

MINUTE ITEM

4/24/74
CVB

25. PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1974, THROUGH JUNE 30, 1975, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

During consideration of Calendar Item 24 attached, Mr. E. N. Gladish, Executive Officer, State Lands Commission, summarized the 1974-1975 Long Beach Plan of Development and Operations and Budget to the Commission. He stated that the proposed Budget amounts to \$58.568 million. This is \$16.2 million above last year's Budget and can be attributed mostly to increases in taxes and power costs. Mr. Gladish estimated that an additional \$4 to \$5 million in funding for investment may be required later in the fiscal year, as engineering work and cost estimates for future plans are finalized.

Upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION APPROVES THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1974, THROUGH JUNE 30, 1975" AS ADOPTED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH ON MARCH 12, 1974.

Attachment:

Calendar Item 24 (2 pages)

PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, JULY 1, 1974 THROUGH JUNE 30, 1975,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

In compliance with Section 5, Chapter 138/1964, 1st E.S., and Article 4 of the Long Beach Unit Agreement, the City of Long Beach has submitted the "Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1974, through June 30, 1975" to the State Lands Commission for approval.

The proposed Plan provides for the drilling of 33 new production wells, two water injection wells, and an increase in the water injection rate of 90,000 barrels per day, in addition to continuation of operation and maintenance of the Unit.

In order to accomplish this additional development and to manage, operate and maintain the various existing facilities, a total expenditure of \$58,568,000 is proposed. The value of Unit production is estimated to be \$164 million, which is \$105 million in excess of the budgeted expenditures. Of the total budget, \$8,378,000 is provided for investment, \$48,515,000 for expense and \$1,675,000 for administrative overhead.

Investment funds include \$7,605,000 for drilling and development, and \$773,000 for field and well facilities. The increased drilling and water injection work is expected to produce an additional 5 million barrels of oil during the next 3 years, with a value in excess of \$20 million. Expense categories are: Unit taxes and licenses, \$13,500,000; operating expense, \$31,180,000; general administrative expense, \$3,450,000; and other expense, \$385,000. In addition to the above funds, an initial budget contingency fund of \$250,000 is provided to insure continuing orderly development and operation of the Unit.

The proposed Budget of \$58.568 million is about \$16.2 million above the \$42.348 million 1973-1974 Budget approved by the Commission in April 1973. \$3.7 million of this increase is in capital expenditures for drilling and development projects. The remaining \$12.5 million increase is in the expense portion of the Budget. It is estimated that Unit taxes and licenses will increase \$4.5 million, reflecting a higher Long Beach oil production business license tax and Los Angeles County ad valorem tax; electrical energy costs will increase by \$4.5 million; increased injection water purchases will cost an additional \$0.9 million; all other costs of pumping and processing increased volumes of fluids will amount to \$1.0 million; and the continuing inflationary trend will account for a \$1.6 million increase. It is anticipated that an additional \$4 to \$5 million in funding for investment may be required later in the fiscal year, as engineering work and cost estimates for future plans are finalized. Included in such additional funding may be equipment that requires ordering well in advance of delivery.

CALENDAR ITEM NO. 24. (CONTD)

The Division has reviewed the Plan and has concluded that the proposed development will yield additional oil resulting in an increase in net revenue, and that the proposed Budget represents a reasonable estimate of the necessary expenditures during the 1974-1975 fiscal year.

The City Council of the City of Long Beach, at its meeting of March 12, 1974, adopted this proposed Plan of Development and Operations and Budget, and authorized its submittal to the State Lands Commission for consideration and approval.

The Office of the Attorney General has reviewed this proposed Plan and Budget, and found it legally sufficient.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1974, THROUGH JUNE 30, 1975" AS ADOPTED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH ON MARCH 12, 1974.