

MINUTE ITEM

28. DRILLING-ADDITIONAL WATER INJECTION WELLS AND CONVERTING CERTAIN OIL AND GAS WELLS, PARCEL "W" AREA, FAULT BLOCKS II AND III, WILMINGTON FIELD - L.B.W.O. 10,020.

The attached Calendar Item 33 was presented to the Commission for information.

Attachment

Calendar Item 33 (2 pages)

CALENDAR ITEM

INFORMATIVE

33.

DRILLING ADDITIONAL WATER INJECTION WELLS AND CONVERTING CERTAIN OIL AND GAS WELLS, PARCEL "W" AREA, FAULT BLOCKS II AND III, WILMINGTON FIELD - L.B.W.O. 10,020.

On June 30, 1957 (Minute Item 21, pages 3233-34), the Commission authorized the Executive Officer to approve modified Amendatory Agreements to each of six Drilling and Operating Contracts heretofore entered into between the Board of Harbor Commissioners of the City of Long Beach and the Long Beach Oil Development Company (L.B.O.D.) relating to tidelands oil development on Parcels "W", "X", "Y", "Z", "Z-1" and "J", to provide for an expanded water-flood program within specified Fault Blocks and production zones; and also approved a capital expenditure of not to exceed \$4,000,000 for this initial phase of the waterflood program.

On December 11, 1958 (Minute Item 3, page 4347), the Commission approved another modified Amendatory Agreement to each of the six above-mentioned Drilling and Operating Contracts, to provide for an expanded water-injection program in all zones and all Fault Blocks in the tidelands portion of the Wilmington Field, and also approved an additional capital expenditure not to exceed \$4,000,000. Thus, by these two actions, the Commission has given advance approval to an overall capital ceiling expenditure of \$8,000,000 for the water-injection operations in the six parcels operated by the L.B.O.D. for the City of Long Beach.

Each of the six contracts contains a substantially similar provision which relates to water-injection operations, as follows:

"25.15

WATER-INJECTION OPERATIONS

"(a) . . .

"(b) . . .

"(c) CONTRACTOR shall have the right but shall not be obligated to incur any further cost or expense in connection with the construction, alteration, enlargement, or expansion of said water-injection plants, or the drilling or re-drilling of injection-water-source wells, or the drilling, re-drilling or deepening of injection wells, or the conversion of an oil well to an injection well, unless at the time thereof it can be determined with reasonable certainty that, in the absence of unforeseeable changes in production from the subject lands, there will be sufficient funds available out of CONTRACTOR'S reimbursement allowance as provided in Paragraph 27.1(b) to reimburse CONTRACTOR within a period of three months after the month in which said cost or expense is to be incurred for all costs and expenses for which it is entitled to reimbursement under this Drilling and Operating Contract."

INFORMATIVE 33. (CONTD.)

L.B.O.D. has been diligent in its efforts to maintain the drilling schedules for injection wells as requested by the City. However, due to the accelerated drilling schedules for injection wells in the more critical subsidence areas of the tidelands portion of the Wilmington Field, L.B.O.D. has advised the City that from a financial standpoint they will not be able to undertake the drilling of four such injection wells on the accelerated basis and have therefore declared that they not be obligated pursuant to the above-quoted contract provision. The Contractor has presented the City with an "Estimated Schedule of Reimbursement for Waterflood Capital Expenditures" to support their contention.

On July 21, 1959, the City Attorney's office of Long Beach outlined a procedure to the State Lands Commission staff which would permit immediate drilling of these injection wells to accelerate the waterflood program in the critical areas. The procedure is outlined as follows:

1. The City of Long Beach, through the Board of Harbor Commissioners, would contract by public bidding procedures the well-site preparation, derrick moving, and drilling of (or conversion to) injection wells separately and outside the scope of L.B.O.D. contracts. The Contractor has indicated to the City of Long Beach that it is agreeable to other persons, firms, or corporations performing such functions.
2. The capital expenditure for these water-injection wells would be chargeable to and included in the \$8,000,000 total capital expenditure ceiling heretofore established by the Commission.
3. Upon completion of the water-injection wells, it is contemplated they will be turned over to L.B.O.D. for operation and maintenance within the scope of existing contractual agreements.