

MINUTE ITEM

1/24/67

33. APPROVAL OF THE FIRST MODIFICATION OF THE 1967 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.317.

After consideration of Calendar Item 20 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 5(g), CHAPTER 138, STATUTES OF 1964, 1ST E.S., APPROVES THE FIRST MODIFICATION OF THE 1967 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, AS SET FORTH IN THUMS APPROVAL REQUEST 40-66.

Attachment

Calendar Item 20 (2 pages)

APPROVAL OF THE FIRST MODIFICATION OF THE 1967 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - W.O. 5200.317.

The City of Long Beach, pursuant to the provisions of Section 5(g), Chapter 138, Statutes of 1964, 1st E.S., has requested State Lands Commission approval of the First Modification of the 1967 Plan of Development and Operations and Budget, Long Beach Unit, revising the drilling programs and budgeting for Islands "C" and "D" in order to effect significant long-range economies.

The Commission, at its meeting of October 27, 1966, approved the 1967 Plan of Development and Operations and Budget for the Long Beach Unit, which contemplated the use of four electric drilling rigs each on Islands "C" and "D", with the drilling contractor furnishing the rig machinery and the necessary drilling structure. Funds were provided to drill and complete 28 wells on Island "C" and 25 wells on Island "D".

Present information indicates that certain savings can be effected by modifying the 1967 Plan of Development and Operations and Budget for Islands "C" and "D". These modifications, set forth in THUMS Approval Request 40-66, are summarized below:

Island "C":

Bids from drilling contractors and drilling structure suppliers show that a saving of at least \$1,660,240 can be obtained if the Field Contractor (a) executes a drilling contract with the low bidder for a 36-month term, and (b) purchases the derricks, substructures and casing racks from the low bidder for these items. In order to take advantage of this saving, but still provide for contract termination in the unlikely event drilling on this Island should not proceed fully as contemplated, it will be necessary to:

1. Establish a contingent liability budget category to permit the Field Contractor to terminate the 36-month drilling contract at any time upon payment of \$28,320 per drilling rig for each month between such termination and the expiration of the 36-month term.
2. Increase the "Drilling Equipment" budget category (page 16 of the original 1967 Plan and Budget) from \$1,900,000 to \$2,800,000 to provide sufficient funds for the purchase of four complete derricks, substructures, and casing racks.

Island "D":

It has now been determined that Island "D" is far enough from developed areas to permit use of conventional drilling rigs. Six conventional rigs can be used in the limited space on Island "D", thus assuring that

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most of the drilling will be completed before future development in the Harbor area may require a change in drilling equipment. Economic studies show that six rigs will result in greater overall profitability to the Unit. The six conventional rigs will drill and complete the wells programmed for Island "D" in approximately 1½ years at a saving of \$2,603,000 over the use of the more elaborate equipment employed on the other Islands. The first rig will commence drilling in February 1967, and approximately 78 wells will be completed in 1967 in lieu of the 25 wells stipulated in the original 1967 Plan and Budget. In order to obtain these benefits it will be necessary to:

1. Modify the Plan to provide for (a) six rigs on Island "D" in lieu of four rigs, (b) the drilling of 78 wells on Island "D" in 1967 rather than the 25 originally planned, and (c) drilling on Island "D" to commence in February 1967.
2. Increase the following budget categories to provide for 66 oil wells and 12 injection wells:
 - a. Oil Wells (page 14 of original 1967 Plan and Budget)
From \$4,440,700 to \$12,877,445
 - b. Injection Wells (page 14 of original 1967 Plan and Budget)
From \$1,375,600 to \$2,329,640

The Commission's staff is of the opinion that this modification of the development plan will insure continuing orderly and aggressive development of the Long Beach Unit, and that the proposed budget modifications are based on reasonable estimates of anticipated expenditures.

IT IS RECOMMENDED THAT THE COMMISSION, PURSUANT TO THE PROVISIONS OF SECTION 5(g), CHAPTER 138, STATUTES OF 1964, 1ST E.S., APPROVE THE FIRST MODIFICATION OF THE 1967 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, AS SET FORTH IN THUMS APPROVAL REQUEST 40-66.