

MINUTE ITEM

This Calendar Item No. 32
is approved as Minute Item
32 by the State Lands
Commission by a vote of 3
at its 3-31-78
meeting.

INFORMATIVE CALENDAR ITEM

32.

5/78
Thompson

REVIEW OF THE THIRD QUARTER 1977-1978 FISCAL YEAR
PRODUCTION AND REVENUE PARCEL "A", CITY OF LONG BEACH,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

In compliance with the Commission's directive, 1977-1978 fiscal year production and revenue estimates for Parcel "A" were presented to the Commission at its meeting of October 27, 1977.

Staff review of the 1977-1978 fiscal year estimate through the third quarter shows net revenue above the estimate prepared at the end of the second quarter. Third quarter revenue was greater than forecast because expenditures for redrills and new equipment were significantly less than budgeted.

Estimated annual crude oil production is down approximately 3% below the previous estimate. Estimated gross revenue for the fiscal year, however, is almost unchanged because of the small increases in crude oil price that occurred in September 1977 and February 1978. Twelve and a half percent of Parcel "A" production is being sold off to Fletcher Oil and Refining Company, who is paying 26.51 cents per barrel above posted price. This is still 38 cents per barrel below ceiling price. The sell-off has been cancelled by the purchaser, effective June 1, 1978, at which time the average price received for Parcel "A" crude oil will drop to posted price and will cause a reduction in tideland oil revenue in the next fiscal year. Ninety-two percent of Parcel "A" oil production is lower tier oil and the average cut is 91.3%, a water to oil ratio of more than 10 to 1. Because of low crude oil prices, some plans for arresting the production decline rate have been deferred, due to extended payout and increased risk.

It is now expected that net tideland oil revenue to be shared between the City of Long Beach and the State for the entire 1977-1978 fiscal year will be \$2,545,000 which is \$131,000 above the previously revised net revenue estimate for the fiscal year, reported to the Commission at its February 28, 1978 meeting.

When complete production and cost information for the 1977-1978 fiscal year becomes available, it will be reviewed by the staff. The Commission will be informed of any changes in oil revenue which may be received by the State pursuant to Chapter 138/1964, 1st E. S.

A 52, 57, 58

S 27, 31