MINUTE ITEM

This Calendar Item No. 34. was approved as Minute Item No. 34 by the State Lands Commission by a vote of 3 to 0 at its 9.26.79 meeting.

CALENDAR ITEM

34.

9/79
Thompson

FINAL REPORT AND CLOSING STATEMENT OF THE 1978-1979 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILIMINGTON OIL FIELD, LOS ANGELES COUNTY

The City of Long Beach has requested Commission approval of the Final Report and Closing Statement of the Plan of Development and Operations and Budget, Long Beach Unit, (July 1, 1978 through June 30, 1979). This Final Report and Closing Statement, submitted in accordance with PART IV, E.3 of the subject Plan and Budget, summarizes the work accomplished under the Plan and reconciles the funds expended pursuant to the modified Budget.

During the 1978-1979 fiscal year, oil production totaled 25.7 million barrels, and gas production was 5.3 billion cubic feet. At an average price of $6.41 per barrel of oil and $1.29 per thousand cubic feet of gas, the total value of Long Beach Unit production was $171.5 million. After deduction of $75.1 million in expenditures, remaining net income attributable to the Unit was $96.4 million.

The State Lands Commission, in response to promised federal pricing relief for lower gravity California crude oil, approved extra funds in the 1978-1979 Long Beach Unit Plan and Budget. These funds were to provide incentive toward performing any potential work which would increase the oil production rate from the Unit.

Sixteen of the 29 wells provided for in the original Plan were completed and 19 existing wells were redrilled during the year. Eighteen redrills had been planned originally. Thus, 12 fewer drilling or redrilling projects were completed than had been planned, which was due to a delay in starting up a newly purchased drilling rig and to a necessity to commit a large amount of drilling rig time to major workovers of wells. The water production and water injection rates were 5% and 11% respectively lower than the estimate included in the original economic projection and upon which budget funds were provided in various budget items. As a result of these circumstances, budget surpluses in some investment and expense categories occurred by the end of the fiscal year.

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With Commission approval, the Plan was modified during the fiscal year to provide for payment of taxes and redrilling, and for revised economic projections. The Commission approved a Budget augmentation of $2,202,000 at its November 27, 1978 meeting which provided funds for payment of the 1978-1979 Los Angeles County personal property and mining rights taxes. The original Plan and Budget as approved by the Commission in April 1978 provided funding for only the unsecured portion of personal property taxes levied against the Long Beach Unit. It was planned to augment the Budget for the remaining personal property and mining rights taxes after the June, 1978 primary election when the results of Proposition 13 were known. The modified Budget, including the investment fund carry-in from the previous year totaled $84,471,000.

As of June 30, 1979 unexpended Budget funds totaled $9,322,154, including approximately $2.2 million for investment carryover, $2.9 million as investment surplus, $3.8 million as expense surplus and $0.4 million as administrative overhead surplus.

Following is a comparison between the 1978-1979 Budget, as modified, and expenditures:

	Approved Budget*	Budget Expenditures	Unexpended Budget
Investment	$17,426,000	$12,328,867	$5,097,133
Expense	64,046,000	60,232,459	3,813,541
Administrative Overhead	2,999,000	2,587,520	411,480
TOTAL BUDGET	$84,471,000	$75,148,846	$9,322,154
Carry-out		2,239,000	2,239,000

*Including Carry-in, Modifications and Budget transfers.

$2,239,000 of the unexpended Investment and Administrative Overhead funds that had been committed but not expended by June 30, 1979 have been carried forward into the 1979-1980 Budget. A carry-over occurs each year because of the time required for engineering design, long lead time equipment purchases, bidding procedures and actual construction.

The Commission staff has reviewed the Final Report and Closing Statement and found it to be an accurate summary of expenditures for the Long Beach Unit under the 1978-1979 Plan and Budget.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FINAL REPORT AND CLOSING STATEMENT OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, (JULY 1, 1978 THROUGH JUNE 30, 1979).