

MINUTE ITEM

10/3/72
CVB

16. APPROVAL OF TWENTIETH AND FINAL MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

After consideration of Calendar Item 14 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO SECTION 5(g), CHAPTER 138/1964, 1ST E.S., APPROVES THE TWENTIETH AND FINAL MODIFICATION OF THE 1971-1972 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1971, THROUGH JUNE 30, 1972.

Attachment:

Calendar Item 14 (2 pages)

A 39, 44, 68
S 32, 37

CALENDAR ITEM

9/72
CVB

14.

TWENTIETH AND FINAL MODIFICATION OF THE
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The City of Long Beach pursuant to the provisions of Section 5(g), Chapter 138/1964, 1st E.S., has requested approval of the Twentieth and Final Modification of the 1971-1972 Plan of Development and Operations and Budget, Long Beach Unit (July 1, 1971, through June 30, 1972). The State Lands Commission approved this Plan and Budget at a formal hearing on May 27, 1971, after ordering modification of the original Plan and Budget submitted for its approval.

This Final Modification, submitted in accordance with PART IV.E.3 of the 1971-1972 Plan and Budget, summarizes the work accomplished under the Plan and reconciles the funds expended pursuant to the modified Budget.

During the 1971-1972 fiscal year Unit oil production averaged 112,878 b/d, which was 6,300 b/d above the oil rate originally projected. The Unit total gross revenue was \$115 million, which exceeded the original estimate by \$7.9 million. Net income of \$70.8 million was \$6.3 million above projected income, even though a decrease in operating expense of \$313,000 was offset by an increase in expenditures for taxes of \$876,000, and investment expenditures were \$1,062,000 greater than the projected figure. Eleven of the fifteen production wells provided for in the modified Plan and Budget were completed during the year. Two additional production wells were being drilled at the end of the Plan and Budget year.

During the fiscal year, the budget was augmented nine times. A comparison between the 1971-1972 Budget, as modified, and the actual expenditures is as follows:

	<u>Budget As Modified</u>	<u>Expenditures</u>	<u>Difference</u>
Investment	\$ 9,979,000	\$ 6,429,458	\$3,549,542
Expense	36,916,709	36,541,326	375,383
Administrative	1,227,000	1,186,903	40,097
Overhead	<u>\$48,122,709</u>	<u>\$44,157,687</u>	<u>\$3,965,022</u>
Total Budget			
Budget Contingency Fund	\$ 250,000	\$ 1,709	\$ 248,291

Of the \$3,965,022 in funds that were budgeted but unexpended, \$1,827,000 has been carried over into the 1972-1973 Plan and Budget. This carry-over provides for expenditures on new wells drilled or in progress at the end of the budget period that, in the normal lag between billing and payment, could not be booked in the 1971-1972 budget period. Also the carry-over provides for completion of produced water processing facilities, and other projects that were commenced during the 1971-1972 fiscal year.

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CALENDAR ITEM NO. 14. (CONTD)

The Budget Contingency Fund of \$250,000 was added to the Plan and Budget by the Commission, after a formal hearing held on May 27, 1971, in order to ensure the continuing orderly development and operation of the Long Beach Unit. In March 1972, the Commission modified the guidelines for the Budget Contingency Fund to increase the usefulness of this Fund. The Budget Contingency Fund was used when it became necessary to provide \$1,709 in funds to cover an overexpenditure in an expense Budget Item at the close of the 1971-1972 accounting period, at which time the normal budget fund transfer procedures could not be used.

A significant fiscal event occurred during the 1971-1972 Plan and Budget year. In September 1971, the Field Contractor's net profit account reached "payout"; that is, the Field Contractor's bid percentage of the cumulative net profits attributable to the Field Contractor exceeded the \$75,000,000 initial consideration and advance royalty paid by the contractor. Since "payout" was reached, the Field Contractor has paid 95.56% of the net profits to the City of Long Beach. This is the major portion of the Long Beach Tideland oil revenue shared by the City and State in accordance with the provisions of Section 4(e), Chapter 138/1964, 1st E.S. During the calendar years of 1971 and 1972, which cover this Plan and Budget period, the City retained \$9,000,000 annually, with the remainder going to the State of California amounting to \$32.6 million for fiscal 1971-1972.

The Division has reviewed this proposed Twentieth and Final Modification and finds it to be a reasonably accurate summary of accomplishments and expenditures for the Long Beach Unit under the 1971-1972 Plan and Budget.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 5(g), CHAPTER 138/1964, 1ST. E.S., APPROVE THE TWENTIETH AND FINAL MODIFICATION OF THE 1971-1972 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1971, THROUGH JUNE 30, 1972.