

MINUTE ITEM

This Calendar Item No 47  
was approved as Minute Item  
No 47 by the State Lands  
Commission by a vote of 3  
to 0 at its 4128/77  
meeting.

4/77  
WMT

CALENDAR ITEM

47

PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,  
LONG BEACH UNIT, WILMINGTON OIL FIELD  
LOS ANGELES COUNTY

In compliance with Section 5, Chapter 138, Statutes of 1964, 1st E.S., and Article 4, of the Long Beach Unit Agreement, the City of Long Beach has submitted the "Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1977, through June 30, 1978" to the State Lands Commission for approval.

The Plan is consistent with the orderly development of the Long Beach Unit and provides for the continuing operation and maintenance of facilities. In order to accomplish the proposed development and to manage, operate and maintain the various existing Unit facilities, approval of budget funds in the amount of \$77,087,000 is requested. The Budget provides \$10,034,000 for capital investment, \$4,725,000 for expense, including taxes, and \$2,328,000 for administrative overhead.

Investment funding includes \$8,888,000 to drill 25 new wells and \$1,146,000 for field and well facilities. It is planned to maintain a three rig level of activity for new wells, redrills and workovers. Expense budget divisions are: Unit taxes and licenses, \$15,100,000; operating expense, \$43,979,000; general administrative expense, \$4,866,000; and other expense \$780,000. In addition to the above budget divisions, a budget contingency fund of \$350,000 is provided.

The proposed Budget of \$77,087,000 is \$1,211,000 above the modified 1976-1977 Budget. In general, an inflation factor of seven percent has been included in the proposed Budget.

The Economic Projections, Exhibits C-3 and C-4, originally prepared for the 1977-1978 Plan and Budget, may require revision as the result of recent litigation in the federal courts. Under this ruling, valuation of oil under the Contractors' Agreement must be on a tier by tier basis. At the present time, this results in a valuation based on the average of posted prices for lower tier oil which is less than the Federal Energy Administration's lower tier ceiling price.

The FEA had increased the maximum ceiling prices for California lower tier crude on October 1, 1976, by changing the gravity differential. The contractors have asserted that because the FEA's entitlements program has imposed on them the requirement to purchase a right to refine lower tier domestic crude at a very high cost, domestic crude is no longer competitive with imported foreign crude oil. Consequently, the lower tier postings have not been raised to the level of the new lower tier ceiling.

A 52, 57, 58

S 27, 31

CALENDAR ITEM NO. 4" (CONTD)

There are three proposals currently under consideration by the FEA which would affect crude oil prices and revenue during the 1977-78 fiscal year. These proposals are: 1) a \$0.54 per barrel entitlement credit for gravity differential adjustment to reduce the cost of the present entitlement purchase obligation by a California refiner for lower tier California crude oil; 2) the pricing of upper and lower tier crude oil at constant dollars, based on February, 1976 prices; and 3) the pricing of Alaskan North Slope oil and whether it is to be included in the domestic composite price.

Clarification of the pricing policy as a result of these proposals should be made by the start of the next fiscal year.

Any necessary revision of the Economic Projections, Exhibits C-3 and C-4, will be incorporated in the First Modification of the 1977-1978 Plan and Budget to be submitted to the Commission.

The Division has worked in cooperation with representatives of the City of Long Beach during the preparation of the 1977-1978 Plan and Budget in determining that each planned project is necessary and that the budget funding provided represents a reasonable estimate of the cost.

The City Council of the City of Long Beach, at its meeting of March 22, 1977, adopted this proposed Plan of Development and Operations and Budget, and authorized its submittal to the State Lands Commission for consideration and approval.

IT IS RECOMMENDED THAT THE COMMISSION:

1. DETERMINE THAT THE ACTIVITIES CONTEMPLATED BY THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1977 THROUGH JUNE 30, 1978" ARE PLANNED TO BE CARRIED OUT PURSUANT TO AGREEMENTS APPROVED BY THE COMMISSION BEFORE APRIL 5, 1975, AND ARE THEREFORE ONGOING PROJECTS WITHIN THE MEANING OF 14 CAL. ADM. CODE 15070(B)(3), AND DO NOT REQUIRE THE PREPARATION OF EITHER AN ENVIRONMENTAL IMPACT REPORT OR A NEGATIVE DECLARATION.
2. PURSUANT TO THE PROVISIONS OF SECTION 5, CHAPTER 158/1964, 1ST E.S., AND ARTICLE 4, OF THE LONG BEACH UNIT AGREEMENT, APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1977, THROUGH JUNE 30, 1978," SUBJECT TO POSSIBLE REVISION OF THE ECONOMIC PROJECTIONS, EXHIBITS C-3 AND C-4. REVISED ECONOMIC PROJECTIONS, IF NECESSARY, WILL BE INCORPORATED IN THE FIRST MODIFICATION OF THE SUBJECT PLAN AND BUDGET TO BE SUBMITTED TO THE COMMISSION.