

MINUTE ITEM

This Calendar Item No. 51
was approved as Minute Item
No. 51 by the State Lands
Commission by a vote of 2
to 0 at its 9-26-80
meeting.

CALENDAR ITEM

51.

8/80
Thompson

SECOND MODIFICATION OF THE 1980-1981 PLAN OF DEVELOPMENT
AND OPERATIONS AND BUDGET, LONG BEACH UNIT,
WILMINGTON FIELD, LOS ANGELES COUNTY

The Second Modification of the 1980-1981 Plan and Budget, Long Beach Unit would modify the plan to provide for the purchase and installation of Silicon Controlled Rectifier (SCR) units on two drilling rigs, the purchase and installation of brine making facilities and the painting of seven drilling structures. Funds would be provided by transfers within the budget, therefore no budget augmentation would be required at this time.

The SCR units convert alternating current to the direct current required by electric motors on the rigs. In addition to being more reliable than the current AC motor DC generator sets, these units are energy-saving control units which significantly reduce drilling rig electrical energy consumption. The energy savings, combined with the dependability and reduced maintenance, provide the payout of the expenditure. With the installation of these two units, at an estimated cost of \$380,000, all Unit-owned rigs will be so equipped.

By installing brine making facilities for well kill fluids at the drilling mud plants on the four islands and on Pier J, considerable savings can be realized through bulk purchases of salt and reduced handling costs. Installation of these facilities is expected to cost \$160,000.

When drilling activity was reduced on Islands Grissom and White, in 1968 and 1969, the extra drilling structures were kept on the islands as part of the beautification. As with all painted metal structures in an ocean front environment, remedial decorative painting is necessary every few years on both the idle structures and those in use to avoid unsightly deterioration. Cost of this work has been estimated at \$120,000.

It is proposed to provide funds in the Drilling Equipment budget item for the two projects which should reduce drilling costs by transfer from the Development Drilling - Ranger Zone budget item. In the Expense portion of the budget, the additional funds for Environmental Control would be transferred from Leasehold Improvements. With approval of this modification these Budget Items would be revised as follows:

A 57, 58

-1-

S 27, 31

CALENDAR PAGE	<u>278</u>
MINUTE PAGE	<u>1942</u>

CALENDAR ITEM NO. 51. (CONTD)

	<u>CURRENT BUDGET</u>	<u>THIS MODIFICATION</u>	<u>ADJUSTED BUDGET</u>
A. ESTIMATED EXPENDITURES FOR INVESTMENT			
1. DRILLING AND DEVELOPMENT			
a. Development Drilling			
(2) Ranger Zone	\$18,745,000	\$(540,000)	\$18,205,000
2. FIELD AND WELL FACILITIES			
f. Field Equipment			
(2) Drilling Equip.	5,557,000	540,000	6,097,000
B. ESTIMATED EXPENDITURES FOR EXPENSE			
2. OPERATING EXPENSE			
c. Other Projection Expense			
(10) Leasehold Improvements	2,354,000	(120,000)	2,234,000
4. OTHER EXPENSE			
c. Environmental Control	693,000	120,000	813,000

The Commission's staff recommends approval of the Second Modification. The two investment projects are energy saving and cost reducing. While the savings realized during this budget year will amount to only part of the cost, funds are available in Development Drilling for transfer at this time. Maintaining island beautification equipment is essential and provides for good community and public relations. Funds can be provided now by transfer.

IT IS RECOMMENDED THE COMMISSION APPROVE THE SECOND MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1980, THROUGH JUNE 30, 1981.