

MINUTE ITEM

8/30/73
CVB

21. APPROVAL OF THE FIRST MODIFICATION OF THE 1973-1974 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

After consideration of Calendar Item 19 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 FIRST MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1973, THROUGH JUNE 30, 1974.

Attachment: Calendar Item 19 (2 pages)

APPROVAL OF THE FIRST MODIFICATION OF THE 1973-1974
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. and PART IV, Section D.3.c. of the subject Plan and Budget has requested Commission approval of the First Modification of the Plan of Development and Operations and Budget, Long Beach Unit (July 1, 1973, through June 30, 1974).

This First Modification will augment the Budget to provide funds for the defense of the waterflood patent infringement suit, Petrecal vs. The City of Long Beach and THUMS Long Beach Company. Additional funds will be provided for Budget Item III.B.4.b., Extraordinary Losses and Claims in the amount of \$75,000. The total 1973-1974 Budget for the Long Beach Unit will be increased from \$44,355,000 to \$44,430,000.

With approval of this Modification, the affected Budget Items will be adjusted as follows:

	<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
<u>BUDGET, PART III</u>			
B. <u>ESTIMATED EXPENDITURES FOR EXPENSE</u>			
4. <u>OTHER EXPENSE</u>			
b. <u>Extraordinary Losses and Claims</u>	\$10,000	\$75,000	\$85,000
TOTAL BUDGET (including carry-in funds but excluding contingency fund)	\$44,355,000	\$75,000	\$44,430,000

An initial request for \$73,000 to provide funds for the defense of the waterflood patent infringement suit was approved by the Commission on April 26, 1973, as the Eleventh Modification of the 1972-1973 Plan and Budget. By transfer of funds within the 1972-1973 Budget an additional \$65,000 was provided for legal services. Prior to this request for the First Modification a total of \$142,036 had been expended in defense of this suit. The City of Long Beach has advised that the cost of defense may eventually be as much as \$400,000. In view of the possible magnitude of costs, the Division requested

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the Office of the Attorney General to review the expenditures made by the City of Long Beach in defense of the lawsuit and advise the Division of their reasonableness.

The Office of the Attorney General has advised that the suit must be vigorously defended in view of the enormous potential loss to the Long Beach Unit which could result from an unsuccessful defense, and that they are satisfied with the ability and quality of the work performed by the special defense counsel. Additionally, the Long Beach Operations staff has provided assistance to the City and the Field Contractor as necessary.

The Division has reviewed this First Modification and finds it desirable to provide an additional budget augmentation for defense of the patent infringement suit.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO SECTION 5(g), CHAPTER 138/1964, 1ST E.S., APPROVE THE FIRST MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1973, THROUGH JUNE 30, 1974.

In accordance with PART IV.A.4.c. of the 1973-1974 Plan and Budget, the following Plan Supplements, for additional projects under \$100,000, have been approved by the Manager, Long Beach Operations, State Lands Division, and are being reported and incorporated in the Plan. They require no action by the Commission. Funds for these supplemental projects have been provided by transfers within the Budget. These are:

- Plan Supplement No. 1 - Install Fluid Level Monitoring Device on Island White Injection Water Tank (\$11,000)
- Plan Supplement No. 2 - Install Remote Annunciation Equipment at J-6 Office (\$18,000)
- Plan Supplement No. 3 - Install Fire Detection and Annunciation Equipment within fire wall at J-6 Tank Site (\$5,900)