

MINUTE ITEM

This Calendar Item No. 33
was approved as Minute Item
No. 33 by the State Lands
Commission by a vote of 2
to 0 at its 4/26/79
meeting.

CALENDAR ITEM

33.

4/79
Thompson

AUTHORIZATION OF THE 1979-1980 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, 1979, through June 30, 1980, to the State Lands Commission for approval.

The proposed Plan provides for continued development of the Long Beach Unit and 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, a Budget totaling \$80,449,000 has been prepared. The Budget provides \$8,450,000 for capital investment, \$69,224,000 for expense, and \$2,775,000 for administrative overhead.

Investment funding includes \$7,000,000 to drill 16 new wells, \$700,000 for injection well conversion equipment and \$750,000 for field and well facilities. Expense funding provides \$56,898,000 for operating, \$5,484,000 for administration and \$742,000 for other expense. \$6,100,000 is provided for taxes, licenses and assessments levied by the City of Long Beach, the County of Los Angeles and the State.

This budget provides funds for a level of 3 rig years of activity to drill new wells and redrill and repair existing wells. Most items were funded at what appeared to be adequate increases for inflation at the time the budget was being prepared early this year. However, the Bureau of Labor Statistics recently announced that the consumer price index during February 1979 rose at a rate equal to an annual rate of 15.4%. This is the sharpest increase for any month since September 1974.

At the time of that previous rapid rate increase, in 1974-1975, the actual cost of production and development items in the Long Beach Unit increased 1 and 1½ to 2 times the consumer index percentage. If the present inflation trend continues into the 1979-1980 budget year, there is a strong possibility that either additional funds or restriction of activity may be required. Based on a preliminary analysis of the

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recently announced federal policy on oil pricing, the Commission staff would recommend such augmentation if required, rather than reduction of activities, since there is every indication that crude oil price increases would offset such additional expenditures. The Commission staff currently believe that an increase in drilling rig activity from 3 rig years to 4 rig years would be justified by the recent federal action, and this will be reflected in future Plan and Budget modifications for the Commission's consideration.

The Economic Projections, Exhibits C-3 and C-4, show an estimated annual crude oil production of 24.1 million barrels. Resulting total 1979-1980 fiscal year oil and gas income for the Unit is expected to be \$178,033,000. After deduction of the total budgeted expenditures of \$80,449,000 an estimated net Unit income of \$97,584,000 is anticipated during the 1979-1980 fiscal year.

The oil income is based on an average composite price of \$7.06 per barrel. A recently announced federal policy indicates that crude oil prices will probably continue to increase, and this combined with the additional release of lower tier crude oil to the upper tier crude oil categories could result in an increase in gross income of almost \$20 million.

Any changes as a result of actual prices paid for Unit crude oil and gas together with actual expenditures during the year will be reported in revised Economic Projections that will be submitted to the Commission in accordance with PART IV.A. of the subject Plan and Budget.

The Commission's staff has worked in cooperation with representatives of the City of Long Beach during the preparation of the 1979-1980 Plan and Budget in determining that each planned project is necessary and that the budget funding provided presents a reasonable estimate of the cost.

The City Council of the City of Long Beach, at its meeting of March 20, 1979, 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

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UNIT, JULY 1, 1979 THROUGH JUNE 30, 1980" ARE PLANNED TO BE CARRIED OUT PURSUANT TO AGREEMENTS APPROVED BY THE COMMISSION BEFORE APRIL 5, 1973, 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 EIR OR NEGATIVE DECLARATION.

2. PURSUANT TO THE PROVISIONS OF SECTION 5, CHAPTER 138, STATUTES OF 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, 1979, THROUGH JUNE 30, 1980."

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