

MINUTE ITEM

4/23/70
CVB

32. PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1970, THROUGH JUNE 30, 1971, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

After consideration of Calendar Item 31 attached, and upon motion duly made and carried, the following resolution was adopted:

THE COMMISSION APPROVES THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1970, THROUGH JUNE 30, 1971", AS ADOPTED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH ON MARCH 17, 1970.

THE STATE LANDS COMMISSION REQUESTS THE CITY OF LONG BEACH, AS PART OF THEIR STEWARDSHIP IN ADMINISTERING THE LONG BEACH TIDELANDS, TO MAKE EVERY EFFORT TO REDUCE COSTS IN THE LONG BEACH UNIT, SO AS TO MAXIMIZE THE NET PROFIT PAYMENTS TO THE CITY OF LONG BEACH AND THE STATE OF CALIFORNIA AND TO ACHIEVE MAXIMUM ECONOMIC OIL RECOVERY.

THE STATE LANDS COMMISSION REQUESTS THE CITY OF LONG BEACH TO REPORT, ON A QUARTERLY BASIS STARTING WITH JUNE, 1970, AS TO THEIR EFFECTIVENESS IN REDUCING THE EXPENDITURES BY THE FIELD CONTRACTOR IN THE LONG BEACH UNIT.

Attachment:

Calendar Item 31 (2 pages)

31.

PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1970, THROUGH JUNE 30, 1971, WILMINGTON OIL FIELD, LOS ANGELES COUNTY.

In compliance with Section 5, Chapter 138/1964, 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 "Plan of Development and Operations and Budget, Long Beach Unit, July 1, 1970, through June 30, 1971".

The Plan calls for the drilling of 19 wells, of which 17 will be producers and 2 injectors. At the conclusion of this proposed Plan, the total number of wells drilled should approximate 672, with the Long Beach Unit approximately 96% developed.

In order to accomplish the proposed additional development and to manage, operate, and maintain the various facilities, a total expenditure of \$50,901,000 is proposed. Of this total, \$9,250,000 is scheduled as investment, with \$40,168,000 allocated for expense, and \$1,433,000 for administrative overhead.

Investment includes \$6,765,000 for drilling and development, and \$2,485,000 for field and well facilities. Expense categories are: taxes, \$11,290,000; operating expense, \$24,151,000; general administrative expense, \$4,522,000; and other expense, \$205,000.

The City Council of the City of Long Beach, at its meeting of March 17, 1970, adopted this proposed Plan of Development and Operations and Budget, and authorized its submittal to the State Lands Commission for consideration and approval.

The Office of the Attorney General has reviewed the proposed Plan and Budget and found it to be legally sufficient.

The State Lands Division has made a thorough review of the proposed Plan and Budget, and is of the opinion that execution of the Plan will insure the continuing development of the Long Beach Unit. The Division is concerned over the increased level of operating and management expense as proposed in the Budget. The Division believes it will be necessary for the City of Long Beach to effect cost reductions in the Field Contractor's operations in the Long Beach Unit. If positive reductions in expense are not made, the net profits to the State of California and the City of Long Beach from the Long Beach Unit will be drastically reduced and valuable oil reserves will not be recovered due to premature abandonment created by high operating costs.

IT IS RECOMMENDED THAT THE COMMISSION APPROVE THE "PLAN OF DEVELOPMENT AND OPERATIONS AND BUDGET, LONG BEACH UNIT, JULY 1, 1970, THROUGH JUNE 30, 1971", AS ADOPTED BY THE CITY COUNCIL OF THE CITY OF LONG BEACH ON MARCH 17, 1970.

THE STATE LANDS COMMISSION REQUESTS THE CITY OF LONG BEACH, AS PART OF THEIR STEWARDSHIP IN ADMINISTERING THE LONG BEACH TIDE LANDS, TO MAKE EVERY EFFORT

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TO REDUCE COSTS IN THE LONG BEACH UNIT, SO AS TO MAXIMIZE THE NET PROFIT PAYMENTS TO THE CITY OF LONG BEACH AND THE STATE OF CALIFORNIA AND TO ACHIEVE MAXIMUM ECONOMIC OIL RECOVERY.

THE STATE LANDS COMMISSION REQUESTS THE CITY OF LONG BEACH TO REPORT, ON A QUARTERLY BASIS STARTING WITH JUNE, 1970, AS TO THEIR EFFECTIVENESS IN REDUCING THE EXPENDITURES BY THE FIELD CONTRACTOR IN THE LONG BEACH UNIT.