

MINUTE ITEM

1/26/72  
CVB

14. TENTH MODIFICATION OF THE 1971-1972 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

After consideration of Calendar Item 2 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION APPROVES THE TENTH MODIFICATION OF THE 1971-1972 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT (JULY 1, 1971 THROUGH JUNE 30, 1972).

Attachment:

Calendar Item 2 (2 pages)

## TENTH MODIFICATION OF THE 1971-1972 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

The City of Long Beach has requested approval of the Tenth Modification of the 1971-1972 Plan and Budget for the Long Beach Unit, to provide for an increase of \$370,000 in Budget Item 111.A.2.b. (10) Produced Water Handling, for the construction of produced water-handling facilities on Island Delta. The funds will be provided by a transfer of \$226,000 from related Allocated Expense budget items and a budget augmentation of \$144,000.

These facilities were provided for originally in the First Modification of the 1970-1971 Plan and Budget in July 1970. Construction is now in progress. This modification provides an additional \$225,000 for the produced water clarification plant and \$145,000 for the sand-media filter plant.

The Field Contractor has reported the following reasons for this augmentation: (1) inflationary conditions during the 18-month delay since the original cost estimate was prepared, and (2) added design costs due to the Field Contractor's use of outside engineering personnel. The Division believes the inflationary increases could have been minimized by more expedient action on the part of the Field Contractor. Both reasons presented are directly controllable by the Field Contractor.

By statute, the responsibility for protecting the State's economic interest in day-to-day design and construction operations of Long Beach Unit facilities rests with the Field Contractor, acting under the direction and control of the City of Long Beach. Economic control by the State does not extend to the design and construction phase of a project after it has been approved by the Commission and included in the Plan and Budget.

Division review of this Tenth Modification indicates that the project is necessary because: (1) the facilities are part of a field system that is required to generate oil revenue and (2) the processing of produced water for reinjection is an important part of the environmental protection plan of the Long Beach Unit.

Although the Division cannot provide justification for this overexpenditure, it recognizes that these additional produced water-handling facilities are needed and that no other alternative exists. Interruption of this project short of completion would reduce future oil production and revenue from the Unit, and could result in potential ocean pollution if produced water were prevented from being processed for reinjection. Therefore the Division recommends that the Commission approve this Tenth Modification.

CALENDAR ITEM 2. (CONTD.)

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

<u>Acct. Code</u>		<u>Current Budget</u>	<u>This Modification</u>	<u>Adjusted Budget</u>
414	(10) Produced Water Handling	\$ 1,016,000	\$ 370,000	\$ 1,386,000
972	(10) Cellar & Ground Maintenance	660,000	(184,000)	476,000
973	(11) Fire Protection & Safety	18,000	(2,000)	16,000
979	(17) Waste Disposal	440,000	(40,000)	400,000
	Total Investment	7,809,000	370,000	8,179,000
	Total Expense	36,053,000	(226,000)	35,827,000
	Administrative Overhead	1,227,000		1,227,000
	Total Budget (excluding Budget Contingency Fund)	\$45,089,000	\$ 144,000	\$45,233,000

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE TENTH MODIFICATION OF THE 1971-1972 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT (JULY 1, 1971 THROUGH JUNE 30, 1972).