

MINUTE ITEM

10/3/74
CVB

14. THIRD MODIFICATION OF THE 1974-1975 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

After consideration of Calendar Item 15 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 THIRD MODIFICATION OF THE 1974-1975 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1974, THROUGH JUNE 30, 1975.

Attachment: Calendar Item 15 (3 pages)

THIRD MODIFICATION OF THE 1974-1975
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach, in accordance with Section 5(g), Chapter 138/1964, 1st E.S., has requested Commission approval of the Third Modification of the Plan of Development and Operations and Budget, Long Beach Unit (July 1, 1974, through June 30, 1975).

This Third Modification, as submitted, would provide investment funds, by transfer, for the following purposes:

1. To meet the schedule of payments for the purchase of five high pressure water injection pumps referred to in the Plan. The estimated total cost of these pumps is \$498,000, of which approximately \$365,000 in unbudgeted progress payments is to be made during the 1974-1975 fiscal year. These pumps will not be delivered until the spring of 1976. At the time of Budget preparation and approval, it was anticipated that funds for engineering design work only would be required prior to delivery. Due to prevailing high interest rates and the inflationary trend, installment payments have become standard practice in ordering long lead time items, and are now necessary in this instance.
2. To provide funds to cover the cost of installing high pressure aquifer water injection lines and an additional charge pump on Island Grissom. The estimated total cost of these facilities is \$160,000, which is \$56,000 in excess of the \$104,000 provided in the original Budget. The additional amount is necessary due to underestimation and the inflationary trend.

In addition to the above investment fund transfers, the following transfer of funds from Investment to Expense is requested by the City Manager to provide for an in-depth study and evaluation of field-wide corrosion problems, costing an estimated \$27,000. Potentially serious corrosion has been detected since the early part of 1974, when the 1974-1975 Budget was prepared.

Another requested transfer from Investment to Expense provides for a 6 percent cost-of-living adjustment for all employees of the Field Contractor, and the total adjustment which is distributed among several Expense Budget Items is \$291,000. This increase, effective June 1, 1974, was approved by the Long Beach City Manager pursuant to Article 15, Contractors' Agreement, Long Beach Unit. This portion of the Contractors' Agreement states that a schedule of the Field Contractor's employee

CALENDAR ITEM NO. 15. (CONTD)

salaries and benefits must be approved by the City Manager, giving due regard to compensation and other benefits normally allowed to comparable employees. This 6 percent increase is being granted to the other City of Long Beach tidelands contractors, and generally throughout the petroleum industry. It is the first cost-of-living adjustment for salaried personnel since the Long Beach Unit commenced in 1965. The Long Beach Unit Budget, as approved by the Commission in April 1974, previously contained a 9 percent increase for the employer contribution portions of the medical plan payments and FICA, and normal merit increases.

Funds to accomplish the necessary adjustment in the Investment and Expense portions of the 1974-1975 Budget will be provided by transfer from PART III. A.1.a.(2), Development Drilling, Ranger Zone. The total 1974-1975 Budget would remain unchanged. Surplus funds exist in this category because drilling activity is less than originally planned, due primarily to shortages of oil well casing. No changes in revenue during the 1974-1975 fiscal year are foreseeable at this time, because the major impact of such reduction in drilling activity will occur late in the 1974-1975 fiscal year. The time lag between drilling and receipt of oil revenue would carry over any change in revenue to the following fiscal year.

After approval of this Third Modification the affected Budget Items will be adjusted as follows:

	<u>(Thousands of Dollars)</u>		
	<u>Current</u> <u>Budget</u>	<u>Third</u> <u>Modification</u>	<u>Adjusted</u> <u>Budget</u>
BUDGET, PART III			
A. <u>ESTIMATED EXPENDITURES</u> <u>FOR INVESTMENT</u>			
1. <u>DRILLING AND DEVELOPMENT</u>			
a. <u>Development Drilling</u> (2) Ranger Zone	4,686	(739)	3,947
2. <u>FIELD AND WELL FACILITIES</u>			
c. <u>Injection Water Treating</u> <u>and Distribution</u> (1) Water Injection System	350	421	771
B. <u>ESTIMATED EXPENDITURES</u> <u>FOR EXPENSE</u>			
2. <u>OPERATING EXPENSE</u>			

CALENDAR ITEM NO. 15. (CONTD)

(Thousands of Dollars)

BUDGET, PART III	<u>Current Budget</u>	<u>Third Modification</u>	<u>Adjusted Budget</u>
c. <u>Other Production Expense</u>			
(1) Production Operators	550	31	581
(2) Production Supervisor	630	38	668
(6) Prod. Support Services	425	5	430
(7) Test & Monitoring	300	3	303
(9) Field Expense	2,000	92	2,092
(17) Drilling & Workover Support Expense	1,130	20	1,150
3. <u>GENERAL ADMINISTRATIVE EXPENSE</u>			
a. <u>Management Expense</u>			
(1) Employees - Salaries & Burden	1,740	102	1,842
d. <u>General Expense</u>			
Special Projects			82
(1) Management Projects	55	27	

The Division has reviewed the proposed Budget transfers set forth in this Third Modification and found the transfers desirable and that the amounts shown are reasonable estimates of expenditures.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 5(g), CHAPTER 138/1964, 1st E.S., APPROVE THE THIRD MODIFICATION OF THE 1974-1975 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1974, THROUGH JUNE 30, 1975.

In accordance with PART IV.A.4.c. of the 1974-1975 Plan and Budget, Plan Supplement No. 1, providing for the purchase of a power sweeper at an estimated cost of \$5,500, has been approved by the Manager, Long Beach Operations, State Lands Division, and is being reported and incorporated in the Plan. No action is required by the Commission. Funds for this supplemental purchase have been provided by transfer within the Budget.