

MINUTE ITEM

This Calendar Item No. 31

31 of 31

as of 2/23/78 CALENDAR ITEM

2/78
Thompson

31.

SIXTH MODIFICATION OF THE 1977-1978 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 Sixth Modification of the 1977-1978 Plan of Development and Operations and Budget for the Long Beach Unit. This modification will augment the Budget by \$4,274,000 to provide funds for additional mining rights and personal property taxes levied by the County of Los Angeles. Including this augmentation, the total revised Budget will be \$94,501,000.

After approval of this modification, the total affected Budget Items will be as follows:

	<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
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PART III

R. ESTIMATED EXPENDITURES FOR EXPENSE

1. UNIT TAXES AND LICENSES

a. <u>Personal Property Taxes</u>	\$ 2,900,000	\$ 84,000	\$ 2,984,000
b. <u>Mining Rights Taxes</u>	9,500,000	4,190,000	13,690,000
TOTAL BUDGET	\$90,227,000	\$4,274,000	\$94,501,000

The Commission's Staff has reviewed this Sixth Modification and finds the Budget augmentation necessary to pay the second installment of the county mining rights tax which must be paid by April 10, 1978. The current Budget funds for mining rights taxes, \$9,500,000, was expected to be adequate because the 1976-1977 mining rights taxes were \$9,451,142 and during the 1976-1977 fiscal year the Long Beach Unit reduced the ultimate value by production of \$163 million worth of crude oil. However the Los Angeles County Assessor assumed the Long Beach Unit would receive payment for crude oil at steadily increasing ceiling prices for 2 years followed by rapid decontrol resulting in Long Beach Unit crude oil selling for \$11.45 per barrel by 1985.

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This increased the assessment of the Long Beach Unit by approximately 40% for the 1977-1978 tax year. The participants of the Long Beach Unit believe this pricing concept is invalid for determining the fair market value of the mining rights, and therefore have filed an appeal of this assessment. The validity of this appeal is supported by the fact that lower tier crude oil prices to date have increased only 13¢ per barrel since December 1973, and only 3/4¢ per barrel since April 1976.

At its August 1977 meeting, the Commission authorized the Executive Officer and the Office of the Attorney General to take the necessary and appropriate action to effect the timely filing of an application for reduction in the 1977-1978 assessment of the Long Beach Unit with the Los Angeles County Assessment Appeals Boards. On September 15, 1977, the Commission's Staff, as agent for the participants of the Long Beach Unit, filed the application for reduction of the 1977 tax assessment. A hearing on this appeal should take place late in 1978 or early in 1979.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE SIXTH MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1977 THROUGH JUNE 30, 1978.