

MINUTE ITEM

This Calendar Item No. 35
was approved as Minute Item
No. 35 by the State Lands
Commission by a vote of 2
to 0 at its 7-22-76
meeting.

CALENDAR ITEM

7/76
WNT

35,

FIRST MODIFICATION OF THE 1976-1977
PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET,
LONG BEACH UNIT, WILMINGTON OIL FIELD,
LOS ANGELES COUNTY

The Commission, at its meeting of April 28, 1976, approved the Plan of Development and Operations and Budget, Long Beach Unit (July 1, 1976 through June 30, 1977), subject to certain changes, mutually agreed to by the City of Long Beach and the Commission, which were to be incorporated into the First Modification of the Plan and Budget.

The City of Long Beach has submitted the First Modification which incorporates these Plan changes and Budget transfers as set forth in an agreement letter from the Long Beach City Manager to the Executive Officer, dated April 23, 1976.

The original 1976-1977 Plan and Budget, at the request of the Commission, included drilling funds for only the first quarter activity of one drilling rig. This was an interim funding procedure, taken as an alternative to the complete cessation of drilling and redrilling activity in the Unit.

A drastic reduction in expenditures for oil production acceleration projects was initiated in late 1975. This action was taken because of the continuation of the December 1973 oil price freeze and the uncertainty as to future crude oil prices under the Federal Energy Administration regulations. Just prior to the consideration of the 1976-1977 Plan and Budget by the State Lands Commission in the April 1976 meeting, the Federal Energy Administration issued its first schedule of monthly price adjustments to the crude oil ceiling prices under the composite domestic oil prices established pursuant to the Federal Energy Policy and Conservation Act. Based on the termination of the crude oil price freeze, but tempered by the small amount of the monthly increases and the uncertainty as to the duration of these monthly increases, the Commission requested reallocation of investment funds within the proposed Plan and Budget. The First Modification will provide funding for the continuation of drilling activity by one drilling rig for two additional quarters. Consideration by the Commission as to the funding for drilling activity for the balance of the fiscal year will be required by February 1977.

These additional development drilling funds of \$2,080,000 are provided by transfers of funds originally budgeted for produced water handling facilities and an enhanced recovery pilot caustic flood project. Future consideration of augmentation for the produced water handling facilities would be contingent upon additional increments in crude oil prices and previously

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established priorities. The initiation of an enhanced recovery pilot caustic test is currently being investigated as a joint effort with the Federal Energy Research and Development Administration with future funding requirements unknown at this time.

With approval of this modification the affected budget items will be revised as follows:

	<u>Original Budget</u>	<u>First Modification</u>	<u>Modified Budget</u>
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PART III

A. ESTIMATED EXPENDITURES FOR INVESTMENT

1. DRILLING AND DEVELOPMENT

a. Development Drilling

(2) Ranger Zone

\$1,000,000	\$1,680,000	\$2,680,000
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(5) Union Pacific-Ford Zone

-0-	\$ 400,000	\$ 400,000
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2. FIELD AND WELL FACILITIES

B. Gathering, Treating, Storage and Distribution Other Systems

(10) Produced Water Handling

\$1,900,000	(\$1,900,000)	-0-
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c. Injection Water Treating and Distribution

(1) Water Injection System

\$ 180,000	(\$ 180,000)	-0-
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The total \$62,041,000 Budget for the Long Beach Unit as approved by the Commission at its April 1976 meeting, remains unchanged.

Plan Changes included in the First Modification accommodate the budget fund transfers and the Commission's intent as to restricting expenditures for acceleration of oil production. These changes in Plan, approved by the City of Long Beach and the Commission, are shown as Exhibit A, Minute Item No. 21 of the April 28, 1976 Commission Meeting.

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The Division has reviewed the First Modification and finds that the Plan changes and Budget transfers fulfill the conditions mutually agreed to by the City of Long Beach and the Commission and set forth in the Commission's original approval of the 1976-1977 Plan of Development and Operations and Budget for the Long Beach Unit.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE FIRST MODIFICATION OF THE PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT (JULY 1, 1976 THROUGH JUNE 30, 1977).