

MINUTE ITEM

4/27/72
CBV

19. APPROVAL OF PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1972, THROUGH JUNE 30, 1973, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 18 attached, appearances were made by the following:

Leonard W. Brock, Director of Oil Properties, City of Long Beach, who commended the Commission, the Division, and THUMS on this year's actions and cooperation.

Thomas S. Richards, President and General Manager, THUMS Long Beach Co. (accompanied by Robert Buchanan, Attorney for THUMS), who reported to the Commission on the progress made during the 1971-1972 fiscal year, and requested approval of the Plan and Budget for the 1972-1973 fiscal year. (A copy of Mr. Richards' remarks is on file with the Commission.)

Upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION APPROVES THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1972, THROUGH JUNE 30, 1973", AS ADOPTED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH ON MARCH 21, 1972, ON THE BASIS THAT CHANGES AGREED TO BY THE CITY OF LONG BEACH, THE STATE LANDS DIVISION, AND THUMS LONG BEACH CC. WILL BE INCORPORATED INTO THE FIRST MODIFICATION OF THIS PLAN AND BUDGET TO REDUCE OPERATING EXPENSES BY APPROXIMATELY \$1,200,000.

Attachment:

Calendar Item 18 (2 pages)

CALENDAR ITEM

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18.

PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT,
JULY 1, 1972, THROUGH JUNE 30, 1973,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

In compliance with Section 5, Chapter 138/1964, 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, 1972 through June 30, 1973" to the State Lands Commission for approval.

Funds are provided for the drilling of 22 new producing wells, after which the total number of wells drilled will be approximately 686.

In order to accomplish the proposed additional development and to manage, operate, and maintain the various facilities, a total expenditure of \$45,658,000 is proposed. Of this total, \$5,708,000 is provided for investment, \$38,650,000 for expense, and \$1,300,000 for administrative overhead.

Investment included \$4,400,000 for drilling and development, and \$1,308,000 for field and well facilities. Expense categories are: taxes, \$11,500,000; operating expense, \$23,470,000; general administrative expense, \$3,460,000; and other expense \$220,000.

In addition to the above, to ensure continuing orderly development and operation of the Unit, an initial Budget Contingency Fund of \$250,000 is included as established in the Thirteenth Modification of the 1971-1972 Plan and Budget.

The City Council of the City of Long Beach, at its meeting of March 21, 1972, adopted this proposed Plan of Development and Operations and Budget, and authorized its submittal to the State Lands Commission for consideration and approval.

Since its submittal by the City of Long Beach, joint meetings have been held by the Department of Oil Properties, the Field Contractor and the Division on the proposed 1972-1973 Plan of Development and Operations and Budget. It is the joint agreement that a reduction of 4-1/2% in budgeted funds for the Expense Categories B.2 OPERATING EXPENSE, B.3 GENERAL ADMINISTRATIVE EXPENSE, and B.4 OTHER EXPENSE will be made in conjunction with the First Modification of the 1972-1973 Plan and Budget submitted by the City of Long Beach.

This joint agreement was arrived at by a re-evaluation of the inflationary trends affecting Unit expenditures following the Federal Price-Wage freeze and current procedures, the cost reduction programs implemented by the Field

CALENDAR ITEM NO.18.(CONTD)

Contractor, the increased funds required for additional activity in the 1972-1973 Budget year as compared to the present fiscal year, the re-calculation of the funds required in the various Budget Items affected by the change in allocation and accounting procedures proposed in the 1972-1973 Plan and Budget, and the additional history on expenditure trends since the original data was prepared.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1972, THROUGH JUNE 30, 1973" AS ADOPTED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH ON MARCH 21, 1972, SUBJECT TO JOINTLY AGREED TERMS AS SET FORTH ABOVE.