the other items. Item (3), \$154,000 for Environmental Control, was handled by the Executive Officer's transfer of surplus funds within the existing Budget, subject to Commission ratification. Regarding Items (2) and (4), it now appears that existing funds within the Budget are also adequate to cover these actual costs. It is recommended that the necessary funding for taxes be provided either by transfer within the existing Budget or by Budget augmentation, dependent upon the Federal Energy Administration's actions relative to local crude oil pricing as of the date of Commission consideration of this Modification.

Pursuant to Commission direction, the Executive Officer, by letter dated February 26, 1976, approved the transfer of \$400,000 within the existing Budget. This transfer provided funding required prior to the March 1976 Commission meeting. The Long Beach Oil Production License Tax Budget Item was increased by \$246,000, to pay such taxes that are due in March 1976, and the Environmental Control Budget Item was increased by \$154,000 to replace funds which had been transferred from this Budget Item to meet unforeseen prior year escalation clause commitments in contractual agreements. Surplus funds in the Water Injection System Budget Item were used to provide the above increases.

CALENDAR ITEM NO. 20 (CONTD)

IT IS RECOMMENDED THAT:

- 1(A). THE COMMISSION APPROVE THE BUDGET AUGMENTATION SET FORTH AS EXHIBIT "A" ATTACHED AND BY REFERENCE MADE A PART HEREOF, IF AT THE TIME THIS FIFTH MODIFICATION IS CONSIDERED BY THE COMMISSION, THE FEDERAL ENERGY ADMINISTRATION HAS PROVIDED FOR RELIEF FROM THE CRUDE OIL PRICE FREEZE AT THE DECEMBER, 1973, LEVEL, APPLICABLE TO LOWER TIER CRUDE OIL IN THE LONG BEACH TIDELANDS. SUCH RELIEF WOULD PROVIDE INCENTIVE FOR MAKING ADDITIONAL EXPENDITURES TO ACCELERATE THE PRODUCTION OF FUTURE RECOVERABLE OIL; OR,
- 1(B). THE COMMISSION APPROVE FUNDING FOR THE NECESSARY ITEMS BY TRANSFERS OF SURPLUS FUNDS WITHIN THE EXISTING BUDGET AS SHOWN ON EXHIBIT "B", ATTACHED AND BY REFERENCE MADE A PART HEREOF, IN THE EVENT THE WILMINGTON FIELD CRUDE OIL PRICING STRUCTURE REMAINS UNCHANGED FROM THE DECEMBER, 1973, LEVELS. THIS ACTION IS CONSISTENT WITH THE COMMISSION'S POLICY AS TO RESTRICTING EXPENDITURES FOR ACCELERATING THE PRODUCTION OF FUTURE RECOVERABLE CRUDE OIL WHILE THE FREEZE OF CRUDE OIL PRICES CONTINUES IN EFFECT IN THE LONG BEACH TIDELANDS; AND,
2. THE COMMISSION RATIFY THE EXECUTIVE OFFICER'S ACTION TRANSFERRING \$400,000 WITHIN THE EXISTING BUDGET TO PROVIDE FUNDING REQUIRED PRIOR TO THE MARCH 1976 COMMISSION MEETING, ATTACHED AS EXHIBIT "C" AND BY REFERENCE MADE A PART HEREOF.

Additionally, in accordance with PART IV.A.4.c. of the 1975-1976 Plan and Budget, the following Plan Supplement for 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 - Purchase a second bell & Howell Datatape Unit for the seismic monitoring system; estimated cost \$17,790.
- Plan Supplement No. 7 - Abandon the 237 Zone in Well A-403 and recomplete the UP-Ford Zone; estimated cost \$55,000.

CALENDAR ITEM NO. 20 (CONTD)

- Plan Supplement No. 8 - Extend portions of the Pier J oil and gas gathering lines to provide facilities for Linalog surveys; estimated cost \$18,000.
- Plan Supplement No. 9 - Install a security type fence on Pier J; estimated cost to the Long Beach Unit \$22,500.
- Plan Supplement No. 10 - Install catch basin, spill alarm and spill containment with remote annunciation at the Broadway-Mitchell site; estimated cost \$16,200.

Attachments: Exhibits "A", "B" and "C"

EXHIBIT "A"

BUDGET, PAGE 111

	<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
B. <u>ESTIMABLE EXPENDITURES FOR EXPLOR.</u>			
1. <u>Unit Taxes and Licenses</u>			
a. <u>Personal Property Taxes</u>	\$2,350,000	\$ 209,000	\$ 2,559,000
b. <u>Mining Rights Taxes</u>	9,000,000	1,120,000	10,120,000
c. <u>L.P. Oil Prop. Lic. Tax</u>	2,146,000	754,000	2,900,000
TOTAL BUDGET AUGMENTATION		\$2,083,000	

EXHIBIT "B"

BUDGET, PART III

	<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
<b>A. <u>ESTIMATED EXPENDITURES FOR INVESTMENT</u></b>			
1. <u>Drilling and Development</u>			
a. <u>Development Drilling</u> (2) Ranger Zone	\$6,941,000	\$(1,200,000)	\$ 5,741,000
<b>B. <u>ESTIMATED EXPENDITURES FOR EXPENSE</u></b>			
1. <u>Unit Taxes and Licenses</u>			
a. <u>Personal Property Taxes</u>	\$2,350,000	\$ 209,000	\$ 2,559,000
b. <u>Mining Rights Taxes</u>	9,000,000	1,120,000	10,120,000
c. <u>L.B. Oil Prod. Lic. Tax</u>	2,146,000	754,000	2,900,000
2. <u>Operating Expense</u>			
b. <u>Field Systems</u>			
(14) <u>Submersible Lift-Surface</u>	\$3,460,000	\$( 300,000)	\$ 3,160,000
(15) <u>Water Injection Systems</u>	6,107,000	( 300,000)	5,807,000
c. <u>Other Production Expense</u>			
(12) <u>Electrical Expense</u>	1,410,000	( 283,000)	1,127,000

TOTAL BUDGET AUGMENTATION

-0-

EXHIBIT "C"

STATE OF CALIFORNIA  
STATE LANDS COMMISSION

EDMUND G. BROWN JR., Governor



STATE LANDS DIVISION  
100 OCEANGATE -- SUITE 300  
LONG BEACH, CALIFORNIA 90802

February 26, 1976

Re: Fifth Modification of the  
1975-1976 Plan of Development  
and Operations and Budget,  
Long Beach Unit

Mr. John R. Mansell  
City Manager  
City of Long Beach  
Room 300 - City Hall  
205 West Broadway  
Long Beach, CA 90802

Dear Mr. Mansell:

In view of the present uncertainty regarding the future price of crude oil, the State Lands Commission, at its meeting of February 26, 1976, deferred action for one month on the request of the City of Long Beach for approval of the Fifth Modification of the 1975-1976 Plan of Development and Operations and Budget for the Long Beach Unit.

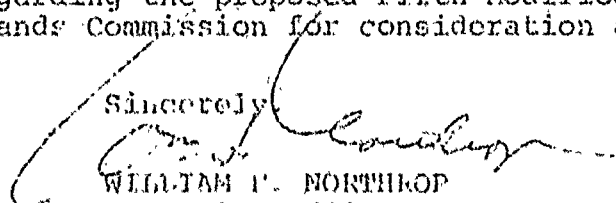
The State Lands Commission directed the Executive Officer to approve the transfer of \$400,000 within the existing Budget to provide funding that would be needed before the March 1976 Commission meeting.

In compliance with the Commission's directive and pursuant to Section 5(g), Chapter 138/1964 1st E.S., the Executive Officer hereby approves the following transfers:

1. Increase Budget Item III.B.1.c., Long Beach Oil Production License Tax, by \$246,000 to provide for payment of Long Beach oil production license taxes due and payable in March 1976.
2. Increase Budget Item III.B.4.c., Environmental Control, by \$154,000 to replace funds which have been transferred out of this Budget Item to meet unforeseen prior year escalation clause commitments in contractual agreements.
3. Reduce Budget Item III.B.2.b.(15), Water Injection System, where surplus funds presently exist, by \$400,000 to provide funding for the above two Budget Item increases.

A request for ratification of the above transfers, together with the Division's recommendation regarding the proposed Fifth Modification, will be presented to the State Lands Commission for consideration at its March 1976 meeting.

Sincerely,

  
WILLIAM P. NORTROP  
Executive Officer