

MINUTE ITEM

3. INVESTMENT AND EXPENSE BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY · L.B.W.O. 10,155, W.O. 5200.3.11.

After consideration of Calendar Item 3 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 9.5 OF THE UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, APPROVES THE "1965 INVESTMENT AND EXPENSE BUDGET FOR THE LONG BEACH UNIT", DATED APRIL 1, 1965, AS PREPARED BY THE FIELD CONTRACTOR AND SUBMITTED BY THE CITY AS UNIT OPERATOR, SAID BUDGET TO BE SUBJECT TO ADJUSTMENT, IN ACCORDANCE WITH SAID SECTION 9.5, TO CONFORM IN ALL RESPECTS WITH THE INITIAL PLAN OF DEVELOPMENT AND OPERATION AS ULTIMATELY ADOPTED, AND TO BE ADJUSTED ALSO TO COVER ANY EXPENDITURES PRIOR TO THE ADOPTION OF SAID PLAN FOR ANY ITEMS OR CATEGORIES NOT NOW INCLUDED IN SAID BUDGET.

Mr. J. Barton Hutchins, representing Ed Pauley and Associates, suggested that the record should show that his Company would like to be included in any discussions held by the operating contractor or the City with nonoperating contractors.

Mr. Harold A. Lingle, Chief Deputy City Attorney for Long Beach, indicated that while there had been discussions with the Field Contractor and with the Commission's consultants, there had not been any discussions with nonoperating contractors. He emphasized that the City believed in equal treatment for all.

Mr. Hutchins replied that his Company had no complaint at present, but wanted to make certain that there was no basis for complaint in the future.

Attachment

Calendar Item 3 (2 pages)

CALENDAR ITEM

3.

INVESTMENT AND EXPENSE BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,155, W.O. 5200.3.11.

The City of Long Beach has submitted the "1965 Investment and Expense Budget for Long Beach Unit" covering expenditures for the Long Beach Unit from the effective date of unitization, April 1, 1965, through December 31, 1965. (See Exhibit "A".)

This proposed budget, totaling \$13,785,000, is covered in two periods. The first period, from April 1 through June 11, covers only necessary non-operational expenses and those items requiring design or advance ordering during the 100-day statutory evaluation period. In the event expenditures are to be made during this period for items or categories not set forth in said budget, it will be modified, subject to Commission approval. (See Exhibit "B".) The second period, from June 12 through December 31, includes costs of actual drilling and construction on Pier "J", as well as island construction necessary to comply with Exhibit "C", containing certain provisions to be included in the initial development program set forth in the Unit Agreement. Any part of the budget is subject to revision to conform in all respects with the Plan of Operation and Development as ultimately adopted or as thereafter modified by mutual consent.

Following is a summary of the anticipated unit expenditures during 1965:

	<u>April 1-June 11</u>	<u>June 12-Dec. 31</u>	<u>April 1-Dec. 31</u>
Investment	\$1,186,000	\$ 8,888,800	\$10,074,800
Expense	188,150	1,786,875	1,975,025
Contingencies	137,415	-,067,567	1,204,982
Administrative Allowance (1)	60,463	469,730 (2)	530,193
Total	\$1,572,028	\$12,212,972	\$13,785,000

(1) One percent (1%) and three percent (3%) of unit expenses to Unit Operator (City) and Field Contractor, respectively, as provided in Section 5.15, Exhibit "F" of the Unit Operating Agreement.

(2) This figure inadvertently includes administrative overhead allowance on taxes paid for unit operations. Such taxes, in accordance with Section 5.15 of Exhibit "F" of the Unit Operating Agreement, should be excluded from the Administrative Overhead Allowance.

This budget has been reviewed by the Commission's staff and consultants, and has been found to be a reasonable estimate of the anticipated unit expenditures during the year 1965.

CALENDAR ITEM 3. (CONTD.)

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 9.5 OF THE UNIT OPERATING AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, APPROVE THE "1965 INVESTMENT AND EXPENSE BUDGET FOR THE LONG BEACH UNIT", DATED APRIL 1, 1965, AS PREPARED BY THE FIELD CONTRACTOR AND SUBMITTED BY THE CITY AS UNIT OPERATOR, SAID BUDGET TO BE SUBJECT TO ADJUSTMENT, IN ACCORDANCE WITH SAID SECTION 9.5, TO CONFORM IN ALL RESPECTS WITH THE INITIAL PLAN OF DEVELOPMENT AND OPERATION AS ULTIMATELY ADOPTED, AND TO BE ADJUSTED ALSO TO COVER ANY EXPENDITURES PRIOR TO THE ADOPTION OF SAID PLAN FOR ANY ITEMS OR CATEGORIES NOT NOW INCLUDED IN SAID BUDGET.