

11/3/65

MINUTE ITEM

3. PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET FOR 1966 FOR THE LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.A.W.O.'s 5200.301 AND 5200.311.

After consideration of Calendar Item 3 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION:

1. MUTUALLY AGREES WITH THE CITY, AS PERMITTED BY SUBDIVISION (a) OF SECTION 5 OF CHAPTER 138, FOR THE PRESENT TIME TO WAIVE:
 - A. SPECIFICATION OF THE SURFACE AND BOTTOM LOCATIONS OF THE WELLS TO BE DRILLED IN THE LAST THREE QUARTERS OF THE YEAR 1966;
 - B. SPECIFICATIONS OF THE DRILLING SCHEDULES OF THE WELLS TO BE DRILLED IN THE LAST THREE QUARTERS OF THE YEAR 1966;
 - C. SPECIFICATION OF THE RANGE OF RATES OF PRODUCTION FOR THE WELLS CONTEMPLATED IN THE PLAN OF OPERATION AND DEVELOPMENT AS SUBMITTED; AND
 - D. SPECIFICATION OF THE RANGE OF RATES AND PRESSURES OF INJECTION FOR THE WELLS CONTEMPLATED IN SAID PLAN; ALL SUBJECT TO THE PROVISIONS, TERMS AND CONDITIONS SET FORTH IN SAID PLAN.
2. MUTUALLY AGREES WITH THE CITY IN ACCORDANCE WITH THE PROVISIONS OF SECTION 4.3 OF THE UNIT AGREEMENT, THAT THE REQUIREMENT FOR SPECIFICATION OF THE LOCATION OF OFFSHORE ISLAND "D", AS REQUIRED BY PARAGRAPH 5 OF EXHIBIT "C" TO THE UNIT AGREEMENT IS WAIVED AS TO THE 1966 PLAN OF DEVELOPMENT AND OPERATION, AND ONLY AS TO SAID PLAN FOR SAID YEAR, SUBJECT TO THE PROVISIONS, TERMS AND CONDITIONS SET FORTH AT PAGE 2 OF THE CITY MANAGER'S LETTER TO THE EXECUTIVE OFFICER DATED OCTOBER 29, 1965 (EXHIBIT "B" HERETO).
3. SUBJECT TO THE PROVISIONS, TERMS AND CONDITIONS AS TO IMPLEMENTATION AND CLARIFICATION SET FORTH IN THE CITY MANAGER'S LETTER OF OCTOBER 29, 1965 (EXHIBIT "B" HERETO), APPROVES THE 1966 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, ADOPTED BY THE CITY COUNCIL ON SEPTEMBER 21, 1965 (EXHIBIT "A" HERETO) ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND HEREBY MADE A PART HEREOF.

Attachment

Calendar Item 3 (6 pages)

CALENDAR ITEM

3.

PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET FOR 1966 FOR THE LONG BEACH UNIT, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.A.W.O.'s 5200.301 AND 5200.311.

In compliance with Section 5, Chapter 138, Statutes of 1964, 1st E.S., and Article 4 of the Long Beach Unit Agreement, the City of Long Beach has submitted to the State Lands Commission for approval the "Proposed 1966 Plan of Development and Operations and Budget, Long Beach Unit" (Exhibit "A") of the Wilmington Oil Field.

The 1966 Plan provides for 92 producing wells, 27 injection wells, construction of four offshore islands, facilities for drilling producing and injection operations, furnishing electrical service to the islands, installation of submarine pipelines to and from the islands, installation of a well data logging and monitoring system, construction of docking facilities on Pier "G", subsidence monitoring, and other items necessary to continue the development of the Long Beach Unit.

In order to accomplish this proposed development, the Field Contractor has proposed an expenditure of \$49,781,000. Of this total, \$35,667,000 is scheduled as investment with \$12,520,000 allocated for expense. Major investments include \$13,558,000 for oil wells, \$3,493,000 for water injection wells, \$9,503,000 for producing and operating facilities, and \$6,650,000 for island construction. The larger expense categories are field management, \$1,869,000; administrative overhead, \$1,594,000; operating and maintaining facilities, \$2,175,000; and, production and ad valorem taxes to be paid to the City and County, \$6,403,000.

The proposed Plan and Budget provide for the drilling of 119 wells; however, it is desirable at this time to select specifically only 23 well locations which will be drilled during the first quarter of 1966. Staff review of the proposed locations for the 23 wells to be drilled during the first quarter indicates that they are geologically sound and that these locations will permit sufficient flexibility to adopt ultimately one of several water-flood patterns.

Chapter 138, Statutes of 1964, First Extraordinary Session, and Section 4.2 of the Unit Agreement, Long Beach Unit, Wilmington Oil Field, California, provide that, unless otherwise mutually agreed between the City and the State, each Plan of Development and Operation shall specify with particularity, in addition to other matters deemed necessary or desirable by the City and the State, the surface and bottom locations of both producing and injection wells to be drilled, drilling schedules, range of rates of production, range of rates and pressures of injection, location and capacity of facilities, and an itemized budget of intended expenditures relating to the exploration, development and operation of the unitized lands. In addition, under the provisions of Section 4.3 of the Unit Agreement and Exhibit "C" thereto, the location of each Offshore Island is to be as set forth in the applicable Plan of Development and Operation.

As stated at pages 1-3 of the Plan as submitted, due to the presently unknown character and configuration of the subsurface producing horizon, it is not practicable to establish the surface and bottom locations of producing and

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and injection wells and drilling schedules as to the last three quarters of 1966. As stated at pages 3-4 of said Plan, it is not practicable at this time to establish the range of rates of production and the range of rates and pressures of injection. As to all of the aforesaid matters which are not specified, the Plan provides for their establishment by mutual agreement between the City Manager and the Executive Officer of the State Lands Commission, and absent agreement, these matters will be resolved in accordance with the procedures set forth in Section 5 of Chapter 138. In light of this provision for mutual agreement and applicability of statutory procedures, it is the opinion of the staff that the State's interests will be fully protected and that the Commission may properly agree to the aforesaid omissions from the Plan as submitted.

The printed budget includes approximately \$866,000 for the purchase, installation and operation of shipping pumps. The City of Long Beach and the Commission's staff consider the purchase, installation and operation of these pumps for the transfer of crude oil from the Harbor District to the various refineries should not be undertaken as a Unit expense. The City Council of the City of Long Beach, at the meeting of September 21, 1965, approved the Plan and Budget excluding the installation and operation of shipping pumps.

Funds for the construction of Island "D" and drilling of three core holes are included in the prepared 1966 Budget.

The general locations of Offshore Islands "A", "B", and "C" are set forth on a map attached to City Manager Mansell's letter to the Executive Officer dated April 5, 1965. As stated at page 2 of the letter of October 29, 1965, the information as to the precise location of Offshore Island "D" is not presently available, and such location, and expenditures for its construction, and expenditures for core holes, will not be authorized by the City Manager without the prior approval of the Executive Officer. Under these circumstances, and in light of the provisions for State approval of the location of said island set forth in the letter of October 29, 1965, it is the opinion of the staff that the State's interests are properly protected and the Commission may agree to the omission of the specification of the location of said Island in the Plan as submitted.

The City Manager's letter of October 29, 1965, also contains certain specifications as to how the Plan as submitted is to be administered by the City Manager and certain clarifications thereof. It agrees that the City Manager will obtain prior State approval before authorizing any of the following:

1. Deviations from approved bottom locations of wells exceeding one hundred feet;
2. Oil storage capacity in excess of one hundred thousand barrels;
3. Final decision as to the actual fluid or fluids to be used for water-flood operations; and
4. Commencement of the construction of the offshore pipe line system.

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The letter also makes it clear that the Plan as approved by the City Council and as submitted to the Commission does not authorize any expenditures for installation and operation of shipping pumps, and also precludes the furnishing of Unitized Substances by the Unit as power for shipping pumps.

The Office of the Attorney General has reviewed the proposed 1966 Plan and Budget, together with the City Manager's letter of October 29, 1965, and found them legally sufficient.

The Commission's staff and consultants are of the opinion that execution of the proposed Plan of Development and Operations will insure orderly and aggressive development of the Long Beach Unit, and that the proposed Budget is a reasonable estimate of Unit expenditures anticipated during the year 1966.

IT IS RECOMMENDED THAT THE COMMISSION:

1. MUTUALLY AGREE WITH THE CITY, AS PERMITTED BY SUBDIVISION (a) OF SECTION 5 OF CHAPTER 138, FOR THE PRESENT TIME TO WAIVE:
 - A. SPECIFICATION OF THE SURFACE AND BOTTOM LOCATIONS OF THE WELLS TO BE DRILLED IN THE LAST THREE QUARTERS OF THE YEAR 1966;
 - B. SPECIFICATIONS OF THE DRILLING SCHEDULES OF THE WELLS TO BE DRILLED IN THE LAST THREE QUARTERS OF THE YEAR 1966;
 - C. SPECIFICATION OF THE RANGE OF RATES OF PRODUCTION FOR THE WELLS CONTEMPLATED IN THE PLAN OF OPERATION AND DEVELOPMENT AS SUBMITTED; AND
 - D. SPECIFICATION OF THE RANGE OF RATES AND PRESSURES OF INJECTION FOR THE WELLS CONTEMPLATED IN SAID PLAN; ALL SUBJECT TO THE PROVISIONS, TERMS AND CONDITIONS SET FORTH IN SAID PLAN.
2. MUTUALLY AGREE WITH THE CITY IN ACCORDANCE WITH THE PROVISIONS OF SECTION 4.3 OF THE UNIT AGREEMENT, THAT THE REQUIREMENT FOR SPECIFICATION OF THE LOCATION OF OFFSHORE ISLAND "D", AS REQUIRED BY PARAGRAPH 5 OF EXHIBIT "C" TO THE UNIT AGREEMENT IS WAIVED AS TO THE 1966 PLAN OF DEVELOPMENT AND OPERATION, AND ONLY AS TO SAID PLAN FOR SAID YEAR, SUBJECT TO THE PROVISIONS, TERMS AND CONDITIONS SET FORTH AT PAGE 2 OF THE CITY MANAGER'S LETTER TO THE EXECUTIVE OFFICER DATED OCTOBER 29, 1965 (EXHIBIT "B" HERETO).
3. SUBJECT TO THE PROVISIONS, TERMS AND CONDITIONS AS TO IMPLEMENTATION AND CLARIFICATION SET FORTH IN THE CITY MANAGER'S LETTER OF OCTOBER 29, 1965 (EXHIBIT "B" HERETO), APPROVE THE 1966 PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, ADOPTED BY THE CITY COUNCIL ON SEPTEMBER 21, 1965 (EXHIBIT "A" HERETO) ON FILE IN THE OFFICE OF THE STATE LANDS COMMISSION AND HEREBY MADE A PART HEREOF.

EXHIBIT "A"

CITY OF LONG BEACH

W.O. 5200.301

W.O. 5200.311

John R. Mansell
City Manager

Long Beach 2, California

September 21, 1965

Honorable Mayor and City Council
City of Long Beach
California

Gentlemen:

SUBJECT: Plan of Operation and Development
and Budget for 1966 for the Long
Beach Unit-East Wilmington Oil
Field

There is transmitted herewith, for your approval, the Plan of Operation and Development and Budget for 1966 for the Long Beach Unit - East Wilmington Oil Field. Following your approval, we will immediately file the plan with the State Lands Commission as required by Chapter 138, Statutes of 1964, First Extraordinary Session.

The Plan and Budget was prepared by Thums Long Beach Company under the direction of the Department of Oil Properties. Representatives of the State Lands Commission, the Attorney General's Office and the State's consultants have reviewed these documents.

Please approve the Plan and Budget, with the deletion of the items for installation and operation of shipping pumps and authorize transmittal to the State Lands Commission.

Very truly yours,

JOHN R. MANSELL
CITY MANAGER

JRM
LWB
al:mc
Attachments

EXHIBIT "B"

CITY OF LONG BEACH

John R. Mansell
City Manager

W.O. 5200.301
W.O. 5200.311

Long Beach 2, California

October 29, 1965

Mr. Frank Hortig
Executive Officer
State Lands Commission
305 State Building
Los Angeles, California 90012

Re: 1966 Plan of Development and Operations and Budget Long Beach Unit

Dear Sir:

On September 21, 1965 the City adopted the 1966 Plan of Development and Operations and Budget, Long Beach Unit, and submitted it to the State Lands Commission in conformance with the provisions of Chapter 138, Statutes First Extraordinary Session, 1964. Since that time, members of the State Lands Division staff, the Attorney General's office, and your Consultants, DeGolyer and MacNaughton, have met with members of the City's Department of Oil Properties and the City Attorney's office relative to the City's implementation of the Plan if it is adopted. As an outgrowth of those discussions the following procedures to implement the Plan are acceptable to the City and will be carried out by the City if the Plan is adopted by the State Lands Commission.

Bottom Locations of Producing
and Injection Wells

If the deviation provided for on Page 2 of the Plan should exceed one hundred feet from the approved bottom location because of operational difficulties or emergencies, then a representative of the City will obtain approval of the Executive Officer of the State Lands Commission or any person authorized in writing by the Executive Officer of the State Lands Commission to approve such deviations. Such approval shall be confirmed in writing as soon as practicable.

Ultimate Storage Capacity

The City will not approve any oil storage tankage during the year 1966 whose capacity is in excess of one hundred thousand barrels until such time as the ultimate storage capacity to be achieved has been set by the City and the prior approval of the Executive Officer of the State Lands Commission, as to the capacity and cost of such additional tankage, has been obtained.

EXHIBIT "B" (CONTD.)

Mr. Frank Hortig

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October 29, 1965

Shipping Pumps

For purposes of clarification, the City Manager's letter to the Mayor and City Council dated September 21, 1965 was incorporated in the 1966 Plan of Development and Operations and Budget, Long Beach Unit, approved by the City Council on said date. In accordance with said letter, and the City Manager's letter to the State Lands Commission dated September 21, 1965 submitting said Plan and Budget to the State Lands Commission, it is to be understood that the Plan and Budget do not authorize any expenditures for installation and operation of shipping pumps, and such understanding also precludes the furnishing of unitized substances by the Unit as power for shipping pumps.

Injection Fluids (Brine)

For purposes of clarification of Page 4 of said Plan, although it is anticipated that oil field-produced brine will be used as the injection fluid, it is understood that economic tests of all types of injection fluids are being conducted and no final decision as to the actual fluid or fluids to be used for water flood operations will be made without prior approval of such decision by the Executive Officer of the State Lands Commission.

Island "D" Location

As the information for the precise location of Island "D" is not presently available, the location of such island and expenditures for its construction, and expenditures for core holes, will not be authorized without the prior approval of the Executive Officer of the State Lands Commission. In light of the foregoing, the City hereby agrees, in accordance with the provisions of Section 4.3 of the Unit Agreement, that the requirement for specification of the location of said island as required by Paragraph 5 of Exhibit "C" to the Unit Agreement is waived as to the 1966 Plan of Development and Operations, and only as to said Plan for said year.

Offshore Pipe Line System

The construction of the offshore pipe line system will not be commenced until the plans for such system have been approved by the Executive Officer of the State Lands Commission.

Very truly yours,

JOHN R. MANSELL
City Manager

JRM:mlf