

MINUTE ITEM

This Calendar Item No. 28  
was approved as Minute Item  
No. 28 by the State Lands  
Commission by a vote of 2  
to 0 at its 8/26/76  
meeting.

CALENDAR ITEM

8/76  
WMT

28.

SECOND MODIFICATION OF THE 1976-1977  
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,  
LONG BEACH UNIT, WILMINGTON OIL FIELD,  
LOS ANGELES COUNTY

The Commission, at its meeting of April 28, 1976, approved the 1976-1977 Plan and Budget for the Long Beach Unit and stated its intent to augment the Budget during the fiscal year with a reasonable portion of any additional revenue generated by crude oil price increases that were permitted by the Federal Energy Administration (FEA). In ending the price freeze, which has existed since December 1973, the FEA allowed lower tier crude oil prices to increase for March through June 1976. These price increases, which averaged a little over 6¢/bbl for the period, increased the value of Long Beach Unit crude oil production by \$940,000. Currently, the FEA has again frozen crude oil prices, now at the June 1976 level.

As a part of their approval of the 1976-1977 Plan and Budget, the Commission established a schedule of priorities for any augmentations to the Budget, which utilize additional crude oil value resulting from crude oil price increases during the 1976-1977 fiscal year.

The two highest priority categories that require additional funding are mining rights taxes and the repair of two 87,000 barrel storage tanks.

The 1976 assessed valuation of the Long Beach Unit is nearly as high as it was in 1975, even though since the previous assessment date the Unit produced 39 million barrels of oil, valued at 163 million dollars, of the remaining oil to be recovered from the unit. This high assessment and the expected increase in the composite tax rate, are expected to result in a need to supplement the currently budgeted 9 million dollars for mining rights taxes by over 1 million dollars during the 1976-1977 fiscal year.

Additionally, in order to maintain protection from corrosion and ultimate leakage, it is necessary to clean out, inspect, repair and probably internally recoat two 87,000 barrel oil storage tanks located on Pier J. The enlarged scope of this field facility repair is now necessary for safety and environmental control.

The Second Modification will augment the Expense Budget by \$940,000. Budget PART III.B.1.b., Mining Rights Taxes, will be increased by \$740,000, and PART III.B.2.b.(3), Field Systems, Oil Storage, will be increased by \$200,000. This

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augmentation will increase the total 1976-1977 Budget, exclusive of contingency funds, to \$67,009,000. Additional augmentation for taxes will be required later in the fiscal year.

It is presently indicated that oil prices may be frozen at the June 1976 level for a period of up to six months.

Additional value from the FEA approved crude oil price increases for oil produced during the July to September 1976 period will be reviewed in October 1976. Any indicated augmentation under the established priority system will be placed on the November State Lands Commission agenda. At the present time, and unless there is relief by congressional and FEA action, it does not appear that funds for augmentation of Budget items for acceleration of oil production will be available. Any additional funds will be required for taxes, normal replacements of facilities, electrical energy expense, operating expense and funds for the fourth quarter operation of the one drilling rig currently operating in the Unit.

The Division has reviewed this Second Modification and found the proposed Budget augmentation necessary and in compliance with the Commission's established priority schedule for Long Beach Unit Budget augmentations utilizing additional crude oil value resulting from crude oil price increases during the 1976-1977 fiscal year.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE SECOND MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1976, THROUGH JUNE 30, 1977.

In accordance with PART IV, A. 4.c. of the 1976-1977 Plan of Development for the Long Beach Unit, the following Plan Supplements for additional projects under \$100,000 have been approved by the Manager, Long Beach Operations, State Lands Division, and are hereby reported to the Commission and incorporated in the Plan. These Plan Supplements do not require action by the Commission.

Plan Supplement

Description

- 1            Engineering study to define cathodic protection needs for underground lines, Pier J, estimated cost \$11,700.
- 2            Recover tubing and pump fish from the liner in Well C-805 and return it to production, estimated cost \$23,300.
- 3            Replace equipment in Well G-415 with packer and other equipment to permit monitoring of subzone pressures, estimated cost \$10,200.
- 4            Eliminate sand entry in Well C-602 by squeezing perforations with cement, estimated cost \$13,700.