

MINUTE ITEM

This Calendar Item No. 32  
was approved as Minute Item  
No. 32 by the State Lands  
Commission by a vote of 2  
to 2 at its 9/27/78  
meeting.

CALENDAR ITEM

32.

9/78  
Thompson

FINAL REPORT AND CLOSING STATEMENT OF THE 1977-1978  
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,  
LONG BEACH UNIT, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY

The City of Long Beach has requested Commission approval of the Final Report and Closing Statement of the Plan of Development and Operations and Budget, Long Beach Unit, (July 1, 1977 through June 30, 1978). This Final Report and Closing Statement, submitted in accordance with PART IV, E.3. of the subject Plan and Budget, summarized the work accomplished under the Plan and reconciles the funds expended pursuant to the modified Budget.

During the 1977-1978 fiscal year, oil production totaled 27.6 million barrels, and gas production was 5.3 billion cubic feet. Net revenue attributable to the Long Beach Unit during the fiscal year was \$76.1 million, substantially less than the original estimate. This reduction was due to a severe decline in the lower tier oil production rate. This resulted from the lack of crude oil price increases. Posted prices did not follow the Federal ceiling price increase of October 1976 and monthly increases starting in September 1977 while inflation was continuing to increase the cost of producing. A composite oil price of \$5.96 per barrel was used in the original unit revenue estimates. This was based on the payment of the approximately 60 cents per barrel lower tier gravity differential ceiling price increase allowed by the Department of Energy in October, 1976. This increase was being collected under protest at the time the Plan and Budget was prepared and approved. A Federal court ruling in May, 1977 stopped this lower tier crude oil price payment. The full impact on revenue of this reduction in projected lower tier oil prices was dampened by the establishment of priority budget fund expenditures for upper tier oil projects. The stabilizing of the upper tier oil production rate resulted in an improved composite oil price for the year of \$5.54 per barrel.

Sixteen of the 25 wells provided for in the original Plan were completed and 10 existing wells were redrilled during the year. Eight redrills had been planned. Thus, 7 fewer drilling or redrilling projects were completed than had been planned. The principal reason was a delay in acquiring a contract drilling rig. A substantial amount of drilling funds were surplus at the end of the fiscal year.

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With Commission approval, the Plan was modified during the fiscal year to provide for additional drilling, re-drilling and workovers, the purchase of an electric drilling rig, and revised economic projections. The Commission approved 2 Budget augmentations during the year totaling \$11,764,000. The Fifth Modification approved by the Commission at its January 26, 1978 meeting provided \$7,490,000 for additional wells, a 1-year contract for an additional drilling rig, purchase of an electric drilling rig, increased re-drilling and workovers and the 4% overhead allowance for the field contractor and the City of Long Beach. The Sixth Modification approved by the Commission on February 23, 1978 augmented the budget by \$4,274,000 to provide funding for additional Los Angeles County mining rights taxes. The modified Budget, including the carry-in from the previous year, totalled \$94,501,000.

The Budget, as modified, was sufficient to maintain full field operations with surpluses or carry-over remaining in every major category. As of June 30, 1978 unexpended Budget funds totalled \$15,260,645 including carry-over.

Following is a comparison between the 1977-1978 Budget, as modified, and expenditures:

	<u>Approved Budget*</u>	<u>Budget Expenditures</u>	<u>Unexpended Budget</u>
Investment	\$19,317,000	\$8,840,648	\$10,476,352
Expense	72,349,000	68,184,690	4,164,310
Administrative Overhead	2,835,000	2,215,017	619,983
TOTAL BUDGET	94,501,000	79,240,355	15,260,645

\*Including Carry-in, Modifications and Budget transfers.

\$7,886,000 of the unexpected Investment and Administrative Overhead funds that had been committed but not expended by June 30, 1978, have been carried forward into the 1978-1979 Budget. A carry-over occurs each year because of the time required for engineering design, long lead time equipment purchases, bidding procedures and actual construction. \$7,374,645 in the approved 1977-1978 Budget remained unexpended after the carry-over into the 1978-1979 fiscal year.

CALENDAR ITEM NO. 32 (CONTD)

The Commission's staff has reviewed the Final Report and Closing Statement and found it to be an accurate summary of accomplishments and expenditures for the Long Beach Unit under the 1977-1978 Plan and Budget.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FINAL REPORT AND CLOSING STATEMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, (JULY 1, 1977 THROUGH JUNE 30, 1978).