

MINUTE ITEM

This Calendar Item No. 28
was approved by the Commission by a vote of 3
to 0 at its 2/24/77
meeting.

INFORMATIVE CALENDAR ITEM

2/77
WMT

28.

REVIEW OF THE SECOND QUARTER 1976-1977 FISCAL YEAR
PRODUCTION AND REVENUE, PARCEL "A",
CITY OF LONG BEACH, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

In compliance with the Commission's directive, 1976-1977 fiscal year production and revenue estimates for Parcel "A" were presented to the Commission at its meeting of September 30, 1976.

Division review of the 1976-1977 fiscal year estimate for the second quarter shows revenue somewhat below the expected level primarily because operating expenditures were greater than anticipated. Actual second quarter operating expenses were \$215,000 more than estimated because of a retroactive adjustment for natural gas consumed on the property for the period March 1972 through June 1976. This increase in operating expenditures was partially offset because investment expenditures were less than anticipated. Based on oil pricing criteria used in the preparation of our forecast dated September 10, 1976, it is expected that net tideland oil revenue to be shared between the City of Long Beach and the State for the entire 1976-1977 fiscal year will be \$2,369,000, which is the same as was estimated in September, 1976.

The crude oil price freeze which became effective July 1, 1976 has been extended through March 1977 and may be extended through the remainder of the fiscal year 1976-1977. However, effective September 1, 1976 the FEA changed the definition of property and also permitted an adjustment in the gravity price differential which resulted in increasing the maximum ceiling price that could be paid for lower tier oil effective October 1, 1976. These changes could add additional revenue in the amount of \$368,000 for the revised property definition which permits reclassifying about 6.5% of Parcel "A" Production as upper tier crude, and \$468,000 for the gravity price differential adjustment if the maximum ceiling price is used to value the crude as the basis of payment of net profits.

No money has been received to date for either the property redefinition or the gravity price differential adjustment, which when combined would amount to \$163,000 for the second quarter of fiscal year 1976-1977. The City of Long Beach and the Division are pursuing efforts to obtain payment of past due amounts as well as future payments when due. For fiscal year 1976-1977 these two changes by the FEA should provide additional revenue in the amount of \$836,000 to be shared by the City and State.

When third quarter production and cost information becomes available, it will be reviewed by the Division. The Commission will be informed of any revisions in anticipated oil revenue that may be received by the State pursuant to Chapter 138, Statutes of 1964, 1st E.S.

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