

MINUTE ITEM

This Calendar Item No. 29  
was approved as Minute Item  
No. 29 by the State Lands  
Commission by a vote of 2  
to 0 at its 9/29/77  
meeting.

CALENDAR ITEM

29.

9/77

Thompson

FINAL REPORT AND CLOSING STATEMENT OF  
THE 1976-1977 PLAN OF DEVELOPMENT AND  
OPERATIONS AND BUDGET, LONG BEACH UNIT,  
WILMINGTON 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, 1976 through June 30, 1977). 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 1976-1977 fiscal year, oil production was 31.4 million barrels, or 4.1 million barrels below the original estimate of 35.5 million barrels. Gas production was 6.0 billion cubic feet compared to the original estimate of 7.1 billion cubic feet. The net revenue attributable to the Long Beach Unit was \$104.6 million compared to the original estimate of \$92.6 million. The average price received for crude oil in the 1976-1977 fiscal year increased to \$5.20 per barrel compared to \$4.20 per barrel during the 1975-1976 fiscal year. This increase was due to the Federal Energy Administration's redefinition of "properties".

Due to a prolonged drilling labor dispute involving employees of the drilling contractor, only six of the twenty-four new wells provided for in the Plan were completed during the year. Three wells were redrilled to their original zone of completion and one well was recompleted in a different zone. This unavoidable reduction in activity, which has now been resolved, was an important factor in the oil and gas production falling below estimates.

The original 1976-1977 Budget as approved by the Commission at its April 28, 1976 meeting, was \$62,041,000. With the carry-in of \$4,028,000 of unexpended investment funds and administrative overhead from the previous year, the original budget totaled \$66,069,000.

During the fiscal year the Plan was modified to provide for an additional 20 rig months of drilling, the addition of a Terminal Zone water-injection well, and updated economic projections.

CALENDAR ITEM NO. 29... (CONTD)

The Commission approved three Budget augmentations during the year, totaling \$9,807,000. Included in these augmentations were funds for additional development drilling, well workovers, well pulling, well remedial and stimulation work, produced water handling facilities, repair of oil storage tanks and mining rights taxes. In addition, the Division approved a \$3.1 million increase in warehouse inventory, principally to provide more casing for development drilling.

These budget augmentations were sufficient to maintain full field operations, with surpluses remaining in every major category of the budget. Total unexpended funds as of June 30, 1977 were \$14.8 million. In development Drilling, \$3.4 million remained, largely due to the drilling labor dispute. \$4.3 million in Field and Well facilities were unexpended and carried over to the 1977-1978 budget. \$6.7 million in expense were unexpended, including \$2.2 million in the well expense accounts. Surpluses that existed at the end of the fiscal year indicate adequate funding in each of the accounts that were directly related to maintaining oil production. Development Drilling and Oil Well Redrilling, Direct Well Charges, Stimulation and Workover expense.

Following is a comparison between the 1976-1977 Budget, as modified, and expenditures:

	<u>Approved Budget*</u>	<u>Budget Expenditures</u>	<u>Unexpended Budget</u>
Investment	\$12,522,000	\$ 4,857,648	\$ 7,694,352
Expense	61,131,000	54,390,017	6,740,983
Administrative Overhead	2,195,000	1,837,843	357,157
TOTAL BUDGET	\$75,878,000	\$61,085,508	\$14,792,492

\*Including Carry-in, Modifications and transfers from Budget Contingency Fund

\$5,650,000 of the unexpended Investment and Administrative Overhead funds that had been committed but not expended by June 30, 1977, have been carried forward into the 1977-1978 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. \$9,142,492 in the approved 1976-1977 Budget remained unexpended exclusive of the investment carry-over into the 1977-1978 fiscal year.

CALENDAR ITEM NO. 29. (CONTD)

The Division has reviewed this Final Report and Closing Statement and found it to be an accurate summary of accomplishments and expenditures for the Long Beach Unit under the 1976-1977 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, 1976 THROUGH JUNE 30, 1977).