

MINUTE ITEM

2. APPROVAL OF PLAN OF DEVELOPMENT AND OPERATIONS, LONG BEACH UNIT,
WILMINGTON OIL FIELD - L.B.W.O. 10,155, W.O. 5200.3.1.

Following presentation of Calendar Item No. 2, the location of the islands to be constructed in connection with development of the leased area was reviewed. The question of possible use of the islands for other than oil development was discussed, with marinas being mentioned specifically. However, as pointed out by the Executive Officer, the islands probably could not be used for marinas until after exhaustion of the oil production, as a matter of safety.

UPON MOTION DULY MADE AND UNANIMOUSLY CARRIED, THE FOLLOWING RESOLUTION WAS ADOPTED:

THE COMMISSION APPROVES THE PLAN OF DEVELOPMENT AND OPERATIONS, LONG BEACH UNIT, WILMINGTON OIL FIELD, AS ADOPTED BY THE LONG BEACH CITY COUNCIL MARCH 2, 1965, UNDER RESOLUTION NO. C-19276, SUBJECT TO THE CONDITIONS DETAILED IN THE LETTER FROM THE LONG BEACH CITY MANAGER, DATED APRIL 5, 1965, AND IN LIGHT OF SAID CONDITIONS, AGREES THAT SAID PLAN MAY OMIT CERTAIN OF THE SPECIFICATIONS SET FORTH IN SECTION 5(a) OF CHAPTER 138, STATUTES OF 1964, FIRST EXTRAORDINARY SESSION, AND IN PARAGRAPH 5 OF EXHIBIT "C" TO THE UNIT AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA.

Attachment
Calendar Item 2 (2 pages)

CALENDAR ITEM

C.

APPROVAL OF PLAN OF DEVELOPMENT AND OPERATIONS, LONG BEACH UNIT, WILMINGTON OIL FIELD - L.B.W.O. 10,155, W.O. 5200.5.1.

In compliance with Section 5, Chapter 138, Statutes of 1964, 1st E.S., and Article 4 of the Unit Agreement, the City of Long Beach has submitted to the State Lands Commission for approval an initial Plan of Development and Operations for the Long Beach Unit of the Wilmington Oil Field.

The plan submitted was adopted by Resolution No. C-19276 of the Long Beach City Council on March 2, 1965, and is a preliminary plan covering the operating period June 11, 1965, through December 31, 1965. (See Exhibit "A")

The plan is not restrictive in respect to subsequent operations nor in regard to modification by mutual agreement between the City and the State. It provides for 27 producing wells, 13 injection wells, producing facilities, injection facilities, tank farms, together with an itemized budget of \$13,785,000 to finance the development described therein. The cost estimates include sums necessary to comply with Exhibit "C" provisions to be included in the initial development plan of the Unit Agreement.

The initial 10 wells designated in the plan have been proposed at the most optimum location within the sand in relation to existing wells, and for the purpose of securing information to properly locate the remaining 30 wells. The initial 10 wells consist of 6 production and 4 injection wells.

The facilities and surface locations of the wells to be drilled will be located on Pier "J". The general estimates and plans for the rates of production, ranges of rates and pressure injection, are outlined. It is proposed that initially two strings of tools will be in operation. The program will be extended to 4 to 6 strings of tools by the end of the year. It is proposed that simultaneous construction of 2 islands will be commenced. This may result in a reduction in material costs, and would make the second island available at an earlier date. Adequate funds are included in the contingency portion of the budget to conduct all necessary subsidence control services.

Section 5, Chapter 138, provides, in part:

"All exploration, development and operation of the undeveloped portion of the Long Beach tidelands, or any part thereof, shall be in accordance with plans of development and operation. Said plans shall not cover a period in excess of one year (unless otherwise mutually agreed between the city and the State Lands Commission), and shall specify (unless otherwise mutually agreed between the city and the State Lands Commission) with particularity, in addition to other matters deemed necessary or desirable, 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 undeveloped portion of the Long Beach tidelands."

CALENDAR ITEM 2. (CONTD.)

Paragraph 5 of Exhibit "C" to the Unit Agreement requires, in part, that "The location of each Offshore Island is to be as set forth in the applicable plan of development and operation adopted pursuant to Article 4 of the Unit Agreement".

A specification of all of the factors set forth in the statute to be included in each plan is not possible at this time, because such specification will require additional geological and engineering data which can only be obtained by actual drilling operations. For this reason, the plan, as submitted, omits certain of these factors, such as the surface and bottom locations of the additional 30 wells, and the range of rates of production and injection. The City Manager has submitted a letter approved by the City Council (see Exhibit "B"), agreeing that any Commission approval of the plan will be subject to certain conditions requiring Commission approval of the surface and bottom locations of the additional 30 wells, the range of rates of production, and the order of construction of the offshore islands, two of which are to be commenced during this calendar year. Although the plan, as submitted, did not set forth the locations of the offshore islands to be commenced during this calendar year, as required by Paragraph 5 of Exhibit "C", the letter specifies the locations of the offshore islands within a 600-foot radius, and agrees to undertake consultation with the Commission staff concerning economic factors relating to the design of the offshore islands. Paragraph 5 of Exhibit "C" is subject to modification with approval after submission to the Participants after mutual agreement upon such modification between the City and the State.

The Commission's consultants are of the opinion that the plan, together with the conditions set forth in the City Manager's letter, is sufficient to give the State effective economic control over oil operations for the remainder of the calendar year.

In addition, said plan does not purport to set forth the budget for the period covered thereby, which budget is to be subject to separate approval by the Commission pursuant to the provisions of Section 9.5 of the Unit Operating Agreement. This procedure makes possible the immediate adoption of a budget which provides the State with general control over pre-operational costs incurred prior to June 11, 1965, the expected effective date of the subject plan. (See Item 3 of this calendar)

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE PLAN OF DEVELOPMENT AND OPERATIONS, LONG BEACH UNIT, WILMINGTON OIL FIELD, AS ADOPTED BY THE LONG BEACH CITY COUNCIL MARCH 2, 1965, UNDER RESOLUTION NO. C-19276, SUBJECT TO THE CONDITIONS DETAILED IN THE LETTER FROM THE LONG BEACH CITY MANAGER, DATED APRIL 5, 1965, AND IN LIGHT OF SAID CONDITIONS, AGREE THAT SAID PLAN MAY OMIT CERTAIN OF THE SPECIFICATIONS SET FORTH IN SECTION 5(a) OF CHAPTER 138, STATUTES OF 1964, FIRST EXTRAORDINARY SESSION, AND IN PARAGRAPH 5 OF EXHIBIT "C" TO THE UNIT AGREEMENT, LONG BEACH UNIT, WILMINGTON OIL FIELD, CALIFORNIA.